

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Highlands County by Fairmount Utilities, The 2nd Inc.	DOCKET NO. 080668-SU ORDER NO. PSC-09-0628-PAA-SU ISSUED: September 17, 2009
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The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING INCREASE IN RATES AND CHARGES  
AND  
FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for our decision regarding the four year rate reduction, proof of adjustments, and granting temporary rates in the event of a protest, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

Fairmount Utilities, the 2nd Inc. (Fairmount or Utility) was organized in June 1970, to provide wastewater service to Fairmount Mobile Estates. The Utility came under this Commission's jurisdiction on February 23, 1984. On June 3, 1987, the Commission approved a transfer of Certificate No. 357-S from Fairmount Utilities to Parmer Utilities in Docket No. 870056-SU by Order No. 17654. On November 5, 1991, by Order No. 25217-A, the Commission approved the transfer of Certificate No. 357-S from Parmer Utilities to Fairmount Utilities, the 2<sup>nd</sup>, Inc. The service area for the Utility is known as Fairmount Mobile Estates. Fairmount has 427 residential (mobile home) customers and 15 general service customers.

The Utility applied for a staff-assisted rate increase on November 12, 2008. The test year for setting rates is the historical average twelve month period ending September 30, 2008. Fairmount's 2007 annual report indicates gross revenues of \$113,961 with a net loss of \$4,663.

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FPSC-COMMISSION CLERK

The Utility's last staff-assisted rate case was in 1996.<sup>1</sup> Fairmount has also taken advantage of three annual indexing rate adjustments since its last rate case.

The Utility has requested pro forma plant additions. We find that the additions are reasonable and prudent. However, the pro forma additions shall not be included in plant until completion. Therefore, we approve a two-phase rate approach, whereby Phase II rates can only be implemented once the pro forma plant additions are complete.

We have jurisdiction over this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

## DECISION

### QUALITY OF SERVICE

Rule 25-30.433(1), F.A.C., states that:

The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of utility's product (water and wastewater); operational conditions of utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and county health departments or lack thereof over the proceeding 3-year period shall also be considered. DEP and county health department officials' testimony concerning quality of service as well as the comments and testimony of the utility's customers shall be considered.

Fairmount's wastewater treatment plant is regulated by the DEP South District Office located in Fort Myers. According to the DEP, the Utility is current in all of the required chemical analyses, the Utility has met all required standards for wastewater operation and maintenance, and the wastewater effluent quality is considered satisfactory. Our staff conducted a field investigation of the Utility's service area on February 2, 2009. Based on the physical inspection, we find the general condition of the facilities to be adequate. Therefore, we find that the quality of the product and the operational condition of the wastewater plant are satisfactory.

A customer meeting was held on May 20, 2009, at the Sebring Civic Center in Sebring, Florida. Eight customers attended the meeting, and three spoke. A representative from the Utility was also present. One of the concerns raised at the meeting was the offensive odor from the plant. Over 60 customers sent a petition to the Utility requesting the elimination of the odor problem. In addition, three customers wrote to the Commission complaining about the odor problem at the plant. At our request, a DEP staff member visited the plant on May 19, 2009, and reported that an odor problem was not detected at the Fairmount wastewater treatment plant. A

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<sup>1</sup> See Order No. PSC-96-0860-FOF-SU, issued July 2, 1996, in Docket No. 950967-SU, In re: Application for a Staff-Assisted Rate Case in Highlands County by Fairmount Utilities, the 2<sup>nd</sup>, Inc.

representative from the Florida Rural Water Association also visited the plant and concluded that the plant was operating properly and that there was no odor problem. Another customer complained about manholes overflowing, especially during rainstorms. The customer said the problem began four years ago, but has occurred periodically since then. The customer was informed that DEP should be contacted if this problem occurs again. The Utility, however, is rebuilding the lift station to improve service reliability. Our staff spoke with another customer who was not at the customer meeting but was concerned about the Utility's handling of the inflow problem associated with a manhole adjacent to her driveway. Although the Utility has already repaired the inflow problem, the customer is concerned that the problem could occur again. We will monitor the progress of the Utility's work regarding the inflow problems.

We reviewed the Commission's complaint tracking system and found no complaints. In addition, the DEP indicated that Fairmount is in compliance with the operation and maintenance of the wastewater treatment plant. Accordingly, we find that the Utility's attempts to address customer concerns and the Utility's overall quality of service are satisfactory.

#### USED AND USEFUL

The Fairmount Utilities wastewater treatment plant is an extended aeration activated sludge plant with a single lift station located in the service area. The collection system is composed of clay and polyvinyl chloride (PVC) pipes. The wastewater treatment plant is permitted by the DEP at 40,000 gallons per day (gpd) based on the average annual daily flow (AADF). Liquid chlorine disinfection is applied prior to the wastewater effluent flowing into the percolation ponds.

Pursuant to Rule 25-30.432, F.A.C., the used and useful percentage of a wastewater treatment plant is based on the plant flows and a growth allowance less excessive inflow and infiltration divided by the permitted capacity of the plant. Other factors, such as whether the service area is built out and whether the plant flows have decreased due to conservation, may also be considered.

The Fairmount wastewater treatment plant test year AADF was 23,250 gallons per day. There has been very little growth in the Utility's service area and there does not appear to be excessive infiltration or inflow. Based on this information, it appears that the wastewater treatment plant is 58.13 percent used and useful. However, in the Utility's two prior rate cases, the wastewater treatment plant and collection system were found to be 100 percent used and useful.<sup>2</sup>

According to information contained in the Utility's annual reports, the wastewater plant flows have steadily decreased for several years. However, according to the Utility, the flow measuring devices had not been calibrated in a very long time and the flows were not reliable. At our request, the Utility recently had the flow measuring devices recalibrated. Our field

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<sup>2</sup> See Order Nos. 21049, issued April 4, 1989, in Docket No. 881108-SU, In re: Application of Parmer Utilities, Inc. for staff-assisted rate case in Highlands County; PSC-96-0860-FOF-SU, issued July 2, 1996, in Docket No. 950967-SU, In re: Application for a staff-assisted rate case in Highlands County by Fairmount Utilities the 2<sup>nd</sup>, Inc.

investigation of the service area confirmed that the service area is built out, and there are no plans for expansion. Therefore, we find the wastewater treatment plant and collection system 100 percent used and useful because the service area is built out and the plant and collection system were considered 100 percent used and useful in the two prior rate cases.

### RATE BASE

The Utility's rate base was last established in 1996. We selected a test year ended September 30, 2008, for this rate case. Rate base components established by Order No. PSC-96-0860-FOF-SU have been updated through September 30, 2008, using information obtained from our audit of the Utility. A summary of each component and adjustments follows:

#### Utility Plant in Service (UPIS)

The Utility recorded a balance of \$217,604 for UPIS. We decreased UPIS by \$1,179 to reflect the appropriate balance based on additions and retirements since rate base was last established. Also, we decreased UPIS by \$287 to reflect an averaging adjustment. Our net adjustment to UPIS is an increase of \$1,466. Accordingly, we find that the UPIS balance is \$216,138.

#### Land

The Utility recorded \$0 for land during the test year. In Fairmount's last rate proceeding, this Commission reestablished the value of the Utility's land to be \$1,750. There have been no additions since Fairmount's last rate proceeding. Therefore, land shall be increased by \$1,750 to reflect the appropriate balance.

#### Non-used and Useful Plant

As discussed above, Fairmount's wastewater treatment facilities and collection system are 100 percent used and useful. Therefore, a used and useful adjustment is unnecessary.

#### Contribution in Aid of Construction (CIAC)

The Utility recorded CIAC of \$2,463 for the test year ending September 30, 2008. We increased this account by \$45 to reflect contributions collected in 2005. Based on this adjustment, CIAC is \$2,508.

#### Accumulated Depreciation

The Utility recorded a balance for accumulated depreciation of \$185,460 for the test year. We calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., and increased this account by \$1,419 accordingly. We decreased this account by \$2,904 to reflect an averaging adjustment. These adjustments result in average accumulated depreciation of \$183,975.

Amortization of CIAC

The Utility recorded \$2,004 for amortization of CIAC. We recalculated amortization of CIAC using composite depreciation rates. This account has been increased by \$106 to reflect amortization of CIAC. We decreased this account by \$37 to reflect an averaging adjustment. Our net adjustments to this account result in amortization of CIAC of \$2,073.

Working Capital Allowance

Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, working capital allowance shall be \$12,496 (based on O&M of \$99,967).

Conclusion

Based on the foregoing, the test year average rate base shall be \$45,974. Rate base is shown on Schedule No. 1-A, and our adjustments are shown on Schedule No. 1-B.

RATE OF RETURN

Per Audit Finding No. 7, Fairmount's capital structure for the test year consists of two debt issues and negative retained earnings. One debt issue relates to a loan made to Fairmount from one of its officers. As of September 30, 2008, the outstanding balance was \$179,085. The Utility has made neither principal nor interest payments on the loan. Consistent with Commission practice, it has been treated as equity.<sup>3</sup> The other long-term debt is issued by Heartland Bank, and the balance is \$38,236 with a cost rate of 7.25 percent. The appropriate rate of return on equity is 11.30 percent using this Commission's most recently approved leverage formula.<sup>4</sup> Fairmount's capital structure has been reconciled with our approved rate base. We hereby approve a return on equity of 11.30 percent with a range of 10.30 percent to 12.30 percent, resulting in an overall rate of return of 7.25 percent. The return on equity and overall rate of return are shown on Schedule No. 2.

TEST YEAR REVENUE

The Utility recorded total revenues of \$109,794 for the 12-month period ended September 30, 2008. We calculated revenues based on test year bills and consumption and determined test year revenues are \$109,062. Therefore, we decreased test year revenues by \$732

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<sup>3</sup> See Order No. PSC-05-0621-PAA-WU, issued June 6, 2005, in Docket No. 041145-WU, In Re: Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

<sup>4</sup> See Order No. PSC-09-0430-PAA-WS, issued June 19, 2009, in Docket No. 090006-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. The order was consummated by Order No. PSC-09-0502-CO-WS, issued July 15, 2009.

(\$109,794 - \$109,062). Test year revenue is shown on Schedule No. 3-A. Our related adjustments are shown on Schedule No. 3-B.

### OPERATING EXPENSES

Fairmount recorded operating expenses of \$127,927 during the test year ending September 30, 2008. The test year O&M expenses have been reviewed, and invoices, canceled checks and other supporting documentation have been examined. We made several adjustments to the Utility's operating expenses as summarized below:

#### Salaries and Wages – Employees (701)

Fairmount recorded \$0 in this account during the test year. The Utility has two full time employees; one is the office manager and the other is the operations manager. The office manager's duties include bookkeeping, billing, and collection; paying vendors; handling customer contacts; and managing the company's day-to-day activities. The operations manager, who is a related party, mainly works on the wastewater plant and does light maintenance work. The salaries for these employees were not paid during the test year. We indexed the salaries approved in the last rate case and determined the appropriate salaries to be \$16,328 for the office manager and \$22,255 for the operations manager. Accordingly, salaries and wages-employees for the test year shall be \$38,583.

#### Salaries and Wages – Officers (703)

Fairmount recorded \$33,609 in this account during the test year for the salary of its officers. We find that this salary is excessive for a utility of this size. The officer is also the office manager. The Utility provided a list of duties for the officer. We find that the duties are consistent with those being performed during the last rate case. Accordingly, we indexed the officer's salary approved in the last rate proceeding and reduced this account by \$24,703 (\$33,609-\$8,906). Salaries and wages-officers for the test year shall be \$8,906.

#### Sludge Removal Expense – (711)

Fairmount recorded \$3,150 in this account during the test year. Since we find that this amount is reasonable, we made no adjustment to this account. Therefore, sludge removal expense for the test year shall be \$3,150.

#### Purchased Power – (715)

The Utility recorded \$5,786 in this account during the test year. Pursuant to Audit Finding No. 5, we increased purchased power by \$347 to reflect the actual invoiced purchase power expense during the test year. Purchased power expense for the test year shall be \$6,133.

Chemicals – (718)

The Utility recorded \$8,539 in this account during the test year. Highlands Construction, a related party, provides chlorine and lime to Fairmount. Having obtained comparable prices from a third party, Pugh Utilities Service, Inc., we find that the related party prices are reasonable in comparison to those provided by the third party. However, pursuant to Audit Finding No. 5, we made an adjustment to decrease chemicals by \$664 to remove an out-of-period expense. Chemicals expense for the test year shall be \$7,875.

Material and Supplies – (720)

The Utility recorded \$19,866 in this account during the test year. Per Audit Finding No. 5, we reclassified \$10,974 to reflect contractual services - other expenses recorded as material and supplies. Also, we decreased this account by \$8,207 to remove plant additions that are already included in UPIS. Therefore, material and supplies for the test year shall be \$685.

Contractual Services – Billing – (730)

Fairmount did not record any expenses in this account during the test year. The Utility receives water consumption data from the City of Sebring (City) in order to bill its customers. The City charges \$0.25 per customer for the water consumption data. We reviewed the invoices provided for the test year and find the appropriate expense to be \$1,229. Accordingly, contractual services – billing for the test year shall be \$1,229.

Contractual Services – Professional – (731)

Fairmount recorded \$3,460 in this account during the test year. Pursuant to Audit Finding No. 5, we decreased contractual services – professional by \$385 to reflect the actual invoiced expense during the test year. We find that the invoices are reasonable. Therefore, contractual services – professional for the test year shall be \$3,075.

Contractual Services – Testing – (735)

The Utility recorded \$1,500 in this account during the test year. According to the invoices provided by Fairmount, the testing expense is \$1,750. We find that this amount is reasonable. Therefore, we increased this account by \$250 to reflect the appropriate testing. Contractual services - testing for the test year shall be \$1,750.

Contractual Services – Other – (736)

The Utility recorded \$1,600 in this account during the test year. Pursuant to Audit Finding No. 5, we reclassified \$10,974 from material and supplies. This amount represents expenses for the contract operator, retention pond cleaning, maintenance, and mowing. Also, the cost for the DEP required retention pond spraying has increased. Therefore, we increased this account by \$2,661 to reflect a pro forma increase for spraying of the retention pond. Accordingly, contractual services - other for the test year shall be \$15,235.

Rents – (740)

Fairmount recorded \$2,782 in this account during the test year. The Utility's office is located in a building owned and shared by a related party. The square footage occupied by the Utility remains the same as in the last rate case. We used the amount approved in the last rate case and indexed the amount to arrive at a current expense level. Rents for the test year shall be \$3,209.

Transportation – (750)

Fairmount did not record any transportation expense to this account during the test year. Pursuant to Audit Finding No. 5, the traveling requirements have not significantly changed from the last rate case. Therefore, we used the approved mileage of 5,226 miles and the current Internal Revenue approved mileage rate to determine an expense of \$2,718. Transportation expense for the test year shall be \$2,718.

Insurance – (755)

Fairmount recorded \$1,127 in this account during the test year. Pursuant to Audit Finding No. 5, we decreased this account by \$61 to reflect the actual annual insurance expense. Therefore, insurance expense for the test year shall be \$1,066.

Regulatory Commission Expense – (765)

The Utility recorded \$250 in this account during the test year. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Fairmount paid a \$200 rate case filing fee for wastewater. The Utility also paid \$1,000 for a consultant for its rate case. We find that this amount is reasonable. Also, Fairmount is required by Rule 25-22.0407(9)(b), F.A.C., to mail notices of the customer meeting to its customers. We have estimated noticing expense for wastewater of \$583 postage expense, \$398 printing expense, and \$66 for envelopes. The above results in total rate case expense for the filing fee, consultant and noticing of \$2,248 and a four-year amortization of \$562. We increased this account by \$312 (\$562-\$250) to reflect the appropriate amortization. Accordingly, regulatory commission expense for the test year shall be \$562.

Bad Debt Expense – (770)

Fairmount recorded \$0 in this account for the test year. As of December 31, 2008, the Utility incurred bad debt expense of \$1,102. Fairmount has indicated that its bad debt expense is the result of property being sold and the final bill has not been paid. We find this amount reasonable. The Utility does not currently have a tariff charge for customer deposits. Fairmount shall implement a customer deposit, which may serve to decrease the amount of bad debt incurred in the future. Therefore, bad debt expense for the test year shall be \$1,102.



Miscellaneous Expense – (775)

Fairmount recorded \$30,968 in this account for the test year. The Utility included in this account the following: \$9,889 for payroll taxes; \$6,097 for loan payments; \$5,204 for regulatory assessment fees (RAFs); \$2,561 for property taxes; and \$300 for licenses and fees. These amounts total \$24,051 and are already recorded in their respective accounts. Pursuant to Audit Finding No. 5, we reduced this account by \$2,628 to reflect the appropriate miscellaneous expenses per the invoices provided by the Utility. Fairmount pays an annual blanket maintenance fee of \$400 to the City. We find that this amount is reasonable and have increased the account to reflect the fee. Thus, miscellaneous expense for the test year shall be \$4,689.

Operation and Maintenance Expense (O&M) Summary

Based on the above adjustments, O&M shall be decreased by \$12,670. The approved O&M expenses of \$99,967 are shown on Schedule No. 3-C.

Depreciation Expense (Net of Amortization of CIAC)

The Utility did not record any depreciation expense during the test year. We calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Accordingly, we increased this account by \$6,379 to reflect test year depreciation expense. Fairmount did not record amortization of CIAC. We calculated amortization of CIAC based on composite rates, and increased amortization of CIAC by \$74. Net depreciation expense shall be \$6,305 (\$6,379-\$74).

Taxes Other Than Income (TOTI)

The Utility recorded taxes other than income of \$15,290 for wastewater. We decreased this account by \$3,720 to reflect payroll taxes on our recommended salaries. Fairmount did not take advantage of the property tax discount for payments made in November. It is this Commission's practice to include only the lowest property tax amount in expenses so the ratepayers do not pay for the Utility's decision to pay late. We decreased this account by \$203 to reflect the appropriate property taxes. Based on our calculated test year revenue, Fairmount's RAFs shall be \$4,907. The Utility included \$5,204 in this account for RAFs. Therefore, this account shall be reduced by \$296 to reflect the appropriate test year RAFs. Our net adjustment to this account results in a decrease of \$4,219.

Income Tax

Fairmount did not record any income tax expense for the test year. Fairmount is an S corporation. The tax liability is passed on to the owner's personal tax returns. Therefore, we did not make an adjustment to this account.

The application of our adjustments to the audited test year operating expenses results in calculated operating expenses of \$117,343. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

REVENUE REQUIREMENTS

The Utility shall be allowed an annual increase of \$12,161 (11.15 percent) for wastewater. This will allow Fairmount the opportunity to recover its expenses and earn a 7.25 percent return on its investment. The calculation is as follows:

	<u>Wastewater</u>
Adjusted Rate Base	\$45,974
Rate of Return	x .0725
Return on Rate Base	\$ 3,333
Adjusted O & M expense	99,967
Depreciation expense (Net)	6,305
Amortization	\$0
Taxes Other Than Income	11,618
Income Taxes	\$0
Revenue Requirement	\$121,223
Less Test Year Revenues	109,062
Annual Increase	\$12,161
Percent Increase/(Decrease)	11.15%

The approved revenue requirement is shown on Schedule No. 3-A.

RATE STRUCTURE

The approved monthly wastewater rates are shown on Schedule No. 4-A. Excluding miscellaneous service revenues, the approved wastewater rates are designed to produce revenues of \$121,223. Fairmount shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates shall not be implemented until Commission staff has approved the proposed customer notice. The Utility shall provide proof of the date the notice was given no less than 10 days after the date of the notice.

PRO FORMA PLANT AND EXPENSES

The Utility requested additional pro forma plant and expenses that it intends to complete. The following is a chart summarizing the pro forma, the cost, and our approved treatment:

	<u>Pro forma</u>	<u>Requested</u>	<u>Approved</u>
1.	Clearing and Repair Fence for Retention Pond (Plant)	\$8,000	\$8,000
2.	Tree Removal Wastewater Plant (Plant)	4,000	4,000
3.	Renovate, Repair and Upgrade Lift Station	15,267	15,267
4.	Pumps	5,361	5,361
5.	Air Leak Repair	800	800
6.	Blower	6,600	6,600
7.	Box Covers for Blowers	1,400	1,400
8.	Generator	799	799
9.	Repair of holes in road from leakage	5,800	5,800
10.	Computer software program	<u>640</u>	<u>640</u>
	Total Plant	<u>\$48,667</u>	<u>\$48,667</u>

We find that Fairmount's proposed pro forma plant items are reasonable and prudent because they will allow the Utility to continue providing satisfactory quality of service. With the pro forma items, Fairmount's appropriate return on equity shall be 11.30 percent with a range of 10.30 percent–12.30 percent. The appropriate overall rate of return is 7.25 percent. The Utility's revenue requirement shall be \$125,359. Fairmount shall complete the pro forma additions within 12 months of the issuance of the consummating order. Phase II rate base is shown on Schedule Nos. 5-A and 5-B. The capital structure for Phase II is shown on Schedule No. 6. Finally, the revenue requirement is shown on Schedule Nos. 7-A and 7-B. The resulting rates are shown on the following page:

	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES
<b>Residential and General Service</b>		
Base Facility Charge by Meter Size:		
5/8"X3/4"	\$15.91	\$18.00
3/4"	\$23.86	\$27.00
1"	\$39.78	\$45.00
1-1/2"	\$79.54	\$89.99
2"	\$127.28	\$143.99
3"	\$254.56	\$287.97
4"	\$397.76	\$449.96
6"	\$795.50	\$899.91
<b>Gallonage Charge</b>		
Per 1,000 Gallons		
Residential (6,000 gallon cap)	\$3.32	\$3.62
General Service	\$3.98	\$4.35
<b>Typical Residential 5/8" x 3/4" Meter Bill Comparison</b>		
3,000 Gallons	\$25.60	\$28.86
5,000 Gallons	\$32.06	\$36.10
10,000 Gallons	\$35.29	\$39.72

The Utility shall be allowed to implement the above rates once all pro forma plant items and expense have been completed and verified. Once verified, the rates shall 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. The rates shall not be implemented until the customers have received the notice. Fairmount shall provide proof of the date notice was given within ten days after the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma additions, the Utility must immediately notify the Commission.

#### FOUR YEAR RATE REDUCTION

Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return on working capital, and the gross-up for RAFs, which are \$594 for wastewater. Using Fairmount's current revenues, expenses, capital structure, and customer base, the reduction in revenues will result in the rate decreases shown on Schedule No. 4.

The Utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Fairmount shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

### CUSTOMER DEPOSITS

The Utility currently does not have a tariffed charge for customer deposits. The purpose of customer deposits is to establish credit with the utility. Deposits are to be paid by new Utility customers. Rule 25-30.311, F.A.C., provides guidelines for collecting, administering, and refunding customer deposits. The rule also authorizes customer deposits to be calculated using an average monthly bill for a 2-month period.

The Utility is hereby authorized to collect customer deposits. The appropriate customer deposit shall be the charges listed in the chart below. Fairmount shall file revised tariff sheets that are consistent with this Order. Commission staff shall have administrative authority to approve the revised tariff sheets upon their verification that the tariffs are consistent with this Order. If revised tariff sheets are filed and approved, the customer deposit shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

We calculated customer deposits based on the rates approved herein and an average monthly bill for a 2-month period. A schedule of our approved deposits follows:

<u>Meter Size</u>	<u>Approved Wastewater Deposit</u>
5/8" x 3/4"	\$46.44
All over 5/8" x 3/4"	2 x average bill
General Service	
5/8" x 3/4"	\$46.44
All over 5/8" x 3/4"	2 x average bill

After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the Utility shall refund the customer's deposit pursuant to Rule 25-30.311(5), F.A.C. The Utility shall pay interest on customer deposits pursuant to Rule 25-30.311(4), F.A.C.

TEMPORARY CHARGES

By this Order we are approving an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, the recommended rates shall be approved as temporary rates. Accordingly, the rates approved herein shall be collected by the Utility subject to the refund provisions discussed below.

The Utility shall be authorized to collect the temporary rates upon our approval of appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount \$8,126. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

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

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

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

- 1) The letter of credit is irrevocable for the period it is in effect; and
- 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 shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;

- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) 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;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and must 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 shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility shall 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 shall file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

#### PROOF OF COMPLIANCE

To ensure that the Utility adjusts its books in accordance with our decision, Fairmount shall provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Fairmount Utilities, The 2nd Inc.'s application for increased rates and charges is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated herein by reference. It is further

ORDERED that Fairmount Utilities, The 2nd Inc. is hereby authorized to charge the new rates and charges as set forth in Schedule No. 4 and as approved in the body of this Order. It is further

ORDERED that Fairmount Utilities, The 2nd Inc. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. It is further

ORDERED that the approved rates shall not be implemented until our staff has approved the proposed customer notice and the customers have received the notice. The Utility shall provide our staff with proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notice is adequate. It is further

ORDERED that if the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date. It is further

ORDERED that pursuant to Section 367.0816, Florida Statutes, the wastewater rates shall be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period at the end of the four-year rate case expense amortization period as set forth in the body of this Order. It is further

ORDERED that the Utility shall file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in rates due to the amortized rate case expense. It is further

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. It is further

ORDERED that prior to implementation of any temporary rates, the Utility shall provide appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$8,126. Alternatively, the Utility could establish an escrow agreement with an independent financial institution. It is further



ORDERED that irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. It is further

ORDERED that the Utility shall maintain a record of the amount of revenues that are subject to refund. In addition, after any temporary rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the Utility shall file reports with our Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that the Utility shall file tariff sheets, which are consistent with our vote. Our staff shall approve the revised tariff sheets upon staff's verification that the tariffs are consistent with our decision. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall remain open for an additional 12 months from the date of the Consummating Order to allow staff to verify completion of pro forma plant items described herein. Once our staff has verified that the pro forma items have been completed, the docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 17th day of September, 2009.



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ANN COLE  
Commission Clerk

( S E A L )

ARW

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action approving an increase in rates and charges, except for our decision regarding the four year rate reduction, proof of adjustments, and granting temporary rates in the event of a protest, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 8, 2009. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

**FAIRMOUNT UTILITIES, THE 2ND INC.**  
**TEST YEAR ENDING 09/30/2008**  
**SCHEDULE OF WASTEWATER RATE BASE**

**SCHEDULE NO. 1-A**  
**DOCKET NO. 080668-SU**

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	COMMISSION APPROVED BALANCE
1. UTILITY PLANT IN SERVICE	\$ 217,604	\$ (1,466)	\$ 216,138
2. LAND & LAND RIGHTS	0	1,750	1,750
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(2,463)	(45)	(2,508)
5. ACCUMULATED DEPRECIATION	(185,460)	1,485	(183,975)
6. AMORTIZATION OF CIAC	2,004	69	2,073
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>12,496</u>	<u>12,496</u>
8. WASTEWATER RATE BASE	<u>\$ 31,685</u>	<u>\$ 14,289</u>	<u>\$ 45,974</u>

FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 080668-SU
	<b><u>WASTEWATER</u></b>
<b><u>UTILITY PLANT IN SERVICE</u></b>	
1. To reflect the appropriate plant balance	(\$1,179)
2. To reflect averaging adjustment	(287)
Total	<u>(\$1,466)</u>
<b><u>LAND AND LAND RIGHTS</u></b>	
To reflect the appropriate land balance	<u>\$1,750</u>
<b><u>CIAC</u></b>	
To reflect the appropriate CIAC balance	<u>(\$45)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
1. To reflect accumulated depreciation per Rule 25-30.0140, F.A.C.	(\$1,419)
2. To reflect an averaging adjustment	<u>2,904</u>
Total	<u>\$1,485</u>
<b><u>AMORTIZATION OF CIAC</u></b>	
1. To reflect accumulated amortization per 25-30.140 F.A.C.	\$106
2. To reflect an averaging adjustment	<u>(37)</u>
Total	<u>\$69</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>	
To reflect 1/8 of test year O & M expenses.	<u>\$12,496</u>

**FAIRMOUNT UTILITIES, THE 2ND INC.**  
**TEST YEAR ENDING 09/30/2008**  
**SCHEDULE OF CAPITAL STRUCTURE**

**SCHEDULE NO. 2**  
**DOCKET NO. 080668-SU**

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE			COMMISSION APPROVED BALANCE	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON STOCK	\$1,000	\$0	\$1,000						
2. RETAINED EARNINGS	(429,553)	382,135	(47,418)						
3. PAID IN CAPITAL	46,418	0	46,418						
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>						
TOTAL COMMON EQUITY	<u>(\$382,135)</u>	<u>\$382,135</u>	<u>0</u>	0	0	0.00%	11.30%	0.00%	
5. TOTAL LONG TERM DEBT	<u>\$39,996</u>	<u>(\$1,760)</u>	<u>\$38,236</u>	<u>\$7,738</u>	<u>\$45,974</u>	100.00%	7.25%	7.25%	
6. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>	
7. TOTAL	<u>-\$342,139</u>	<u>\$380,375</u>	<u>\$38,236</u>	<u>\$7,738</u>	<u>\$45,974</u>	<u>100.00%</u>		<u>7.25%</u>	
<b>RANGE OF REASONABLENESS</b>						<b>LOW</b>	<b>HIGH</b>		
RETURN ON EQUITY						<u>10.30%</u>	<u>12.30%</u>		
OVERALL RATE OF RETURN						<u>7.25%</u>	<u>7.25%</u>		

<b>FAIRMOUNT UTILITIES, THE 2ND INC.</b>				<b>SCHEDULE NO. 3-A</b>	
<b>TEST YEAR ENDING 09/30/2008</b>				<b>DOCKET NO. 080668-SU</b>	
<b>SCHEDULE OF WASTEWATER OPERATING INCOME</b>					
	TEST YEAR PER UTILITY	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. <b>OPERATING REVENUES</b>	<u>\$109,794</u>	<u>(\$732)</u>	<u>\$109,062</u>	<u>\$12,161</u> 11.15%	<u>\$121,223</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$112,637	(\$12,670)	\$99,967	\$0	\$99,967
3. DEPRECIATION (NET)	0	6,305	6,305	0	6,305
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	15,290	(4,219)	11,071	547	11,618
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>\$127,927</u>	<u>(\$10,584)</u>	<u>\$117,343</u>	<u>\$547</u>	<u>\$117,890</u>
8. <b>OPERATING INCOME/(LOSS)</b>	<u>(\$18,133)</u>		<u>(\$8,281)</u>		<u>\$3,333</u>
9. <b>WASTEWATER RATE BASE</b>	<u>\$31,685</u>		<u>\$45,974</u>		<u>\$45,974</u>
10. <b>RATE OF RETURN</b>	<u>-57.23%</u>		<u>-18.01%</u>		<u>7.25%</u>

**FAIRMOUNT UTILITIES, THE 2ND INC.**  
**TEST YEAR ENDING 09/30/2008**  
**ADJUSTMENTS TO OPERATING INCOME**

**Schedule No. 3-B**  
**DOCKET NO. 080668-SU**  
**Page 1 of 2**

		<u>WASTEWATER</u>
<b>OPERATING REVENUES</b>		
1.	To reflect the appropriate test year revenue	<u>(\$732)</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1.	Salaries & Wages - Employees (701)	
a.	To reflect the appropriate office manager's salary	\$16,328
b.	To reflect the appropriate operations manager's salary	<u>22,255</u>
	Subtotal	<u>\$38,583</u>
2.	Salaries & Wages - Officers (703)	
a.	To reflect the appropriate salary & wages- officers	<u>(\$24,703)</u>
3.	Employee Pension and Benefits (704)	
a.	To reflect the appropriate employee pension and benefits	<u>\$0</u>
4.	Sludge Removal Expense (711)	
a.	To reflect the appropriate sludge removal expense	<u>\$0</u>
5.	Purchased Power (715)	
a.	To reflect the appropriate purchased power expense	<u>\$347</u>
6.	Chemicals (718)	
a.	To reflect appropriate chemical expense	<u>(\$664)</u>
7.	Material and Supplies (720)	
a.	To reclassify expenses to contractual services - other (Acct No. 736)	(\$10,974)
b.	To remove plant additions included in UPIS	<u>(8,207)</u>
	Subtotal	<u>(\$19,181)</u>
8.	Contractual Services - Billing	
a.	To reflect the appropriate contractual services billing	<u>\$1,229</u>
9.	Contractual Services - Professional	
a.	To reflect the appropriate accounting services	<u>(\$385)</u>
10.	Contractual Services - Testing (735)	
a.	To reflect the appropriate testing	<u>\$250</u>
11.	Contractual Services - Other (736)	
a.	To reflect expenses reclassified from materials and supplies (Acct. No. 720)	\$10,974
b.	To reflect pro forma increase for retention pond cleaning	<u>2,661</u>
	Subtotal	<u>\$13,635</u>
12.	Rent (740)	
a.	To reflect the appropriate office rent	<u>\$427</u>
13.	Transportation	
a.	To reflect the appropriate transportation expense	<u>\$2,718</u>
14.	Insurance Expenses (755)	
a.	To reflect insurance expense per AF No. 5	<u>(\$61)</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)

FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 ADJUSTMENTS TO OPERATING INCOME	Schedule No. 3-B DOCKET NO. 080668-SU Page 2 of 2
15. Regulatory Expense (665/ 765)	
a. To reflect the appropriate rate case expense	<u>\$312</u>
16. Bad Debt Expense	
a. To reflect the appropriate bad debt expense	<u>\$1,102</u>
17. Miscellaneous Expense (675/ 775)	
a. To remove expenses already included in its respective acct. per AF No. 5	(\$24,051)
b. To reflect the appropriate miscellaneous expense per AF No. 5	(2,628)
c. To reflect a utility maintenance fee	400
	<u>(\$26,279)</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<b><u>(\$12,670)</u></b>
 <b>DEPRECIATION EXPENSE</b>	
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$6,379
2. To reflect the appropriate CIAC amortization	<u>(74)</u>
Total	<u>\$6,305</u>
 <b>TAXES OTHER THAN INCOME</b>	
1. To reflect the appropriate payroll taxes	(\$3,720)
2. To reflect the appropriate property taxes	(203)
3. To reflect the appropriate test year RAFs	<u>(296)</u>
Total	<u>(\$4,219)</u>



FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE		SCHEDULE NO. 3-C DOCKET NO. 080668-SU	
	TOTAL PER UTILITY	ADJUST- MENT	COMMISSION APPROVED TOTAL
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$38,583	\$38,583
(703) SALARIES AND WAGES - OFFICERS	33,609	(24,703)	8,906
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	3,150	0	3,150
(715) PURCHASED POWER	5,786	347	6,133
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	8,539	(664)	7,875
(720) MATERIALS AND SUPPLIES	19,866	(19,181)	685
(730) CONTRACTUAL SERVICES - BILLING	0	1,229	1,229
(731) CONTRACTUAL SERVICES - PROFESSIONAL	3,460	(385)	3,075
(735) CONTRACTUAL SERVICES - TESTING	1,500	250	1,750
(736) CONTRACTUAL SERVICES - OTHER	1,600	13,635	15,235
(740) RENTS	2,782	427	3,209
(750) TRANSPORTATION EXPENSE	0	2,718	2,718
(755) INSURANCE EXPENSE	1,127	(61)	1,066
(765) REGULATORY COMMISSION EXPENSES	250	312	562
(770) BAD DEBT EXPENSE	0	1,102	1,102
(775) MISCELLANEOUS EXPENSES	<u>30,968</u>	<u>(26,279)</u>	<u>4,689</u>
	<u>\$112,637</u>	<u>(\$12,670)</u>	<u>\$99,967</u>

FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4 DOCKET NO. 080668-SU
	UTILITY'S EXISTING RATES	APPROVED RATES	4-YEAR RATE REDUCTION
<b>Residential and General Service</b>			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$15.91	\$17.39	\$0.09
3/4"	\$23.86	\$26.09	\$0.13
1"	\$39.78	\$43.48	\$0.21
1-1/2"	\$79.54	\$86.95	\$0.43
2"	\$127.28	\$139.12	\$0.68
3"	\$254.56	\$278.24	\$1.36
4"	\$397.76	\$434.76	\$2.13
6"	\$795.50	\$869.51	\$4.26
<b>Gallonge Charge</b>			
Per 1,000 Gallons			
Residential (6,000 gallon cap)	\$3.32	\$3.51	\$0.02
General Service	\$3.98	\$4.21	\$0.02
<b>Typical Residential 5/8" x 3/4" Meter Bill Comparison</b>			
3,000 Gallons	\$25.60	\$27.92	
5,000 Gallons	\$32.06	\$34.94	
10,000 Gallons	\$35.29	\$38.45	

FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 SCHEDULE OF WASTEWATER RATE BASE (With Pro Forma)		SCHEDULE NO. 5-A DOCKET NO. 080668-SU	
DESCRIPTION	BALANCE PER UTILITY	ADJUST. TO UTIL. BAL.	COMMISSION APPROVED TOTAL
1. UTILITY PLANT IN SERVICE	\$ 217,604	\$ 22,867	\$ 240,471
2. LAND & LAND RIGHTS	0	1,750	1,750
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(2,463)	(\$45)	(2,508)
5. ACCUMULATED DEPRECIATION	(185,460)	296	(185,164)
6. AMORTIZATION OF CIAC	2,004	69	2,073
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>12,496</u>	<u>12,496</u>
8. WASTEWATER RATE BASE	<u>\$ 31,685</u>	<u>\$ 37,433</u>	<u>\$ 69,118</u>

FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 ADJUSTMENTS TO RATE BASE (With Pro Forma)	SCHEDULE NO. 5-B DOCKET NO. 080668-SU
	<u>WASTEWATER</u>
<b><u>UTILITY PLANT IN SERVICE</u></b>	
1. To reflect the appropriate plant balance	(\$1,179)
2. To reflect pro forma additions	48,667
3. To reflect averaging adjustment	(287)
4. To reflect pro forma averaging adjustment	(24,334)
Total	<u>\$22,867</u>
<b><u>LAND AND LAND RIGHTS</u></b>	
To reflect the appropriate land balance per AF 3	<u>\$1,750</u>
<b><u>CIAC</u></b>	
To reflect the appropriate CIAC balance	<u>(\$45)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
1. To reflect accumulated depreciation per Rule 25-30.0140, F.A.C.	(\$1,419)
2. To include pro forma accumulated depreciation	(1,189)
3. To reflect an averaging adjustment	<u>2,904</u>
Total	<u>\$296</u>
<b><u>AMORTIZATION OF CIAC</u></b>	
1. To reflect accumulated amortization per 25-30.140 F.A.C.	\$106
2. To reflect an averaging adjustment	<u>(37)</u>
Total	<u>\$69</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>	
1. To reflect 1/8 of test year O & M expenses.	<u>\$12,496</u>

**FAIRMOUNT UTILITIES, THE 2ND INC.**  
**TEST YEAR ENDING 09/30/2008**  
**SCHEDULE OF CAPITAL STRUCTURE (With Pro Forma)**

**SCHEDULE NO. 6**  
**DOCKET NO. 080668-SU**

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	COMMISSION APPROVED TOTAL	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$1,000	\$0	\$1,000					
2. RETAINED EARNINGS	(429,553)	382,135	(47,418)					
3. PAID IN CAPITAL	46,418	0	46,418					
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>					
TOTAL COMMON EQUITY	<u>(\$382,135)</u>	<u>\$382,135</u>	<u>0</u>	0	0	0.00%	11.30%	0.00%
5. LONG TERM DEBT	\$39,996	(\$1,760)	\$38,236	\$30,882	\$69,118	100.00%	7.25%	7.25%
TOTAL LONG TERM DEBT	<u>\$39,996</u>	<u>(\$1,760)</u>	<u>\$38,236</u>	<u>\$30,882</u>	<u>\$69,118</u>	100.00%		
6. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
7. TOTAL	<u>-\$342,139</u>	<u>\$380,375</u>	<u>\$38,236</u>	<u>\$30,882</u>	<u>\$69,118</u>	<u>100.00%</u>		<u>7.25%</u>
<b>RANGE OF REASONABLENESS</b>						<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY						<u>10.30%</u>	<u>12.30%</u>	
OVERALL RATE OF RETURN						<u>7.25%</u>	<u>7.25%</u>	

FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 SCHEDULE OF WASTEWATER OPERATING INCOME (With Pro Forma)			SCHEDULE NO. 7-A DOCKET NO. 080668-SU		
	TEST YEAR PER UTILITY	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$109,794</u>	<u>(\$732)</u>	<u>\$109,062</u>	<u>\$16,297</u> 14.94%	<u>\$125,359</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$112,637	(\$12,670)	\$99,967	\$0	\$99,967
3. DEPRECIATION (NET)	0	8,577	8,577	0	8,577
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	15,290	(4,219)	11,071	733	11,804
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$127,927</u>	<u>(\$8,312)</u>	<u>\$119,615</u>	<u>\$733</u>	<u>\$120,348</u>
8. OPERATING INCOME/(LOSS)	<u>(\$18,133)</u>		<u>(\$10,553)</u>		<u>\$5,011</u>
9. WASTEWATER RATE BASE	<u>\$31,685</u>		<u>\$69,118</u>		<u>\$69,118</u>
10. RATE OF RETURN	<u>-57.23%</u>		<u>-15.27%</u>		<u>7.25%</u>

**FAIRMOUNT UTILITIES, THE 2ND INC.**  
**TEST YEAR ENDING 09/30/2008**  
**ADJUSTMENTS TO OPERATING INCOME (With Pro Forma)**

Schedule No. 7-B  
 DOCKET NO. 080668-SU  
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	<u>WASTEWATER</u>
<b>OPERATING REVENUES</b>	
1. To reflect the appropriate test year revenue	( <u>\$732</u> )
<b>OPERATION AND MAINTENANCE EXPENSES</b>	
1. Salaries & Wages - Employees (701)	
a. To reflect the appropriate office manager's salary	\$16,328
b. To reflect the appropriate operations manager's salary	<u>22,255</u>
Subtotal	<u>\$38,583</u>
2. Salaries & Wages - Officers (703)	
a. To reflect the appropriate salary & wages- officers	( <u>\$24,703</u> )
3. Employee Pension and Benefits (704)	
a. To reflect the appropriate employee pension and benefits	<u>\$0</u>
4. Sludge Removal Expense (711)	
a. To reflect the appropriate sludge removal expense	<u>\$0</u>
5. Purchased Power (715)	
a. To reflect the appropriate purchased power expense	<u>\$347</u>
6. Chemicals (718)	
a. To reflect appropriate chemical expense	( <u>\$664</u> )
7. Material and Supplies (720)	
a. To reclassify expenses to contractual services - other (Acct No. 736)	(\$10,974)
b. To remove plant additions include in UPIS	<u>(8,207)</u>
Subtotal	<u>(\$19,181)</u>
8. Contractual Services - Billing	
a. To reflect the appropriate contractual services billing	<u>\$1,229</u>
9. Contractual Services - Professional	
a. To reflect the appropriate accounting services	( <u>\$385</u> )
10. Contractual Services - Testing (735)	
a. To reflect the appropriate testing	<u>\$250</u>
11. Contractual Services - Other (736)	
a. To reflect expenses reclassified from materials and supplies (Acct. No. 720)	\$10,974
b. To reflect pro forma increase for retention pond cleaning	<u>2,661</u>
Subtotal	<u>\$13,635</u>
12. Rent (740)	
a. To reflect the appropriate office rent	<u>\$427</u>
13. Transportation	
a. To reflect the appropriate transportation expense	<u>\$2,718</u>
14. Insurance Expenses (755)	
a. To reflect insurance expense per AF No. 5	( <u>\$61</u> )

(O & M EXPENSES CONTINUED ON NEXT PAGE)

FAIRMOUNT UTILITIES, THE 2ND INC. TEST YEAR ENDING 09/30/2008 ADJUSTMENTS TO OPERATING INCOME (With Pro Forma)	Schedule No. 7-B DOCKET NO. 080668-SU Page 2 of 2
15. Regulatory Expense (665/ 765)	
a. To reflect the appropriate rate case expense	<u>\$312</u>
16. Bad Debt Expense	
a. To reflect the appropriate bad debt expense	<u>\$1,102</u>
17. Miscellaneous Expense (675/ 775)	
a. To remove expenses already included in its respective acct. per AF No. 5	(\$24,051)
b. To reflect the appropriate miscellaneous expense per AF No. 5	(2,628)
c. To reflect a utility maintenance fee	<u>400</u>
	<u>(\$26,279)</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<b><u>(\$12,670)</u></b>
<b>DEPRECIATION EXPENSE</b>	
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$8,651
2. To reflect the appropriate CIAC amortization	<u>(74)</u>
Total	<u>\$8,577</u>
<b>TAXES OTHER THAN INCOME</b>	
1. To reflect the appropriate payroll taxes	(\$3,720)
2. To reflect the appropriate property taxes	(203)
3. To reflect the appropriate test year RAFs	<u>(296)</u>
Total	<u>(\$4,219)</u>