State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: JUNE 19, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (BIGGINS, BRUCE, DAVIS)
OFFICE OF THE GENERAL COUNSEL (RODAN)

RE: DOCKET NO. 021192-WS - APPLICATION FOR STAFF-ASSISTED RATE CASE IN HIGHLANDS COUNTY BY DAMON UTILITIES, INC.
COUNTY: HIGHLANDS

AGENDA: JULY 1, 2003 - REGULAR AGENDA - PROPOSED AGENCY ACTION EXCEPT ISSUES 11 AND 14 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 15-MONTH EFFECTIVE DATE: FEBRUARY 27, 2004 (SARC)

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\021192.RCM

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CASE BACKGROUND

Damon Utilities, Inc. (Damon or utility) is a Class C utility which is currently providing water service to approximately 253 customers (251 residential and two general service) and wastewater service to approximately 86 customers (84 residential and two general service). The utility is located in the Southern Water Use Caution Area of the Southwest Florida Water Management District (SWFWMD). According to the utility's 2002 annual report, the utility had operating revenues of $41,736 water and $29,149 wastewater.

The utility was granted Water Certificate No. 499-W and Wastewater Certificate No. 433-S, pursuant to Order No. 19655, issued July 11, 1988, in Docket No. 871026-WS. Damon was originally designed and constructed to provide both water and wastewater service to Casa Del Lago. Originally, Casa Del Lago was to be made up of 106 residential units consisting of triplexes and fourplexes. The development has the potential to service 99 multiplex units and a clubhouse. Currently, there are 80 units and a clubhouse constructed. All Casa Del Lago units have certificates of occupancy. As the area has become more populated, the certificated territory for Damon was extended to provide water only service to an adjacent development known as River Green. River Green is a golf course community of 197 plotted lots designated for single family homes and one four-unit condominium. The condominium is fully occupied and there are 163 single family occupants in the River Green development. In addition, both water and wastewater service is being extended to a 12-lot development known as The Village Green. The Village Green, is a strip of property between two golf fairways within the River Green development. The Village Greens, designed to serve 12 single family homes, currently have four homes constructed and occupied. There are two general service customers, both of which are clubhouses.

The utility's current rates and charges were set in a SARC by Order No. PSC-99-1827-FOF-WS, issued September 20, 1999.

On November 27, 2002, the utility filed an application for a Staff Assisted Rate Case and paid the appropriate filing fee on January 13, 2003. Staff audited the utility's records for compliance with Commission rules and Orders and determined the components necessary for rate setting. Staff also conducted a field investigation of the utility's plant and service area. The

Commission has jurisdiction in this case pursuant to Section 367.0814, Florida Statutes.

A customer meeting was conducted on May 15, 2003, at the River Greens Club House in Avon Park, Florida. Approximately six customers attended the meeting. One customer chose to give comments regarding the utility's quality of service. The customer's complaint concerned black water and bad smells. The quality of service issue will be discussed in Issue No. 1.

The following is a list of acronyms and commonly used technical terms which are used throughout this recommendation:

COMPANY AND PARTY NAMES

DEP	Department of Environmental Protection
FPSC	Florida Public Service Commission
NARUC	National Association of Regulatory Utility Commissioners
OPC	Office of Public Counsel
SWFWMD	Southwest Florida Water Management District

GLOSSARY OF TECHNICAL TERMS

BFC Base Facility Charge - A charge designed to recover the portion of the total expense required to provide water and sewer service incurred whether or not the customer actually uses the services and regardless of how much is consumed.

CIAC Contributions In Aid Of Construction - Any amount or item of money, services, or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, and which is utilized to offset the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public. The term includes, but is not limited to, system capacity charges, main extension charges, and customer connection charges.

ERCs	Equivalent Residential Connections - A statistic used to quantify the total number of water or wastewater connections that can be served by a plant of some specific capacity. The consumption of each connection is considered to be that of a single family residential connection, which is usually considered to be a unit comprised of 3.5 persons.
GPD	Gallons Per Day - The amount of liquid that can be delivered or actually measured during a 24-hour period.
GPM	Gallons Per Minute - The amount of liquid that can be delivered or actually measured during a one-minute time period.
O&M	Operations and Maintenance Expense
RAF	Regulatory Assessment Fees
SARC	Staff Assisted Rate Case
UPIS	Utility Plant in Service - The land, facilities, and equipment used to generate, transmit, and/ or distribute utility service to customers.
Used and Useful	The amount of plant capacity that is used by current customers including an allowance for the margin reserve.
USOA	Uniform System of Accounts - A list of accounts for the purpose of classifying all plant and expenses associated with a utility's operations.

ISSUE 1: Is the quality of service provided by the Damon Utilities, Inc. considered satisfactory?

RECOMMENDATION: The quality of service provided by Damon Utilities, Inc. should be considered satisfactory. (DAVIS)

STAFF ANALYSIS: Rule 25-30.433(1), Florida Administrative Code, 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 (HRS) or lack thereof over the proceeding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the testimony of the utility's customers shall be considered.

Staff's recommendation concerning the overall quality of service provided by the utility is derived from an evaluation of three separate components of water and wastewater utility operations:

(1) Quality of Utility's Product (compliance with drinking water and wastewater discharge standards);
(2) Operational Conditions of Utility's Plant or Facility; and
(3) Utility's Attempt to Address Customer Satisfaction.

QUALITY OF UTILITY'S PRODUCT

Water

In Highlands County, the potable water program is regulated by the South District Department of Environmental Protection (DEP). According to DEP records for the last three years, the utility has

maintained its testing program to detect Maximum Contaminant Levels (MCL) in the drinking water. The test results were satisfactory and meet or exceed the standards for safe potable water.

Consumptive use in Highlands County is permitted by the South Florida Water Management District. The utility obtained a waiver of its Consumptive Use Permit (CUP) on April 7, 1999, which allows free withdrawal of groundwater, without restrictions.

The quality of the drinking water produced by the utility meets or exceeds all testing standards for safe drinking water at an acceptable rate of extraction from the groundwater table, and is considered to be satisfactory.

Wastewater

Jurisdiction over wastewater facilities is regulated by the South District of the DEP. A five-year permit was issued on February 25, 1999, and is valid until February 24, 2004. During the process of renewing the operating permit, the utility had to submit an Operations and Performance Report, verify that no areas of equipment/operation were of immediate concern, and provide proof that the wastewater treatment plant was operating well within its capacity. By issuing the operating permit, the DEP acknowledged the quality of the wastewater product met regulatory standards. The quality of the utility's product should be considered satisfactory.

OPERATIONAL CONDITIONS AT THE PLANT

Water

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. Over the last three years, the most important plant-in-service issue was a finding by the DEP that the utility had failed to submit a certification of completion prior to placing a plant modification into service. The modification in question was a conversion of the water treatment system from chlorine gas to liquid chlorine. This violation kindled a mandate by the DEP to install a vacuum breaker back-flow prevention device. A fine of $800 was assessed in civil penalties. On May 24, 2002, the DEP issued a letter confirming that "the corrective actions required to bring your facility into compliance have been performed." The quality of the water treatment plant-in-service should be considered satisfactory.

Wastewater

The wastewater plant-in-service is also reflective of the product provided by the utility. The overall capacity of the wastewater plant is sufficient to process the average daily flows from the on-line customers. The wastewater plant is located behind a six foot chain-link fence with natural vegetation to partially obstruct its view from the public. Behind the fence, the plant appears well maintained with the exception of some normal aging. With these exceptions, appearances at the plant remain satisfactory and no foul or obnoxious odors were detected during the engineering investigation. The quality of the wastewater plant in service should be considered satisfactory.

UTILITY'S ATTEMPT TO ADDRESS CUSTOMER SATISFACTION

Two informal customer meetings were held on May 15, 2003. Staff conducted an afternoon meeting with representatives of the Casa Del Lago Homeowners Association, and an evening meeting that was open to all of Damon's customers. Both meetings were intended to give the customers of Damon Utilities an opportunity to go on record with specific concerns about the utility's responsiveness to quality of service issues. The Casa Del Lago representatives were primarily concerned with the percentage increase of the new rates, and made no mention of having a quality of service problem. Out of a customer base of 236 ERC water customers and 71 ERC wastewater customers, six customers attended the evening meeting. One customer came forward and spoke at that meeting. This customer stated that she woke up in the middle of the night and went to get a drink of water. Just before taking a drink, she noticed the water in the glass was black.

After the customer meeting, staff spoke with this customer and offered to visit her residence to determine the extent of the problem. However, she stated that it had just happened that one time and didn't believe staff would find anything now. Staff discussed with her that the DEP was the office of primacy for this type of situation, and gave her the name and phone number of someone to contact in the local DEP office should the problem reoccur.

Staff also discussed the black water issue with the owner of the utility. He stated that he lived at the end of the line, and usually noticed discoloration and sediment first. He stated his

remedy for something of this nature would be to flush the lines until the water was clear. However, he had not seen anything like the customer described in his system, and no complaint had been registered in the utility office concerning this type of problem.

It appears the utility is willing to respond, and does respond when it is made aware of problems the customers are having with the water and wastewater systems.

Staff recommends that the quality of service be considered satisfactory.

USED AND USEFUL

ISSUE 2: What portions of Damon Utilities, Inc. are used and useful?

RECOMMENDATION: The Damon Utilities, Inc. water treatment plant is considered to be 100%, the water distribution system is considered to be 95.6%, the wastewater treatment plant is considered to be 23.3%, and the wastewater collection system is considered 86.2% used and useful. (DAVIS)

STAFF ANALYSIS:

Water Treatment Plant

During the last rate case the water treatment plant was found to be 100% used and useful. The water treatment plant is a closed system that currently relies on two wells to meet instantaneous fluctuations in flow demands. The total capacity of the two wells is 200 gpm. In accordance with the American Waterworks Association Manual of Water Supply Practices, the highest capacity well is removed from the calculation to determine the plant's reliability. Therefore, the capacity is calculated using 100 gpm which is compared to the maximum day demand. The single maximum day was a one-day spike (117,700 gpd) that had no resemblance to the average day (41,500 gpd), or the average of the next highest five days in the peak month (70,080 gpd). Staff recommends the five high days be used in the used and useful formula because the one-day spike appears to be an anomaly. Therefore, the maximum gpm is derived by dividing 70,070 gpd by 1440 (minutes per day) times the peaking factor of two, or 98 gpm.

A regression analysis was performed which calculated a growth for the next year to be nine ERCs. This growth rate is applied to the statutory five year growth period pursuant to Section 367.081(2)(a)2b, Florida Statutes, and translates to an estimated five year growth factor of 19 gpm. In a review of unaccounted for water, metered water sold to customers was compared to treated water leaving the plant. The results were within 10% which is acceptable. Using the average five day consumption and five-year growth factor in the used and useful formula results in 100% of the water treatment plant being used and useful (See Schedule "A", Sheet 1 of 4).

Water Distribution System

During the last rate case, the water distribution system was found to be 79.2% used and useful. The distribution system can accommodate 294 ERCs without the construction of additional lines. Currently, the water system serves 236 ERCs (average for the test year). A regression analysis indicates an anticipated growth of nine ERCs for the coming year. The nine ERCs does not exceed the 5% cap and, therefore, is applied to the five year statutory growth period. Using the 236 ERCs and nine ERC growth (See Schedule "A", Page 2 of 4), results in a 95.6% used and useful distribution system. The exception to this is Account 334 (Meter and Meter installations), which are installed upon demand and should be considered 100% used and useful. Staff recommends that the distribution system be considered 95.6% used and useful with the exception of Account 334 (Meter and Meter installations). which should be considered 100% used and useful.

Wastewater Treatment Plant

During the last rate case the wastewater treatment plant was found to be 38.1% used and useful, which was calculated by using the five highest consecutive flow days from the peak month. The capacity of the wastewater treatment plant is now rated by the DEP to be a 0.05 MGD (50,000 gallons per day) Three Month Average Daily Flow (TMADF) extended aeration process domestic wastewater treatment facility. For the current test year, the TMADF is calculated to be 9,750 gpd with an average of 71 customers. Next year's growth, as determined by regression analysis, is believed to be 2 ERCs which translates to an estimated five year growth factor of 1,373 gpd. Using the average of the three peak consecutive months and five-year growth factor in the used and useful formula results in 22.3% of the wastewater treatment plant being used and useful. Therefore, staff recommends the wastewater treatment plant should be considered 22.3% used and useful (See Schedule "A", Page 3 of 4).

Wastewater Collection System

During the last rate case the wastewater collection system was found to be 72.6% used and useful. It is determined that the collection system can accommodate 94 ERCs without the construction of additional lines. Currently, the collection system serves 71 ERCs (average for the test year). A regression analysis

indicates an anticipated growth of two ERCs for the next year which is applied to the five year statutory growth period. Using the 71 ERCs and the two growth ERCs in the used and useful formula results in 22.3% of the wastewater collection system that is 86.2% used and useful (See Schedule "A", Page 4 of 4). Staff recommends that the collection system be considered 86.2% used and useful.

ISSUE 3: What is the appropriate average test year rate base for the utility?

RECOMMENDATION: The appropriate average test year rate base for Damon is $41,033 for water and $21,309 for wastewater. (BIGGINS, DAVIS)

STAFF ANALYSIS: The utility's rate base was last established by Order No. PSC-99-1223-PAA-WS, issued June 21, 1999 in Docket No. 981198-WS. Staff selected a test year ending December 31, 2002 for this rate case. Rate base components, established in Order No. PSC-99-1223-PAA-WS, have been updated through December 31, 2002, using information obtained from staff's audit and engineering reports.

A discussion of each component of rate base follows:

Utility Plant in Service (UPIS): The utility reported $128,927 for water and $223,171 for wastewater for the test year ending December 31, 2002. Per Audit Exception 1, based on Commission Order No. PSC-99-1223-PAA-WS, the utility did not make the required plant adjustments. Staff has decreased water UPIS by $164 ($122,906-$123,070) and increased wastewater UPIS by $400 ($215,776-$215,376). Staff recommends water plant-in-service of $128,763 and wastewater plant-in-service of $223,571.

Non-used and Useful Plant: As discussed in Issue No. 2, the water treatment plant is 100% used and useful and the water distribution system is 95.60% used and useful. The wastewater treatment plant is 23.3% used and useful and wastewater collection system is 86.20% used and useful.

The non-used and useful percentages times the appropriate water and wastewater accounts reflect average non-used and useful water plant of $2,389 and $106,689 for wastewater plant. Non-used and useful accumulated depreciation for water is $922 and $88,445 for wastewater. This results in net non-used and useful plant adjustments of $1,467 for water and $18,244 for wastewater.

Accumulated Depreciation: The utility recorded $63,632 for water accumulated depreciation on its books during the test year and $141,501 for wastewater. Staff has calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. Therefore, staff decreased water by $425 and increased wastewater by $10,879 to reflect test year depreciation

per Rule 25-30.140, Florida Administrative Code. Staff made an averaging adjustment of $2,687 for water and $3,293 for wastewater. Staff's recommended accumulated depreciation as of December 31, 2002, is $60,520 for water and $149,087 for wastewater.

Amortization of CIAC: The utility recorded $27,170 for water and $22,369 for wastewater amortization of CIAC. Pursuant to Audit Exception No. 2, the utility did not reconcile its amortization with Order No. PSC-99-1223-PAA-WS, issued June 21, 1999. Staff has decreased water by $431 and increased wastewater by $386 to reconcile utility balance to prior order. Staff calculated amortization by using composite depreciation rates. Staff's calculated CIAC amortization is $27,199 for water and $26,640 for wastewater. Therefore, staff increased water by $460 and wastewater by $3,885. Staff also made an adjustment to decrease water by $1,160 and wastewater by $936 to reflect an averaging adjustment. Staff's recommended amortization of CIAC for water is $26,039 and $25,704 for wastewater.

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, Florida Administrative Code, staff recommends that the one-eighth of operation and maintenance (O&M) expense formula approach be used for calculating working capital allowance. Applying that formula, staff recommends a working capital allowance of $4,173(based on O&M of $33,383) for water and $3,161 (based on O&M of $25,288) for wastewater. Working capital has been increased by $4,173 for water and $3,161 for wastewater to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate average test year rate base is $41,033 for water and $21,309 for wastewater.

Rate base is shown on Schedule No. 1-A and 1-B. Related adjustments are shown on Schedule No. 1-C.

COST OF CAPITAL

ISSUE 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate return on equity is 11.10% with a range of 10.10% - 12.10%. The appropriate overall rate of return is 8.04%. (BIGGINS)

STAFF ANALYSIS: According to staff's audit, the utility's capital structure consists of negative retained earnings of $77,864, paid in capital of $15,000, and long term debt of $78,487. Staff adjusted capital structure by increasing total common equity by $62,864 to remove the negative equity amount. Staff also made an adjustment to decrease long term debt by $3,596 to reflect the average principle balance.

Using the current leverage formula approved by Order No. PSC-02-0898-PAA-WS, issued July 5, 2002, in Docket No. 020006-WS, the appropriate rate of return on equity is 11.10% for all equity ratios of 100%. Because the utility is 100% equity, the appropriate rate of return on equity is 11.10%

The utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends a return on equity of 11.10% with a range of 10.10% - 12.10% and an overall rate of return of 8.04%.

The return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

ISSUE 5: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues for this utility are $42,275 for water and $29,448 for wastewater. (BIGGINS)

STAFF ANALYSIS: The utility booked revenues during the test year of $42,275 for water and $29,448 for wastewater. The utility's test year end water tariff, contains a base facility charge of $8.58 for residential and general service customers and a gallonage charge of $1.50 per 1,000 gallons for residential and general service customers. The utility's test year end wastewater tariff, contains a base facility charge of $16.23 and a gallonage charge of $5.05 per 1,000 gallons with a maximum cap of 8,000 gallons for residential customers. For general service customers, the test year end wastewater tariff, contains a base facility charge of $16.23 and a gallonage charge of $6.05 per 1,000 gallons.

Staff recommends no adjustments to test year revenues of $42,275 for water and $29,448 for wastewater.

Test year revenues are shown on Schedule No. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

ISSUE 6: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount of operating expense for this utility is $40,382 for water and $28,603 for wastewater. (BIGGINS, DAVIS)

STAFF ANALYSIS: The utility recorded operating expenses of $34,825 for water and $27,796 for wastewater for the test year ending December 31, 2002. The utility allocated expenses based on a 90% water to 10% wastewater ratio. The utility allocated these ratios based on Order No. PSC-99-1223-PAA-WS, issued June 21, 1999, in Docket No. 981198-WS. Staff has reallocated these expenses based on the number of customers during the test year ending December 31, 2002. Staff has made adjustments to reflect the allocations of 75% water to 25% wastewater ratio.

The utility provided the auditor with access to all books and records, invoices, canceled checks, and other utility records to verify its O&M and taxes other than income expense for the test year ending December 31, 2002. Staff has determined the appropriate operating expenses for the test year and a breakdown of expenses by account class using the documents provided by the utility. Adjustments have been made to reflect the appropriate annual operating expenses that are required for utility operations on a going forward basis.

Operation and Maintenance Expenses (O&M)

Salaries and Wages-Employees -(601/701) - The utility recorded $9,816 for water and $4,207 for wastewater for salaries and wages during the test year.

The utility recorded $4,771 for water and $2,045 for wastewater maintenance. Staff has reallocated this cost based on customer allocations of 75% water and 25% wastewater. Staff has increased water by $341 ($6,816 x 75%= $5,112-$4,771) and decreased wastewater by $341 ($6,816 x 25%= $1,704-$2,045) to reallocate expense based on customer allocation. The utility recorded $5,045 for water and $2,162 for office labor employees. The utility requested an increase for the office labor employees from $7,207 per year to $10,400 per year. Staff believes this request is reasonable. The customers at Damon Utilities expect to contact someone during the normal business hours. The utility's bookkeeper's current duties only required minimum record keeping, however, the bookkeeper will now be required to maintain books and

records consistent with the NARUC accounting system. In addition, the utility has to pay other employees to man the phone when the bookkeeper leaves. Based on the 75% water customer's ratio, staff has increased this account by $2,755 ($10,400 x 75% = $7,800-$5,045). Staff also made an adjustment to increase wastewater by $438 ($10,400 x 25% = $2,600-$2,162) to reflect the 25% wastewater customers' ratio.

Therefore, staff's recommended net adjustment to this account is an increase of $3,096 for water and $97 for wastewater.

Purchased Power-(615/715) - The utility recorded $1,933 for water and $2,123 for wastewater during the test year. The utility charged $641 to reflect the utility's 5% common expense. Staff has decreased this account by $577 ($641 x 90%) for water and $64 ($641 x 10%) for wastewater to reflect the utility's common expense charge. The utility's 5% common expense included the utility's electric expenses. The utility has requested an increase in rent expense, in which electric expense will now be included. Therefore, staff recommends purchase power expense in the amounts of $1,356 for water and $2,059 for wastewater.

Fuel for Power Production-(616/716) - The utility recorded $45 for water and $0 for wastewater during the test year. Damon maintains a portable gas generator with a nameplate rating of 20 KW. The operator reported that the generator runs approximately an hour each week as general maintenance to verify on going operational capability. The company purchases gas as needed to fill the small tank at the generator. The tank was topped-off twice during the test year for a total cost of $44.62. It is estimated that a one-hour usage per week for a 20 KW generator (four cylinder unit) is about one (1) gallon per hour. New increases in gas prices ($1.89 per gallon) would require a larger allowance than expenditures noted during the test year. Staff believes $98 per year ($1.89 x 1 gallon per week x 52 weeks) is reasonable to purchase fuel for electric power generation at the water system. Therefore, staff recommends an increase of $53 for water.

Currently, DEP governing rules do not require power generating equipment at the wastewater treatment plant. However, DEP requires a power generator when the number of customers served by the wastewater treatment plant reaches 350. The utility recognizes the potential hazard that a power failure at the master lift station would create, and for that purpose, the utility utilizes a portable generator at the water treatment plant that can be transported to

the master lift station during such an emergency. Therefore, no adjustment has been made to wastewater.

Chemicals-(618/718) - The utility recorded $1,646 for water and $3,176 for wastewater in these accounts during the test year. The utility purchases bulk liquid chlorine, by the gallon to disinfect raw water. The average dosage rate is 1.62 gallons per day at a cost of $2.30 per gallon plus 7% tax ($2.46). Staff believes $1,455 per year (1.62 gpd x $2.46/gal x 365 days) is reasonable for this expense to treat raw water. Disinfection in the chlorine contact chamber is accomplished with the use of a hypomechanical chlorine pump and liquid chlorine concentrate. The average daily dosage rate is 3.8 gallons per day at $2.30 per gallon plus 7% tax. Staff believes $3,412 per year (3.8 gpd x $2.46 x 365 days) is reasonable for wastewater. Therefore, staff has decreased this account by $191 for water and increased this account by $236 for wastewater.

Materials and Supplies-(620/720) The utility recorded $2,701 for water and $1,094 for wastewater in these accounts during the test year. Staff has decreased this account by $284 for water and increased this account by $472 for wastewater to reallocate expense based on the customers' ratio of 75% water and 25% wastewater. Staff also decreased wastewater by $11 to remove sewer allocation of Special Olympic donations per Rule 25-30.433(6), Florida Administrative Code. Staff recommends $2,417 for water and $1,555 for wastewater materials and supplies.

Contractual Services-Billing-(630/730) - The utility recorded $2,580 for water and $2,580 for wastewater in the accounts during the test year. The utility recorded operator expense to these accounts. Staff decreased water by $2,580 and wastewater by $2,580 to remove and reallocate these expenses to this account. During the test year, the utility hired a meter-reader to perform monthly meter readings at a cost of $105 per reading. This translates to about 42 cents per meter which is considered to be reasonable and prudent. Therefore, staff has increased this account by $945 ($105 per month x 12 months x 75%) for water and $315 ($105 per month x 12 months x 25%) for wastewater to reclassify meter reading expense to this account. Staff recommends a net adjustment to decrease this account by $1,635 for water and by $2,265 for wastewater.

Contractual Service-Professional-(631/731) - The utility recorded $704 for water and $56 for wastewater. Within the $704, staff determined $560 was recorded by the utility based on 90/10 ratio,

$504 ($560 x 90%) for water and $56 (560 x 10%)for wastewater. Staff has reallocated this cost based on customer allocations of 75% water and 25% wastewater. Staff made an adjustment to decrease water by $84 (560 x 75%=420-$504). Staff also made an adjustment to increase wastewater by $84 ($560 x 25%=140-56).

Contractual Services-Testing-(635/735) - The utility recorded $1,720 for water and $2,554 for wastewater during the test year. Each utility must adhere to specific testing conditions prescribed within its operating permit. These testing requirements are tailored to each utility as required by the Florida Administrative Code and enforced by the DEP. The tests and the frequency at which those tests must be repeated for this utility are:

Water

Test	Frequency	Annual Amount
TTHMs	Quarterly	$210
Microbiological	4/Monthly	$1,200
Primary Inorganics	3 Years	$122
Secondary Inorganics	3 Years	$70
Asbestos	1/9 Years	$35
Nitrate & Nitrite	Annual	$120
Volatile Organics	Qrtly/1st yr/36 mos.	$350
Pesticides & PCB	3 Years	$312
Radionuclides Group I	3 Years	$42
Radionuclides Group II	3 Years	$250
Unregulated Organics Group I	Qrtly/1st yr./9yr.	$275
Unregulated Organics Group II	3 Years	$50
Unregulated Organics Group III	3 Years	$83
Lead & Copper	Biannual	$210
Total		$3,119

Wastewater

Test	Frequency	Annual Amount
Biochemical Oxygen Demand (includes Nitrate, Nitrite)	Monthly	$1,104
Total suspended Solids	Monthly	$624
Fecal Coliform	Monthly	$504
Sludge Analysis	Yearly	$360
Total		$2,592

Staff recommends an increase to this account of $1,399 ($3,119 - $1,720) for water and by $38 ($2,592 - $2,554) for wastewater to reflect DEP required testing.

Contractual Services Other-(636/736) - The utility recorded $1,657 for water and $289 for wastewater during the test year. Staff has reclassified $2,580 from water Account 630 to 636 and $2,580 from wastewater Account No. 730 to 736 to reflect expenses recorded in the wrong account. Staff also reclassified $1,260 from water account 636 to 630 to reflect the reclassifying of meter reader expense. Both the water plant site and the wastewater plant site are at very visible locations in the service territory. Grounds keeping of both plant sites must be performed on a regular basis. During the test year, no services for mowing and grounds keeping were identified from the records reviewed. It appears that mowing has become a part of the greens upkeep which is performed by the golf and country club, and not invoiced as a specific service to the utility systems. During the last rate case, it was recommended that $900 per year be considered reasonable for mowing and grounds keeping at the water plant, and $750 per year as a reasonable amount for grounds keeping at the wastewater plant. It is recommended that these amounts be carried forward in this rate case. Therefore, staff has made an adjustment to increase this account by $900 per year for water, and by $750 per year for wastewater mowing and grounds keeping.

During the test year, the utility installed a duel-hypomechanical chlorination system at the water plant in the amount of $394. Other water plant repairs cost $1,299. During the test year, wastewater system repairs totaled $2,220. Therefore, staff has made an adjustment to increase this account by $1,693 for water

repair maintenance and $2,220 for wastewater repair maintenance. Staff recommends a net adjustment to this account of $3,913 for water and $5,550 for wastewater.

The utility requested $250 per month be put into reserve for any emergency repairs the utility might need. Staff does not believe this request is reasonable and did not include these expenses in its recommended adjustment.

Rent Expense- (640/740) - The utility recorded $2,496 for water and $1,644 for wastewater during the test year. Staff has found that the utility recorded $1,440 based on a 90/10 ratio, $1,296 ($1440 x 90%) for water and $144 ($1,440 x 10%) for wastewater customers. Staff made an adjustment to decrease water by $216 ($1,440 x 75%=$1,080-$1,296) and increase wastewater by $216 ($1,440 x 25%=$360-$144) to reflect the reallocation of the 75%/25% ratio. The utility requested rent increase from $120 to $200 per year for water and wastewater. Staff believes this amount is reasonable. In the utility's previous Staff Assisted Rate Case, the approved rent amount did not include electric cost for the office. However, with the requested rent increase, the amount will now include electric, office space, office furnishings, and access to the telephone system. Therefore, staff has increased this account by $720 ($200 - $120 x 12 x 75%) for water and by $240 ($200 - $120 x 12 x 25%) for wastewater.

Staff recommends a net increase to this account by $504 for water, and $456 for wastewater.

Regulatory Commission Expense-(665/765) - The utility did not record any amount in these accounts. The utility is required by Rule 25-22.0407(9)(b), Florida Administrative Code, to mail notices of the customer meeting to its customers. Staff has estimated the noticing expense for water to include an $86 postage expense, $25 printing expense, and $13 for envelopes. The above expenses result in a total rate case expense of $124 for water. Pursuant to Section 367.0816 Florida Statutes, rate case expense is amortized over a 4-year period. Therefore, staff has increased this account by $31 ($124/4 years) to reflect water rate case expense. Staff estimated noticing expense for wastewater of $29 postage expense, $9 printing expense, and $4 for envelopes. The above results in a total rate case expense of $42 for wastewater. Staff has increased this account by $11 ($42/4 years) to reflect wastewater rate case expense. The utility paid a $1,000 rate case filing fee for water and $500 for wastewater. Therefore, staff has increased this

account by $250 ($1,000/4 years) for water and by $125 ($500/4 years) for wastewater.

Staff has made a net adjustment to increase this account by $281 for water and by $136 for wastewater.

Miscellaneous Expense-(675/775) - The utility recorded $1,385 for water and $54 for wastewater during the test year. The utility converted from gas to a hypomechanical chlorination system at the water plant. The utility failed to contact DEP prior to the conversion. DEP penalized the utility $800 for not following DEP rules. Staff decreased this account by $800 to remove water change over penalty charges. Staff decreased water by $486 and wastewater by $54 to reclassify miscellaneous taxes to taxes other than income. Staff has also made an adjustment decreasing water by $99 to remove Special Olympic donations per Rule 25-30.433(6), Florida Administrative Code. Staff recommends a net decrease to this account in the amount $1,385 for water and $54 for wastewater.

Operation and Maintenance Expense (O&M Summary) - The total O&M adjustment is an increase of $5,174 for water and $4,591 for wastewater. Staff's recommended O&M expenses are $33,383 for water and $25,288 for wastewater. O&M expenses are shown on Schedules 3-D and 3-E.

Depreciation Expense - The utility recorded depreciation expense of $3,077 for water and $5,592 during the test year. Depreciation expense has been calculated by staff using the prescribed rates in Rule 25-30.140, Florida Administrative Code. There was no adjustment to water. Staff decreased wastewater depreciation by $3,876 to reflect staff's calculated depreciation. Staff reduced water by $63 and wastewater by $1,053 to reflect non-used and useful depreciation. Staff decreased depreciation expense by $40 for water and increased wastewater by $1,091 to reflect staff's calculated amortization of CIAC. Amortization of CIAC and non-used and useful depreciation has a negative impact on depreciation expense. Staff recommends a net depreciation expense of $2,974 for water and $1,754 for wastewater.

Taxes Other Than Income - The utility recorded taxes other than income of $3,539 for water and $1,507 for wastewater during the test year. Staff has increased this account by $486 for water and $54 for wastewater to reclassify expenses from the miscellaneous expense account (675/775) to taxes other than income.

Income Tax - Damon is a Sub-chapter S corporation; therefore, consistent with Rule 25-30.433(7) Florida Administrative Code, an allowance for income tax has not been made.

Operating Revenues - Revenues have been increased by $1,472 for water $909 for wastewater to reflect the change in revenue required to cover expenses and allow the recommended return on investment.

Taxes Other Than Income - This expense has been increased by $66 for water $41 for wastewater to reflect regulatory assessment fees of 4.5% on the change in revenues.

Operating Expenses Summary - The application of staff's recommended adjustments to the audited test year operating expenses results in staff's calculated operating expenses of $40,448 for water and $28,644 for wastewater.

In summary, staff recommends the appropriate amount of operating expense is $40,448 for water and $28,644 for wastewater.

Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

REVENUE REQUIREMENT

ISSUE 7: What is the appropriate revenue requirement?

RECOMMENDATION: The appropriate revenue requirement is $43,747 for water and $30,357 for wastewater. (BIGGINS)

STAFF ANALYSIS: The utility should be allowed an annual increase of $1,472 (3.48%) for water and $909 (3.09%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn an 8.04% return on its investment. The Commission's current practice for calculating revenue is as follows:

	Water	Wastewater
Adjusted rate base	$41,033	$21,309
Rate of Return	x .0804	x .0804
Return on investment	$3,299	$1,713
Adjusted O & M expense	$33,383	$25,288
Depreciation expense (Net)	$2,974	$1,754
Amortization	$0	$0
Taxes Other Than Income	$4,091	$1,602
Revenue Requirement	$43,747	$30,357
Adjusted Test Year Revenues	$1,472	$909
Percent Increase/(Decrease)	3.48%	3.09%

Revenue requirements are shown on Schedules Nos. 3-A and 3-B.

RATE STRUCTURE, RATES AND TARIFF CHARGES

ISSUE 8: What is the appropriate water rate structure for this utility?

RECOMMENDATION: The appropriate water rate structure is a continuation of the current base facility and uniform gallonage charge rate structure. A rate structure should be implemented such that the entire revenue requirement increase is recovered through the gallonage charge. (BRUCE)

STAFF ANALYSIS: The utility's current rate structure consists of a base facility charge and uniform gallonage charge rate structure. This has traditionally been the Commission's preferred rate structure. This rate structure is considered usage sensitive because customers may reduce their total bill by reducing their water consumption.

Over the past few years, the Water Management Districts have requested, whenever possible, that an inclining block rate structure be implemented. The utility was evaluated to determine if an inclining block rate structure would be appropriate. Staff's analysis indicated that the overall average monthly consumption per Residential (RS) customer was 3.714 kgal. Similarly, the percentage of cumulative bills captured at five and 10 kgal was 71.9% and 95.7%, respectively. The percentage of gallons captured at 5 and 10 kgal was 80.2% and 93.5%, respectively. The high percentages of bills and kgals captured at both 5 kgal and 10 kgal indicates little, if any, excessive consumption and leads staff to believe that implementing an inclining block rate structure is not appropriate at this time.

Based on staff's initial analysis of fixed versus variable allocation of revenue requirement recovery, the utility would recover 62% ($27,062) from the Base Facility Charge (BFC) and the remaining 38% ($16,685) from the gallonage charge. This revenue recovery allocation is much higher than the Commission's practice of recovering no more than 40% through the BFC. Staff believes that it is important to design a conservation oriented rate structure that is appropriate for this utility while maintaining sufficient revenue stability for the utility.

At the customer meeting held on May 15, 2003, a couple of customers voiced their opinion against the entire revenue requirement increase being recovered through the gallonage charge.

Based on our analysis, staff believes that the entire revenue requirement increase of 5% should be recovered through the gallonage charge. Various revenue requirement increase allocations were performed. The results of this analysis are shown in the following table.

	Revenue Requirement Increase and Resulting Allocations		
Monthly Consumption	**BFC=100% GAL=0%**	**BFC=50% GAL=50%**	**BFC=0% GAL=100%**
0 kgal	5.9%	3.0%	0.0%
1 kgal	6.0%	4.3%	2.3%
2 kgal	6.0%	5.0%	4.0%
3 kgal	6.0%	5.7%	5.3%
4 kgal	6.0%	6.2%	6.3%
5 kgal	6.0%	6.6%	7.2%
10 kgal	6.0%	7.9%	9.8%
15 kgal	6.0%	8.6%	11.1%
20 kgal	6.0%	9.0%	11.9%
30 kgal	6.0%	9.4%	12.9%
35 kgal	6.0%	9.6%	13.2%
50 kgal	6.0%	9.9%	13.8%

Damon is located in the Southwest Florida Water Management District in the Highlands Ridge water use caution area (WUCA). Damon has a seasonal customer base in which many of the customers are there for only a portion of the year. As shown above, by allocating 100% of the revenue increase to the gallonage charge, the price increases for non-discretionary consumption of 3 kgals or less is minimized while the price increase at higher levels of

consumption are maximized. The other revenue increase allocations result in larger price increases for non-discretionary consumption of 3 kgals or less and lower price increases at higher levels of consumption.

Allocating the entire revenue requirement increase to the gallonage charge allows the utility to produce a sufficient monthly cash flow. Staff evaluated the monthly fixed costs for the utility and compared it to the revenues generated in the month with lowest usage and found that the total revenues are greater than the monthly fixed cost. Thus, staff concludes that the appropriate conservation-oriented allocation of the revenue requirement increase is to allocate 100% of the increase to the gallonage charge.

Therefore, staff recommends that a continuation of the utility's current base facility and gallonage charge rate structure is appropriate in this case. A rate structure should be implemented such that the entire revenue requirement increase is recovered through the gallonage charge.

ISSUE 9: Are adjustments to reflect repression of residential consumption to the water and wastewater systems appropriate in this case, and, if so, what are the appropriate adjustments?

RECOMMENDATION: Yes, a repression adjustment of 274.3 thousand gallons (kgal) to residential water consumption and a corresponding adjustment of 219.4 kgal to residential wastewater consumption is appropriate. In order to monitor the effects of the recommended revenue increase, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports should be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect. (LINGO)

STAFF ANALYSIS: Over the past several years, staff has calculated repression adjustments for utilities receiving rate increases, decreases and/or rate structure changes resulting from rate cases. Utilities have been required to file monthly reports to monitor the effects of the revenue and/or rate structure changes. These reports are intended to provide staff with comparable data from other utilities receiving revenue and/or rate structure changes. An equally important use of these reports is to provide staff with data regarding each utility's customer-specific response to these revenue and/or rate structure changes. This customer-specific data is among the most reliable data to be used when considering repression (price elasticity) adjustments for those customers in subsequent rate cases.

The Southwest Florida Water Management District (SWFWMD or District) completed a comprehensive, District-specific price elasticity study in 1993 that was updated in 1999. That study concluded that residential price elasticity ranges from -0.10 to -0.69. Damon's most recent rate case in which it was granted a rate increase was in Docket No. 981198-WS, and reports have been provided to the Commission since the tariffs from that case went into effect in early 2000. Based on an analysis of Damon's customer-specific data, staff has determined that the price elasticity for Damon's residential customers is -0.41, which is within the range of typical residential customer response found in the District's study. The calculation of Damon's residential customer-specific price elasticity, along with the corresponding repression adjustment to be made in the instant case, is shown below:

Based on Damon-specific data:

Percent change in residential avg consumption = -1.74%
Resulting percent change in price = 4.28%

Therefore, **Damon's Price Elasticity** = $\frac{-1.74\%}{4.28\%}$ = **-0.41**

Damon's Specific Price Elasticity Applied in Current Case:

Percent change in current price based
on approximate current avg residential consumption = 6.3%

Therefore, **recommended repression adj** = **-2.6%**

10,632.083 **water residential kgals** x -2.6% = **274.3 kgals**
274.3 water kgals x 80% = **wastewater kgals** = **219.4 kgals**

Therefore, the overall repression adjustment to the water system is 274.3 kgal, with a corresponding adjustment of 219.4 kgal to the wastewater system. In order to monitor the effects of the recommended revenue increases, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports should be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

ISSUE 10: What are the appropriate rates for this utility's water and wastewater systems?

RECOMMENDATION: The recommended rates should be designed to produce revenue of $43,747 for water and $30,357 for wastewater, as shown in the staff analysis. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (BRUCE, BIGGINS)

STAFF ANALYSIS: During the test year the utility provided services to approximately 253 water customers (two being general service customers) and 86 wastewater customers (two also being general service customers). The service area includes Casa Del Lago and The Village Green in Highlands County. As discussed in Issue No. 7, staff has designed rates to produce revenues of $43,747 for the water system and $30,357 for the wastewater system.

As discussed in Issue No. 9, staff recommends a continuation of the utility's current Base Facility Charge for water and wastewater. Staff recommends that the appropriate repression adjustment is 274.3 kgal for water and 219.4 kgal for Schedules of the rates in effect at the end of the test year, and staff's recommended rates follow:

MONTHLY RATES - WATER

RESIDENTIAL AND GENERAL SERVICE

Base Facility Charge	Existing Rates	Staff's Recommended Rates
Meter Sizes		
5/8" x 3/4"	$8.58	$8.58
3/4"	$12.86	$12.86
1"	$21.45	$21.45
1 ½"	$42.89	$42.89
2"	$68.61	$68.61
3"	$137.25	$137.25
4"	$214.45	$214.45
6"	$428.88	$428.88
Gallonage Charge		
(Per 1,000 Gallons)	$1.50	$1.73

MONTHLY RATES - WASTEWATER

RESIDENTIAL

	Existing Rates	Staff's Recommended Rates
Base Facility Charge		
Meter Size:		
All Meter Sizes	$16.23	$16.23
Gallonage Charge		
Per 1,000 Gallons (8,000 gallon cap)	$5.05	$6.62

MONTHLY RATES - WASTEWATER

GENERAL SERVICE

	Existing Rates	Staff's Recommended Rates
Base Facility Charge		
Meter Sizes		
5/8" x 3/4"	$16.23	$16.23
3/4"	$24.34	$24.34
1"	$40.57	$40.57
1 ½"	$81.57	$81.57
2"	$129.83	$129.83
3"	$259.69	$259.69
4"	$405.76	$405.76
6"	$811.51	$811.51
Gallonage Charge		
Per 1,000 Gallons	$6.05	$7.94

Based on Staff's recommended rates, the utility would recover approximately 57% ($25,019) of water system revenues, and 55% ($16,696) of wastewater system revenues from the base facility charge. The remaining 43% ($18,728) of water revenues and 45% ($13,661) of wastewater revenues would be recovered from the gallonage charge.

If the Commission approves staff's recommendation, these rates should be effective for service rendered as of the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision and the customer notice is adequate.

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 should be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge should 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 should the rates be effective for service rendered prior to the stamped approval date.

ISSUE 11: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: The water and wastewater rates should be reduced as shown on Schedules 4 and 4A, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (BIGGINS)

STAFF ANALYSIS: Section 367.0816, Florida Statutes, 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 and the gross-up for regulatory assessment fees which is $294 annually for water and $142 annually for wastewater. Using the utility's current revenues, expenses, capital structure, and customer base, the reduction in revenues will result in the rate decreases as shown on Schedules Nos. 4 and 4A.

The utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also should be required to 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 should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

ISSUE 12: What are the appropriate customers deposits for this utility?

RECOMMENDATION: The appropriate customer deposits should be the recommended charges as specified in the staff analysis. The utility should file revised tariff sheets, which are consistent with the Commission's vote. Staff should approve the revised tariff sheets upon verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. (BIGGINS)

STAFF ANALYSIS: Rule 25-30.311, Florida Administrative Code, provides guidelines for collecting, administering, and refunding customer deposits. It also authorizes customer deposits to be calculated using an average monthly bill for a two-month period. The utility's existing tariff does not authorize the utility to collect a customer deposit. Staff has calculated customer deposits using recommended rates and an average monthly bill for a two-month period. A schedule of the utility's existing and staff's recommended deposits follows:

WATER

RESIDENTIAL AND GENERAL SERVICE

Meter Size	Existing Deposit	Recommended Deposit
5/8" x 3/4"	N/A	$30.00
All over 5/8" x 3/4"	N/A	2 x average bill

WASTEWATER

RESIDENTIAL AND GENERAL SERVICE

Meter Size	Existing Deposit	Recommended Deposit
5/8" x 3/4"	N/A	$60.00
All over 5/8" x 3/4"	N/A	2 x average bill

The utility should file revised tariff sheets, which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and

approved, the customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

ISSUE 13: Should the utility's service availability charges be revised?

RECOMMENDATION: Yes, the utility's service availability charges should be revised to reflect a plant capacity charge of $74 and a main extension charge of $228 for water and a main extension charge of $138 for wastewater. The utility's existing plant capacity charge for wastewater should be discontinued. The utility should file revised tariff sheets which are consistent with the Commission's vote. Staff will approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised, tariff sheets are filed and approved, the service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. (BIGGINS)

STAFF ANALYSIS: The utility's existing tariff authorizes a plant capacity charge of $0 for water and $465 for wastewater. The utility's current contribution level is 43.86% for water and 52.19% for wastewater.

In order to evaluate the utility's service availability charges, staff relied on Rule 25-30.580, Florida Administrative Code, which states in part that:

> (a) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and
>
> (b) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

Staff designed service availability charges such that the utility's contribution level will approach the maximum level prescribed in Rule 25-30.580, Florida Administrative Code, at build out. Staff is recommending that the utility's plant capacity charge be discontinued for wastewater since the utility has already recovered the cost of the wastewater treatment plant through prior

plant capacity charges. A schedule of the utility's existing charges and staff's recommended charges are as follows:

Water	Existing Charge	Recommended Charge
Main Extension Charge Residential-Per ERC	N/A	$228.00
Plant Capacity Charge Residential-Per ERC	N/A	$74.00

Wastewater	Existing Charge	Recommended Charge
Main Extension Charge Residential-Per ERC	N/A	$138.00
Plant Capacity Charge Residential-Per ERC	$465.00	N/A

If revised, tariff sheets are filed and approved, the service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

ISSUE 14: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

RECOMMENDATION: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should 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 should also indicate the status of the security being used to guarantee repayment of any potential refund. (RODAN, BIGGINS)

STAFF ANALYSIS: This recommendation proposes an increase in water and 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), Florida Statutes, in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility should be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of $1,605. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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

1) The Commission approves the rate increase; or

2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

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

1) The letter of credit is irrevocable for the period it is in effect.

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

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

1) 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 Director of Commission Clerk and Administrative Services must be a signatory to the escrow agreement.

This account must specify by whom and on whose behalf such monies were paid.

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

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should file reports with the Commission 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 should also indicate the status of the security being used to guarantee repayment of any potential refund.

ISSUE 15: Should the docket be closed?

RECOMMENDATION: Yes. If no timely protest is filed by a substantially affected person, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed within 21 days of the issuance of the Order, the tariffs should remain in effect with any increase held subject to refund pending resolution of the protest, and the docket should remain open. (BIGGINS, RODAN)

STAFF ANALYSIS: If no timely protest is filed by a substantially affected person, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed within 21 days of the issuance of the Order, the tariffs should remain in effect with any increase held subject to refund pending resolution of the protest, and the docket should remain open.

WATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 021192-WS - Damon Utilities, Inc.

1)	**Capacity of Plant**	100	gallons per minute
2)	**Maximum Day** (2 X Avg 5 Max Day)	98	gallons per minute
3)	**Fire Flow Capacity**	N/A	gallons per minute

a) Required Fire Flow: 500 gallons per minute for 4 hours is N/A

4)	**Growth** (future customer connections x 1.1 gpm)	19	gallons per minute

a) Test year Customers in ERCs:

Begin	233
End	238
Average	236

(Use average number of customers)

b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	9	ERC
c)	Statutory Growth Period	5	Years

(b)x(c)x(2/a) = 19 gallons per minute for growth

5)	**Excessive Unaccounted for Water**	0	gallons per minute
a)	Total Unaccounted for Water	25	gallons per minute
	Percent of Average Daily Flow	9%	
b)	Reasonable Amount	28	gallons per minute
	(10% of average Daily Flow)		
c)	Excessive Amount	0	gallons per minute

USED AND USEFUL FORMULA

[(2)+(3)+(4)-(5)]/(1) = 100% Used and Useful

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

Docket No. 021192-WS - Damon Utilities, Inc.

1)	**Capacity of System** (Number of ERCs)	294	ERCs
2)	**Test year connections**		
	a) Beginning of Test Year	233	ERCs
	b) End of Test Year	238	ERCs
	c) Average Test Year	236	ERCs
3)	**Growth**	45	ERCs
	a) customer growth in connections for last 5 years including Test Year using Regression Analysis	9	ERCs
	b) Statutory Growth Period	5	Years

(a) x (b) = 45 connections allowed for growth

USED AND USEFUL FORMULA

[2+3]/(1) = 95.6% Used and Useful

WASTEWATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 021192-WS - Damon Utilities, Inc.

1)	**Permitted Capacity of Plant (TMADF)**	50,000	gallons per day
2)	**Maximum Daily Flow**	24,000	gallons per day
3)	**Average Daily Flow (TMADF)**	9,750	gallons per day
4)	**Growth**	1,373	gallons per day

a) Test year Customers in ERCs:

Beginning	70
Ending	71
Average	71

b) Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year: 2 ERCs

c) Statutory Growth Period: 5 Years

(b x c) x [3/(a)]= 1,373 gallons per day for growth

5)	**Excessive Infiltration or Inflow** (I&I)	N/A	gallons per day
	a) Total I&I:	1,065	gallons per day
	Percent of Average Daily Flow	12	
	b) Reasonable Amount	2,965	gallons per day
	(500 gpd per inch dia pipe per mile)		
	c) Excessive Amount	N/A	gallons per day

USED AND USEFUL FORMULA

[(3)+(4)-(5)]/(1) = 23.3% Used and Useful

WASTEWATER COLLECTION SYSTEM - USED AND USEFUL DATA

Docket No. 021192-WS - Damon Utilities, Inc.

1)	**Capacity of System** (Number of potential ERCs)	94	ERCs
2)	**Test year connections**		
	a) Beginning of Test Year	70	ERCs
	b) End of Test Year	71	ERCs
	c) Average Test Year	71	ERCs
3)	**Growth**	10	ERCs
	a) customer growth in connections for last 5 years including Test Year using Regression Analysis	2	ERC
	b) Statutory Growth Period	5	Years

(a) x (b) = 10 ERCs allowed for growth

USED AND USEFUL FORMULA

[(2)+(3)]/(1) = 86.2% Used and Useful

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02
SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1-A
DOCKET NO. 021192-WS

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	$128,927	($164)	$128,763
2. LAND & LAND RIGHTS	0	$0	$0
3. NON-USED AND USEFUL COMPONENTS	0	(1,467)	($1,467)
4. CIAC	(55,955)	0	($55,955)
5. ACCUMULATED DEPRECIATION	(63,632)	3,112	($60,520)
6. AMORTIZATION OF CIAC	27,170	(1,131)	$26,039
		0	
7. WORKING CAPITAL ALLOWANCE	0	4,173	$4,173
8. WATER RATE BASE	$36,510	$4,523	$41,033

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1-B
DOCKET NO. 021192-WS

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	$223,171	$400	$223,571
2. LAND & LAND RIGHTS	0	0	$0
3. NON-USED AND USEFUL COMPONENTS	0	(18,244)	($18,244)
4. CIAC	(63,796)	0	($63,796)
5. ACCUMULATED DEPRECIATION	(141,501)	(7,586)	($149,087)
6. AMORTIZATION OF CIAC	22,369	3,335	$25,704
7. WORKING CAPITAL ALLOWANCE	0	3,161	$3,161
8. WASTEWATER RATE BASE	$40,243	($18,934)	$21,309

DAMON UTILITIES, INC. TEST YEAR ENDING 12/31/02 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-C DOCKET NO. 021192-WS	
	WATER	WASTEWATER
UTILITY PLANT IN SERVICE		
1. To reflect audit report Exception 1	($164)	$400
Total	($164)	$400
NON-USED AND USEFUL PLANT		
1. To reflect non-used and useful plant.	($2,389)	($106,689)
2. Average non-used and useful accumulated depreciation	$922	$88,445
Total	($1,467)	($18,244)
ACCUMULATED DEPRECIATION		
1. Depreciation Adjustment Per Rule 25-30.140 FAC	$425	($10,879)
2. Averaging Adjustment	$2,687	$3,293
Total	$3,112	($7,586)
AMORTIZATION OF CIAC		
1. Recalc. Amortization from previous order	($431)	$386
2. To adjust Amortization of CIAC based on composite rates	$460	$3,885
3. Averaging Adjustment	(1,160)	(936)
Total	($1,131)	$3,335
WORKING CAPITAL ALLOWANCE		
1. To reflect 1/8 of test year O & M expenses.	$4,173	$3,161

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 021192-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	$0	$0	$0					
2. RETAINED EARNINGS	(77,864)	62,864	(15,000)					
3. PAID IN CAPITAL	15,000	0	15,000					
4. TREASURY STOCK			0					
5. TOTAL COMMON EQUITY	($62,864)	$62,864	0	0	0	0.00%	11.10%	0.00%
6. LONG TERM DEBT	78,487	(3,596)	74,891	(12,549)	62,342	100.00%	8.04%	8.04%
7. LONG TERM DEBT	0	0	0	0	0	0.00%	6.00%	0.00%
TOTAL LONG TERM DEBT	78,487	(3,596)	74,891	(12,549)	62,342	100.00%		
8. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
9. TOTAL	$15,623	$59,268	$74,891	($12,549)	$62,342	100.00%		8.04%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.10%	12.10%
OVERALL RATE OF RETURN	8.04%	8.04%

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 021192-WS

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	$42,275	$0	$42,275	$1,472 3.48%	$43,747
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	28,209	5,174	33,383	0	33,383
3. DEPRECIATION (NET)	3,077	(103)	2,974	0	2,974
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,539	486	4,025	66	4,091
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	$34,825	$5,557	$40,382	$66	$40,448
8. OPERATING INCOME/(LOSS)	$7,450		$1,893		$3,299
9. WATER RATE BASE	$36,510		$41,033		$41,033
10. RATE OF RETURN	20.41%		4.61%		8.04%

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 021192-WS

	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	$29,448	$0	$29,448	$909 3.09%	$30,357
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	20,697	4,591	25,288	0	25,288
3. DEPRECIATION (NET)	5,592	(3,838)	1,754	0	1,754
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	1,507	54	1,561	41	1,602
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	$27,796	$807	$28,603	$41	$28,644
8. OPERATING INCOME/(LOSS)	$1,652		$845		$1,713
9. WASTEWATER RATE BASE	$40,243		$21,309		$21,309
10. RATE OF RETURN	4.11%		3.97%		8.04%

DAMON UTILITIES, INC. TEST YEAR ENDING 12/31/02 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-C DOCKET NO. 021192-WS PAGE 1 OF 2	
	WATER	WASTEWATER
OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages Employees (601/ 701)		
a.To reallocate 75% water and 25% wastewater customers	$341	($341)
b. To reflect utilities request for increase in salaries	$2,755	$438
Subtotal	$3,096	$97
2. Purchased Power (615/ 715)		
a. Repression Adjustment	0	0
b.To remove common expense	(577)	(64)
Subtotal	($577)	($64)
3. Fuel for Power Production (616/617)		
a. Fuel for Water Production	$53	$0
4. Chemicals (618/ 718)		
a. Annualize for Chemicals	(191)	236
c. Repression Adjustment	0	0
Subtotal	($191)	$236
5. Materials & Supplies (620/ 720)		
a.To reallocate 75% water and 25% wastewater customers	($284)	$472
b. Remove sewer allocation of special olympic donation	0	(11)
c. Annualize Materials & Supplies	0	0
Subtotal	($284)	$461
6. Contractual Services - Billing (630/ 730)		
a. Reclassify Operator Expense from Acct 630 to 636	($2,580)	($2,580)
b. Reclassify meter reader expense from Acct. 636 to 630	945	315
Subtotal	($1,635)	($2,265)
7. Contractual Services- Professional (631/731)		
a. To reallocate 75% water and 25% wastewater customers	($84)	$84
8. Contractual Services - Testing (635/ 735)		
a. To Include Annualized DEP Required Testing	1,399	38
9. Contractual Services - Other (636/ 736)		
a. Reclassify operator expense from (630 to 636 &730 to 736)	$2,580	$2,580
b. Reclassify meter reader expense from acct 636 to 630	(1,260)	
c. Annualize Repair Maintenance	1,693	2,220
g. Annualize Grounds Keeping	900	750
Subtotal	$3,913	$5,550

DAMON UTILITIES, INC. TEST YEAR ENDING 12/31/02 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 021192-WS PAGE 2 OF 2
	WATER	WASTEWATER
10. Rents (640/ 740)		
a. To adjust customer based on ratio of 75% water and 25% wastewater	($216)	$216
b. To include requested increase from 120 to 200	$720	$240
Subtotal	$504	$456
11. Regulatory Expense (665/ 765)		
a. Notice Expense Amortized Over 4 Years	31	11
b.. Amortize Rate Case Filing Fee over 4 years ($1000/4)	250	125
Subtotal	$281	$136
11. Miscellaneous Expense (675/ 775)		
a. To remove water change penalty charges	($800)	$0
b. Reclassify TOTI	(486)	(54)
c. To remove nonutility Misc. expense	(99)	0
Subtotal	($1,385)	($54)
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	$5,174	$4,591
DEPRECIATION EXPENSE		
1. To reflect test year depreciation calculated per 25-30.140, FAC	$0	($3,876)
3. Non-used and useful depreciation	(63)	(1,053)
4. To reflect test year CIAC amortization calculated by staff	(40)	1,091
Total	($103)	($3,838)
TAXES OTHER THAN INCOME		
1. Reclassify from misc exp	$486	$54

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

SCHEDULE NO. 3-D
DOCKET NO. 021192-WS

	TOTAL PER PER UTILITY	STAFF PER ADJUST.		TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$9,816	$3,096	[1]	$12,912
(603) SALARIES AND WAGES - OFFICERS	0	0		$0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		$0
(610) PURCHASED WATER	0	0		$0
(615) PURCHASED POWER	1,933	(577)	[2]	$1,356
(616) FUEL FOR POWER PRODUCTION	45	53	[3]	$98
(618) CHEMICALS	1,646	(191)	[4]	$1,455
(620) MATERIALS AND SUPPLIES	2,701	(284)	[5]	$2,417
(630) CONTRACTUAL SERVICES - BILLING	2,580	(1,635)	[6]	$945
(631) CONTRACTUAL SERVICES - PROFESSIONAL	704	0		$704
(635) CONTRACTUAL SERVICES - TESTING	1,720	1,399	[7]	$3,119
(636) CONTRACTUAL SERVICES - OTHER	1,657	3,913	[8]	$5,570
(640) RENTS	2,496	504	[9]	$3,000
(650) TRANSPORTATION EXPENSE	905	0	[10]	$905
(655) INSURANCE EXPENSE	621	0		$621
(665) REGULATORY COMMISSION EXPENSE	0	281	[11]	$281
(670) BAD DEBT EXPENSE	0	0		$0
(675) MISCELLANEOUS EXPENSES	1,385	(1,385)	[12]	$0
	28,209	5,174		33,383

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

SCHEDULE NO. 3-E
DOCKET NO. 021192-WS

	TOTAL PER UTILITY	STAFF ADJUST-MENT		TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$4,207	$97	[1]	$4,304
(703) SALARIES AND WAGES - OFFICERS	0	0		$0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0		$0
(710) PURCHASED SEWAGE TREATMENT	0	0		$0
(711) SLUDGE REMOVAL EXPENSE	2,075	0		$2,075
(715) PURCHASED POWER	2,123	(64)	[2]	$2,059
(716) FUEL FOR POWER PRODUCTION	0	0		$0
(718) CHEMICALS	3,176	236	[3]	$3,412
(720) MATERIALS AND SUPPLIES	1,094	461	[4]	$1,555
(730) CONTRACTUAL SERVICES - BILLING	2,580	(2,265)	[5]	$315
(731) CONTRACTUAL SERVICES - PROFESSIONAL	56	0		$56
(735) CONTRACTUAL SERVICES - TESTING	2,554	38	[6]	$2,592
(736) CONTRACTUAL SERVICES - OTHER	289	5,550	[7]	$5,839
(740) RENTS	1,644	456	[8]	$2,100
(750) TRANSPORTATION EXPENSE	603	0		$603
(755) INSURANCE EXPENSE	242	0		$242
(765) REGULATORY COMMISSION EXPENSES	0	136	[10]	$136
(770) BAD DEBT EXPENSE	0	0		$0
(775) MISCELLANEOUS EXPENSES	54	(54)	[11]	$0
	20,697	4,591		25,288

RECOMMENDED RATE REDUCTION SCHEDULE

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02

SCHEDULE NO. 4
DOCKET NO. 021192-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WATER RATES

RESIDENTIAL AND GENERAL SERVICE BASE FACILITY CHARGE:		MONTHLY PRELIMINARY RATES	MONTHLY RATE REDUCTION
Meter Size:			
5/8"X3/4"	$	8.58	0.06
3/4"		12.86	0.09
1"		21.45	0.14
1-1/2"		42.89	0.29
2"		68.61	0.46
3"		137.25	0.92
4"		214.45	1.44
6"		428.88	2.88
GALLONAGE CHARGE PER 1,000 GALLONS	$	1.73	0.01

RECOMMENDED RATE REDUCTION SCHEDULE

DAMON UTILITIES, INC.
TEST YEAR ENDING 12/31/02

SCHEDULE NO. 4A
DOCKET NO. 021192-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

		MONTHLY PRELIMINARY RATES	MONTHLY RATE REDUCTION
RESIDENTIAL			
BASE FACILITY CHARGE:			
Meter Size: All Meter Sizes	$	16.23	0.08
GALLONAGE CHARGE:			
PER 1,000 GALLONS (6,000 gallon cap)	$	6.62	0.03
GENERAL SERVICE			
BASE FACILITY CHARGE:			
Meter Size:			
5/8"X3/4"	$	16.23	0.08
3/4"		24.35	0.11
1"		40.58	0.19
1-1/2"		81.15	0.38
2"		129.84	0.61
3"		259.68	1.22
4"		405.75	1.90
6"		811.50	3.81
GALLONAGE CHARGE:			
PER 1,000 GALLONS	$	7.94	0.04