

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities. DOCKET NO. 040300-SU
ORDER NO. PSC-04-1264-PAA-SU
ISSUED: December 21, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

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

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that, except for the four-year rate reduction and the approval of temporary rates in the event of a protest, the action discussed herein 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.

I. Background

On April 5, 2004, Tymber Creek Utilities (Tymber Creek or utility) applied for a staff-assisted rate case for its wastewater system only. Tymber Creek is a Class C water and wastewater utility serving 447 water and 415 wastewater customers in Volusia County. For the wastewater system, the total gross revenues were \$147,334 and total operating expenses were \$163,863 in the 2003 annual report.

The utility was certificated on April 6, 1978. The utility has applied for numerous price index rate adjustments. In 1990, the utility filed for a staff-assisted rate case to adjust its rates and charges for both the water and wastewater systems. By Order No. 24206, issued March 7, 1991, in Docket No. 900501-WS, In Re: Application for a staff-assisted rate case in Volusia County by Tymber Creek Utilities, the wastewater rates were increased and the water rates were unchanged. In 1995, the utility filed for a staff-assisted rate case for its water system only. By Order No. PSC-97-0096-FOF-WS, issued January 27, 1997, in Docket No. 950647-WS, In Re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, the utility was granted an increase for its water system.

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FPSC-COMMISSION CLERK

The customer meeting was held on October 7, 2004, in Ormond Beach Performing Arts Center. No customers attended this meeting.

We have the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

II. Quality of Service

Tymber Creek Utilities, Inc. provides wastewater service to 415 customers, all of whom are residents of the Tymber Creek development. Rule 25-30.433(1), Florida Administrative Code (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 (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the testimony of utility's customers shall be considered.

Listed below is our analysis of each of the three components noted in the rule.

A. Quality of Utility's Product

Jurisdiction over wastewater facilities is under the DEP's Central District. The DEP inspected the utility on June 1, 2004. According to the DEP, the utility is currently up-to-date with all chemical analysis and all test results are satisfactory. The quality of wastewater service appears to meet or exceed regulatory standards and is considered satisfactory.

B. Operational Conditions At The Wastewater Plant

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 of the on-line customers. The utility's operating permit was issued on October 5, 1999, and was due to expire on September 20, 2004. The utility is in the process of completing the DEP's application for the permit renewal.

According to the DEP's noncompliance letter dated June 15, 2004, to the utility, the wastewater plant was inspected on June 1, 2004. Based on this inspection, the DEP's inspector observed a few deficiencies such as sampling method, ground water monitoring, records and reports, and flow measurement. Although, in general, the utility is in noncompliance status, the inspector stated that the utility is in compliance status for its operation and maintenance and the

effluent disposal. However, it appears that the utility is cooperating and trying to improve the operational conditions and bring the plant into compliance status. In general, during the engineering field inspection, maintenance at the wastewater plant-site appeared to have been given adequate attention. The wastewater plant equipment and four percolation ponds appeared to have been receiving periodic maintenance and were functioning properly. The plant grounds within the fenced in area were organized. However, there was no local emergency phone number at the plant or the lift stations so that someone can respond to an emergency in a timely manner.

The utility shall post a local emergency phone number, which can be easily seen, at the wastewater plant and at the lift stations. The emergency phone number shall be posted at all locations no later than 90 days from the date of the Consummating Order for this rate case. Also, the utility shall complete any and all improvements to the system that are necessary to satisfy the standards set by the PSC and DEP. Based on the above, operational conditions at the wastewater plant shall be considered satisfactory at this time.

C. Utility's Attempt To Address Customer Satisfaction

The customer meeting was held on October 7, 2004, in the Ormond Beach Performing Arts Center. No customers attended this meeting. Due to the lack of complaints and based on the utility's cooperation and good faith efforts, the utility's attempt to address customer satisfaction shall be considered satisfactory.

Based on all the above, the quality of wastewater service provided by Tymber Creek shall be considered satisfactory.

III. Rate Base

A. Used and Useful Percentages

1. Wastewater Treatment Plant

The existing capacity of the wastewater treatment plant is permitted by DEP as a 131,000 gallons per day (gpd) annual average daily flow (AADF) plant that is operating in the extended aeration mode of treatment. During the peak month of the most current test year (March), the maximum daily flow for the historical test year was 314,000 gpd. The Annual Average Daily Flow (AADF) for the historical test year for the plant was measured and calculated to be 78,500 gpd. A regression analysis was performed to anticipate a growth of two equivalent residential connections (ERCs) for the next year. It is estimated that the increase demand for the five-year statutory growth period will be 1,874 gpd. There does not appear to be an excessive infiltration problem occurring within the collection system. Based on the formula used on the calculation sheet (see Attachment "A", Page 1 of 2), the wastewater treatment plant shall be considered 61% used and useful.

2. Wastewater Collection System

The utility's potential customer base is 465 ERCs. The average number of customers for the test year is 419 ERCs. Future growth for the next five years is calculated to be ten ERCs. In accordance with the formula method used on the calculation sheet (see Attachment "A", Page 2 of 2), the used and useful is calculated to be 92.30%. By this formula, the wastewater collection system shall be considered 92.30% used and useful.

B. Average Test Year Rate Base

As stated above, the utility's rate base was last established by Order No. 24206. To evaluate the utility's request for increased rates, we have used a test year ended December 31, 2003. Rate base components, established in Order No. 24206, have been updated through December 31, 2003, using information obtained from our staff's audit and engineering reports. A discussion of each component of rate base follows:

1. Utility Plant in Service (UPIS)

The utility recorded \$667,149 for wastewater for the test year ended December 31, 2003. Per Audit Exception 1, the utility did not provide supporting documentation for some of its plant additions, misclassified some of its plant accounts, did not retire some of its plant, and after more than a ten-year period, made a second attempt to reconcile to Order No. 24206. A review of the utility's filing shows that the following six adjustments shall be made:

1. A decrease to this account of \$4,456 to reflect the appropriate plant balance per audit;
2. A decrease to this account of \$373 to reflect fully depreciated plant in Account No. 395;
3. A decrease to plant of \$2,787 to reflect the appropriate plant for Account No. 361;
4. An increase to this account of \$1,987 to reflect the reclassification of labor for plant additions from Account No. 736;
5. An increase to this account of \$3,687 to reflect the reclassification of labor related to plant additions from Account No. 720; and
6. An increase to this account of \$9,263 to reflect manholes for gravity collection that were not booked in 1991.

Pro Forma Plant

The utility requested pro forma plant items to be included in rate base. A review shows that these items are reasonable and shall be allowed with the appropriate adjustments. The utility requested, for Account No. 380, two portable automatic samplers in the amount of \$5,316. According to the DEP's noncompliance letter dated June 15, 2004, the utility is not in compliance status because of its effluent sampling method. These samples are currently being

taken as grab samples. During the DEP's inspection, the inspector suggested that the utility purchase an automatic sampler for solving this problem.

The utility also requested for Account No. 381, one six-inch plug valve for the effluent pond area in the amount of \$1,380. The utility has four percolation ponds. The most efficient process in the long run for effluent disposal is to rotate the percolation ponds. This allows maintenance of the pond structure which aids the effluent percolation rate. Due to a faulty buried valve at the plant, rotation of the ponds is impossible.

We have made averaging adjustments of \$2,976 and \$3,348 to UPIS and pro forma plant, respectively. The net adjustment to UPIS is an increase of \$7,693, from \$667,149 to \$674,842.

2. Non-used and Useful Plant

We have determined that the wastewater treatment plant is 61% used and useful, and the wastewater collection system is 92.3% used and useful. Applying the non-used and useful percentages to the wastewater system results in non-used and useful plant of \$159,353. The non-used and useful accumulated depreciation is \$84,107. This results in net non-used and useful UPIS of \$75,246.

3. Contributions in Aid of Construction (CIAC)

The utility recorded CIAC of \$375,056 for the test year ended December 31, 2003. We have decreased this account by \$1,575 to reflect an averaging adjustment, and calculate CIAC to be \$373,481.

4. Accumulated Depreciation

The utility recorded a balance for accumulated depreciation of \$377,518 for the test year. Using the prescribed rates in Rule 25-30.140, F.A.C., we have increased this account by \$9,135. We have decreased this account by \$12,384 to reflect an averaging adjustment. We have also increased this account by \$398 to reflect one half-year of pro forma depreciation, and decreased this account by \$199 to reflect an averaging adjustment for pro forma. Finally, we have decreased this account by \$373 to retire a fully depreciated plant item in Account No. 395. Based on all the above-noted adjustments, we calculate accumulated depreciation to be \$374,095.

5. Amortization of CIAC

The utility recorded \$314,300 for amortization of CIAC. We have recalculated Amortization of CIAC using composite depreciation rates. Based on this recalculation, we have decreased this account by \$22,516 to reflect year-end amortization of \$291,784. Also, we have decreased this account by \$7,779 to reflect an averaging adjustment. Our net adjustments to this account results in Amortization of CIAC of \$284,005.

6. 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 have used the one-eighth of the O&M expense formula approach for calculating working capital allowance. Applying that formula, we calculate the working capital allowance to be \$18,548 (based on O&M of \$147,384). Therefore, we have increased working capital by \$18,548 to reflect one-eighth of the utility's approved O&M expenses.

7. Rate Base Summary

Based on the foregoing, the appropriate test year rate base is calculated to be \$159,097. Our calculation of rate base is shown on Schedule No. 1-A.

IV. Cost of Capital

Per Audit Exception 6, the utility recorded notes payable of \$78,919 in the 2003 General Ledger as of December 31, 2003. The notes payable consist of loans from the shareholders to the utility. There are no written agreements, interest, or terms of back payment. Pursuant to Order No. PSC-00-1165-PAA-WS, issued June 27, 2000, in Docket No. 990243-WS, In Re: Application for limited proceeding increase and restructuring of water rates by Sun Communities Finance Limited Partnership in Lake County, and overearnings investigation, where a utility also had no debt instrument, this Commission characterized the debt as other common equity and stated as follows:

No cost is assigned to the long term debt and no debt instrument was available. The debt is from the utility's parent company. Therefore, we find that it is appropriate to characterize the long term debt as other common equity rather than long-term debt given the related party status of the "debt."

Consistent with the aforementioned order, the loans were reclassified to other common equity.

Using the leverage formula approved by Order No. PSC-04-0587-PAA-WS issued June 10, 2004, in Docket No. 040006-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 appropriate rate of return on equity is 9.25%, with a range of 8.25% - 10.25%, and an overall rate of return of 8.78%.

Our calculation of the cost of capital is shown on Schedule No. 2.

V. Net Operating Income

A. Test Year Revenues

The utility booked revenues during the test year of \$147,094 for wastewater. The utility's wastewater tariff, at the end of the test year, authorized a base facility charge of \$9.95 and a gallonage charge of \$3.89 per 1,000 for both residential and commercial customers.

However, the residential customers had a monthly maximum cap of 10,000 gallons. No adjustments to the utility's test-year revenues are necessary, and we find that the appropriate test year revenue is \$147,094 as reported by the utility.

B. Operating Expenses

The utility recorded operating expenses of \$163,863 during the test year ending December 31, 2003. However, the utility improperly classified several of its expenses, and we have reallocated these expenses to the appropriate accounts.

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, 2003. We have 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.

1. Operations and Maintenance Expenses (O&M)

a. Salaries and Wages – Employees – (701)

The utility's general ledger did not record a dollar amount for salaries and wages during the test year. We have reclassified \$8,196 from Account No. 730 for the utility accountant, and have increased this account by \$76 to reflect the appropriate test year salary for the utility accountant. The utility requested an increase in the utility accountant's salary of \$80 per month for additional duties related to the maintaining of property maintenance records. We find that this is reasonable and have made a pro forma adjustment of \$960 ($\80×12) to this account to increase the utility accountant's annual salary. The utility has requested salary for a part-time office employee to assist the accountant with plant accounting and plant records. This also appears to be reasonable, and we have made a pro forma adjustment to increase this account by \$4,020 ($\335×12). Based on these adjustments, we calculate employee salaries and wages to be \$13,252 for the test year.

b. Salaries and Wages – Officers – (702)

The utility recorded \$8,498 in this account during the test year. The utility has requested an increase of \$46 per month for the utility officer for reviewing plant additions and coordinating necessary construction and retirements by the contract construction company. The utility officer has not had an increase since the last rate case in 1990. We find that this request is reasonable and have made a pro forma adjustment of \$552 ($\46×12) to increase this account. Based on these adjustments, we calculate officer salaries and wages for the test year to be \$9,050.

c. Sludge Removal Expense – (711)

The utility recorded \$37,987 in this account during the test year. During the test year, the utility paid a total of \$36,500 to remove 73 loads of sludge at \$500 per load. Our staff engineer

has determined 73 loads to be reasonable for this utility. However the remaining expense of \$1,487 should have been classified as maintenance expense, and we have reclassified that expense to Account No. 736. Therefore, the appropriate sludge removal expense is \$36,500.

d. Purchased Power – (715)

The utility recorded a total of \$15,471 in this account during the test year. Of this total, the purchased power expense for the sewer plant meter was \$11,099. The utility states that the sewer treatment plant meter had been experiencing low power consumption for several years, and requested that the purchase power expense for the sewer plant meter be increased to \$16,130 due to the test year being abnormal. During the last part of and after the 2003 test year, Tymber Creek noticed a power spike at the sewer treatment plant. Tymber Creek reviewed its power consumption in all of 2003 and 2004 to date and noticed the power bill increases from the sewer treatment plant meter were not spikes but rather a general shift to higher monthly meter readings. A business account specialist with Florida Power and Light reviewed the billing records for the last ten years (March of 1993 through June of 2004) and stated that the last few years of lower meter readings had been abnormal. Therefore, we find that the requested increase is reasonable and have made a pro forma adjustment of \$5,031 (\$16,130 - \$11,099). Based on this pro forma increase, we calculate purchased power expense to be \$20,502 for the test year.

e. Materials and Supplies – (720)

The utility recorded \$5,099 in this account during the test year. However, we have reclassified \$3,687 (labor for plant additions) from this account to Account No. 370 (UPIS). Also, we have reclassified the remaining balance of \$1,412 for labor and maintenance from this account to Account No. 736. Therefore, we calculate materials and supplies for the test year to be \$0.

f. Contractual Services - Billing – (730)

The utility recorded \$9,836 in this account during the test year. However, we have made the following adjustments to properly classify utility expenses:

1. reclassified salary of \$8,196 for the utility accountant from this account to Account No. 701;
2. reclassified \$823 of rate case expense for its consultant from this account to Account No. 736;
3. reclassified consultant fees of \$527 from this account to Account No. 731; and
4. reclassified accounting fees of \$290 from this account to Account No. 731;

Also, we have increased this account by \$950 to reflect billing expenses reclassified from Account No. 736. However, the annualized billing expense for the wastewater is \$1,140 (\$95 x 12), and so we have increased this account by \$190 (\$1,140 - \$950) to reflect the annualized

billing expense. Based on these adjustments, we calculate contractual services – billing for the test year to be \$1,140.

g. Contractual Services - Professional – (731)

The utility recorded \$24,136 in this account during the test year. However, we have increased this account by \$527 and \$290 to reclassify consultant and accounting fees, respectively, from Account No. 730. Also, we have decreased this account by \$14 to reclassify a maintenance charge to Account No. 736. We have further increased this account to reclassify operations and maintenance charges of \$2,134 from Account No. 735.

Finally, the utility requested an increase of \$65 a month for one hour of instruction per month in proper plant accounting by the consultant. However, the consultant currently charges \$45 an hour for non-rate case work and will continue to do so, and so we find that \$45 a month or \$540 (\$45 x 12) annually is more reasonable. The additional hour of instruction is a non-recurring expense and shall be amortized over five years pursuant to Rule 25-30.433(8), F.A.C. Therefore, we have increased this account by \$108 (\$540/5) for this adjustment.

Based on all the above-noted adjustments, we find contractual services – professional for the test year to be \$27,181.

h. Contractual Services - Testing – (735)

The utility recorded \$9,384 in this account 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 F.A.C. and enforced by DEP. The tests and the frequency at which tests must be repeated for this utility are:

<u>Test</u>	<u>Frequency</u>	<u>Annual Amount</u>
CBOD/TSS (influent)	Monthly	\$780/yr
CBOD/TSS (effluent)	Monthly	\$780/yr
Fecal Coliform	Monthly	\$480/yr
Nitrate, Nitrite	Quarterly	\$160/yr
Sludge Analysis	Yearly	<u>\$450/yr</u>
	Total	<u>\$2,650/yr</u>

In addition to the above-noted tests, the utility is required to sample ground water in accordance with its permit and the approved ground water monitoring plan prepared in

accordance with Rule 65-522.600, F.A.C. The utility is not in compliance status because it did not submit the ground water monitoring reports for all quarters of 2003. In order to be in compliance with DEP's requirements, it will cost \$1,150 per quarter or \$4,600 per year to perform the DEP's required ground water monitoring tests for the six wells. Adding these two costs together, we calculate the testing expense to be \$7,250 (\$2,650 + \$4,600). We have reclassified the remaining \$2,134 to Account No. 731.

i. Contractual Services - Other – (736)

The utility recorded \$12,343 to this account during the test year. However, we have adjusted this account to properly classify expenses as follows:

1. reclassified \$950 of billing expense to Account No. 730;
2. reclassified \$200 of accounting fees to Account No. 731;
3. reclassified \$1,987 for labor related to plant additions to Account No. 370;
4. increased this account by \$1,412 for labor and maintenance reclassified from Account No. 720; and
5. increased this account by \$1,487 to reclassify maintenance expense from Account No. 711.

Also, we have removed \$59 for interest paid on an unpaid invoice. Based on these adjustments we calculate contractual services -- other for the test year to be \$12,046.

j. Rents -- (740)

The utility recorded \$9,490 in this account during the test year. In the utility's last rate case, a pro forma adjustment of \$49,432 was made to plant for the purchase of land to construct additional percolation ponds. The utility has chosen not to purchase the land but to rent it at \$6,480 from a related party. We find that the appropriate rent amount for the land shall be the annual rate of return, based on the utility's current capital structure, times the original cost of the land in service. Using the approved rate of return of 8.78%, we determine rent for the land to be \$4,340 ($\$49,432 \times 8.78\%$). Therefore, we have decreased this account by \$2,140 ($\$6,480 - \$4,340$). However, the utility has requested that the rent expense be increased by \$12 per month to reflect current market rental rate on office space. We have determined the amount requested to be below market value and to be reasonable, and have made a pro forma adjustment to increase this account by \$144 ($\12×12).

The utility paid \$250 for sales tax during the test year. Pursuant to Rule 12A-1.070(19)(a), F.A.C., the lease or rental of real property or a license fee arrangement to use or occupy real property between related "persons," in the capacity of lesser/lessee is subject to tax. The current sales tax, as of November 1, 2004, is 6.5% for Volusia County. Based on our approved rent expense, the sales tax on rent is \$471 ($\$7,244 \times 6.5\%$), and we have increased this account for sales tax by \$221 ($\$471 - \250), for a total rent expense of \$7,715 for the test year.

k. Transportation Expense – (750)

The utility recorded \$0 in this account during the test year. In performing utility duties, the utility owner uses his personal vehicle to monitor the service area, attend meetings with regulatory personnel, make bank deposits, transport financial information to the accountant, pick up supplies, etc. Our staff engineer estimates the utility owner will travel an average of 120 miles per week. Therefore, we have increased this account by \$1,810 (120 miles x 52wk x \$.29) to reflect the appropriate transportation expense for the test year

l. Regulatory Commission Expense – (765)

The utility recorded \$0 in this account during the test year. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. The utility is required by Rule 25-22.0407(9)(b), F.A.C., to mail notices of the customer meeting to its customers. We estimate noticing expense for wastewater to be \$154 postage expense, \$42 printing expense, and \$21 for envelopes. The above results in a total rate case expense for noticing of \$217. Therefore, we have increased this account by \$54 ($\$217/4$) to reflect rate case expense for noticing. We have also reclassified rate case expense of \$823 for the consultant to this account from Account No. 730 and amortized it over four years for an increase of \$206 ($\$823/4$). Finally, the utility paid a \$1,000 rate case filing fee for wastewater, and we have increased this account by \$250 ($\$1,000/4$). Based on these adjustments, the net increase to this account is \$510 ($\$54+\$206+\$250=\510).

m. Miscellaneous Expense – (775)

The utility recorded \$2,819 in this account for the test year. However, the utility is in the process of renewing its wastewater permit and has a contract in the amount of \$6,700 with a consulting engineering firm to prepare the wastewater permit documents and related reports. Also, the utility must pay \$3,000 for the DEP's Permit Application Fee. Based on the life of the permit, these two costs totaling \$9,700 shall be amortized over five years for a total additional miscellaneous expense of \$1,940 ($\$9,700/5$). Adding this amount to the recorded \$2,819 amount results in a total miscellaneous expense for the test year of \$4,759.

n. O&M Expense Summary

The total O&M adjustment is an increase of \$6,652, for total O&M expenses of \$148,384. Our calculation of O&M expenses is shown on Schedule No. 3-C.

2. Depreciation Expense

The utility recorded depreciation expense net of CIAC amortization of \$10,076 (\$26,976 Depreciation Expense and \$16,900 Amortization of CIAC) during the test year. Calculating depreciation expense using the prescribed rates in Rule 25-30.140, F.A.C., we find that the appropriate depreciation expense shall be increased by \$1,119 to \$28,095. Also, we have increased this account by \$398 to reflect pro forma depreciation expense, and decreased this account by \$8,275 to reflect non-used and useful depreciation. Using the composite rates, we

have increased the amortization of CIAC by \$1,205 to reflect our calculated amortization of CIAC of \$15,695. Non-used and useful depreciation and amortization of CIAC have a negative impact on depreciation expense. We find that the net depreciation expense is \$4,523.

3. Taxes Other Than Income

The utility recorded taxes other than income of \$12,055 during the test year. We have decreased this account by \$48 to reflect the appropriate test year payroll taxes and increased this account by \$534 to reflect the appropriate test year property taxes. We have removed \$250 from this account for an expense related to the water system. We have decreased this account by \$922 to reflect the non-used and useful property tax. We have increased this account by \$423 to reflect the increase in payroll taxes due to our approved salary increases. The total adjustment to this account is a decrease of \$263.

4. Income Tax

Tymer Creek is a Sub-chapter S corporation; therefore, consistent with Rule 25-30.433(7), F.A.C., an allowance for income tax has not been made.

5. Operating Revenues

Revenues have been increased by \$33,061 to reflect the change in revenue required to cover expenses and allow the approved return on investment.

6. Taxes Other Than Income

The expense has increased by \$1,488 to reflect regulatory assessment fees of 4.5% on the change in revenues.

7. Operating Expenses Summary

Pursuant to our adjustments to the audited test year operating expenses, we calculate the appropriate operating expenses to be \$166,187. Our calculation of operating expenses is shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

VI. Revenue Requirement

The utility shall be allowed an annual increase of \$33,061 (22.48%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn an 8.78% return on its investment. Our calculations are as follows:

	<u>Wastewater</u>
Adjusted Rate Base	\$159,097
Rate of Return	x .0878
Return on Rate Base	<u>\$13,969</u>
Adjusted O & M Expense	\$148,384
Depreciation expense (Net)	\$4,523
Amortization	\$0
Taxes Other Than Income	\$13,280
Income Taxes	<u>\$0</u>
Revenue Requirement	<u>\$180,155</u>
Adjusted Test Year Revenues	<u>\$147,094</u>
Percent Increase/(Decrease)	<u>22.48%</u>

Our calculation of the revenue requirement is shown on Schedule No. 3-A.

VII. RATES AND CHARGES

A. Monthly Rates and Rate Structure

Rates shall be designed to produce revenue of \$180,155. We have calculated rates using the test-year number of bills and based on 80% of the water used by residential customers and actual usage for the general service customers, with a 10,000 gallon monthly gallonage cap for residential wastewater customers.

Schedules of the utility's current rates and our approved rates are as follows:



Monthly Rates – Wastewater

Residential Service

<u>Meter Sizes</u>	<u>Existing Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter Sizes		
5/8" x 3/4"	\$9.95	N/A
3/4"	\$14.90	N/A
1"	\$24.85	N/A
1 1/2"	\$49.70	N/A
2"	\$79.51	N/A
3"	\$159.01	N/A
4"	\$248.46	N/A
6"	\$496.92	N/A
All Meter Sizes	N/A	\$14.41

Gallonage Charge

Per 1,000 Gallons (10,000 Gallon Cap)	\$3.89	\$4.39
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Monthly Rates – Wastewater

General Service

Base Facility Charge

<u>Meter Sizes</u>	<u>Existing Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$9.95	\$14.41
3/4"	\$14.90	\$21.61
1"	\$24.85	\$36.02
1 1/2"	\$49.70	\$72.04
2"	\$79.51	\$115.26
3"	\$159.015	\$230.52
4"	\$248.465	\$360.18
6"	\$496.92	\$720.36

Gallonage Charge

Per 1,000 Gallons	\$3.89	\$5.26
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Based on the approved rates, the utility will recover approximately 40% (\$72,281) of wastewater system revenue from the base facility charge, and the remaining 60% (\$107,874) from the gallonage charge.

These rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The tariff sheets shall be approved administratively upon staff's verification that the tariffs are consistent with our 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 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.

B. 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 and the gross-up for regulatory assessment fees which is \$534 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 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. The utility also shall 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.

C. Temporary Rates in Event of Protest

By this Order, we propose 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 proposed rates shall be approved as temporary rates. The approved rates collected by the utility shall be subject to the refund provisions discussed below if there is a protest.

The utility shall be authorized to collect the temporary rates upon our staff's approval of both an 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 \$22,247. Alternatively, the utility could 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.
- 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 funds 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 shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tymber Creek Utilities' application for a staff-assisted rate case is hereby approved as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, except for the statutory four-year rate reduction and the temporary rates in event of protest which are final 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 Director, Division of the Commission Clerk and Administrative Services, 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 each of the findings made in the body of this Order is hereby approved in every respect. It is further

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

ORDERED that Tymber Creek Utilities shall complete any and all improvements to the system that are necessary to satisfy the standards set by the Florida Department of Environmental Protection within nine months of the Consummating Order. It is further

ORDERED that a local emergency phone number shall be updated and be posted at the plant and at each lift station. The emergency phone number shall be posted at all locations no later than 90 days from the date of the Consummating Order for this rate case. It is further

ORDERED that Tymber Creek Utilities shall complete the pro forma plant items approved in this Order within nine months from the date of the Consummating Order. It is further

ORDERED that Tymber Creek Utilities is authorized to charge the rates as set forth in the body of this Order. It is further

ORDERED that Tymber Creek Utilities shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. It is further

ORDERED that the approved 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. It is further

ORDERED that the rates shall not be implemented until staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given within 10 days after the date of the notice. 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. It is further

ORDERED that the tariff sheets shall be approved administratively upon staff's verification that the tariffs are consistent with our decision and the customer notice is adequate. It is further

ORDERED that in no event shall the rates be effective for service rendered prior to the stamped approval date. It is further

ORDERED that Tymber Creek Utilities shall reduce its wastewater rates as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. 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 Tymber Creek Utilities shall 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. It is further

ORDERED that if Tymber Creek Utilities 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. It is further

ORDERED that pursuant to Section 367.0814(7), Florida Statutes, in the event of a protest filed by a party other than the utility, the proposed rates shall be approved for the utility on a temporary basis, subject to refund, as set forth in the body of this Order. It is further

ORDERED that Tymber Creek Utilities shall be authorized to collect the temporary rates subject to refund with interest upon our staff's approval of an appropriate security for the refund and the proposed customer notice. It is further

ORDERED that Tymber Creek Utilities shall maintain an account of all monies received as a result of the temporary rate increase. It is further

ORDERED that if a refund is ultimately required, it shall be with interest calculated pursuant to Rule 25-30.360(4), F.A.C. It is further

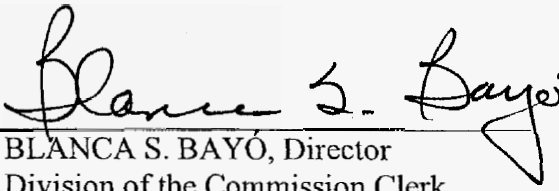
ORDERED that Tymber Creek Utilities shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. It is further

ORDERED that after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Tymber Creek Utilities 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 report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that if no timely protest is received upon expiration of the protest period, the Proposed Agency Action Order will become final upon the issuance of a Consummating Order. However, this docket shall remain open for an additional nine months from the effective date of the Consummating Order to verify completion of the pro forma items. It is further

ORDERED that once our staff has verified that the work has been completed, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 21st day of December, 2004.


BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(SEAL)

RRJ

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.

Except for the statutory four-year rate reduction and the temporary rates in the event of protest which are final agency action, our action identified in the body of this order 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 Director, Division of the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 11, 2005. 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 Director, Division of the Commission Clerk and Administrative Services 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 Director, Division of the Commission Clerk and Administrative Services 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.

WASTEWATER TREATMENT PLANT -- USED AND USEFUL DATA				
1)		Permitted Capacity of Plant (AADF)	131,000	gallons per day
2)		Maximum Day From Maximum Month	314,000	gallons per day
3)		Average Daily Flow (AADF)	78,500	gallons per day
4)		Growth		
	a)	Average Test Year Customers in ERCs: Historical Test Year: Jan. 2003 - Dec. 2003	419	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	2	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (4b)x(4c)x[3\{(4a)]	1,874	gallons per day
5)		Excessive Infiltration or Inflow (I&I)	0	gallons per day
	a)	Total I&I	8,747	gallons per day
	b)	Percent of Excessive		
	c)	Reasonable Amount (500 gpd per inch dia pipe per mile)	16,966	gallons per day
	d)	Excessive Amount	0	gallons per day

USED AND USEFUL FORMULA

$$\frac{[(3) + (4) - (5)]}{(1)} =$$

$$\frac{[78,500 + 1,874 - 0]}{131,000} = 61\% \quad \text{Used \& Useful}$$

WASTEWATER COLLECTION SYSTEM – USED AND USEFUL DATA			
1)		Capacity of System (Number of Potential in ERCs)	465 ERCs
2)		Test Year Connections (Customers) Average Test Year in ERC	419 ERCs
3)		Growth	
	a)	Customer growth in connections for last 5 years including test year using Regression Analysis	2 ERCs
	b)	Statutory Growth Period	5 Years
		Growth = (a)x(b) Connections allowed for growth	10 ERCs

USED AND USEFUL FORMULA

$[(2)+(3C)] / (1) = 92.30\%$ Used and Useful

TYMBER CREEK UTILITIES
TEST YEAR ENDING 12/31/03
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1-A
DOCKET NO. 040300-SU

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$667,149	\$7,693	\$674,842
2. LAND & LAND RIGHTS	\$4,524	\$0	\$4,524
3. NON-USED AND USEFUL COMPONENTS	\$0	(\$75,246)	(\$75,246)
4. CIAC	(\$375,056)	\$1,575	(\$373,481)
5. ACCUMULATED DEPRECIATION	(\$377,518)	\$3,423	(\$374,095)
6. AMORTIZATION OF CIAC	\$314,300	(\$30,295)	\$284,005
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$18,548</u>	<u>\$18,548</u>
8. WASTEWATER RATE BASE	\$233,399	(\$74,302)	\$159,097

TYMBER CREEK UTILITIES
TEST YEAR ENDING 12/31/03
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-B
DOCKET NO. 040300-SU
PAGE 1

WASTEWATER

UTILITY PLANT IN SERVICE

1. To reflect appropriate plant balances per audit	(\$4,456)
2. To retire fully depreciated plant in Acct. 395	(\$373)
3. To reflect appropriate plant for Acct. 361	(\$2,787)
4. To reclassify labor for plant additions from Acct. 736	\$1,987
5. To reclassify labor related to plant addition from Acct. 720	\$3,687
6. Manhole not booked in 1991	\$9,263
7. To reflect proforma plant addition - Automatic Sampler (Acct. 380)	\$5,316
8. To reflect proforma plant addition - Effluent Outfall Valve (Acct. 381)	\$1,380
9. Average adjustment	(\$2,976)
10. Average adjustment proforma plant	<u>(\$3,348)</u>
Total	<u>\$7,693</u>

NON-USED AND USEFUL PLANT

1. To reflect non-used and useful plant.	(\$159,353)
2. Average non-used and useful accumulated depreciation	<u>\$84,107</u>
Total	<u>(\$75,246)</u>

CIAC

1. Average adjustment	<u>\$1,575</u>
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ACCUMULATED DEPRECIATION

1. Accumulated depreciation per Rule 25-30.140, FAC	(\$9,135)
2. To reflect full depreciation of Acct. 395	\$373
3. To reflect proforma depreciation	(\$398)
4. To reflect average adjustment for proforma plant	\$199
5. Average adjustment	<u>\$12,384</u>
Total	<u>\$3,423</u>

AMORTIZATION OF CIAC

1. To adjust Amortization of CIAC based on composite rates	(\$22,516)
2. Averaging adjustment	<u>(\$7,779)</u>
Total	<u>(\$30,295)</u>

WORKING CAPITAL ALLOWANCE

1. To reflect 1/8 of test year O & M expenses.	<u>\$18,548</u>
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TYMBER CREEK UTILITIES
TEST YEAR ENDING 12/31/03
SCHEDULE OF CAPITAL STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE		BALANCE PER COMMN.	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS				
1. COMMON STOCK	\$185,239	\$0	\$185,239					
2. RETAINED EARNINGS	\$0	\$0	\$0					
3. PAID IN CAPITAL OTHER COMMON	\$0	\$0	\$0					
4. EQUITY TOTAL COMMON EQUITY	<u>\$0</u>	<u>\$78,919</u>	<u>\$78,919</u>					
	\$185,239	\$78,919	\$264,158	(\$127,051)	\$137,107	86.18%	9.25%	7.97%
LONG TERM DEBT								
5. PARENT COMPANY	\$104,793	(\$78,919)	\$25,874	(\$12,444)	\$13,430	8.44%	5.69%	0.48%
6. TOTAL LONG TERM DEBT	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	0.00%	0.00%
	\$104,793	(\$78,919)	\$25,874	(\$12,444)	\$13,430	8.44%		
8. CUSTOMER DEPOSITS	<u>\$8,560</u>	<u>\$0</u>	<u>\$8,560</u>	<u>\$0</u>	<u>\$8,560</u>	<u>5.38%</u>	6.00%	<u>0.32%</u>
9. TOTAL	<u>\$298,592</u>	<u>\$0</u>	<u>\$298,592</u>	<u>(\$139,495)</u>	<u>\$159,097</u>	<u>100.00%</u>		<u>8.78%</u>
RANGE OF REASONABLENESS					LOW	HIGH		
RETURN ON EQUITY					<u>8.25%</u>	<u>10.25%</u>		
OVERALL RATE OF RETURN					<u>7.92%</u>	<u>9.64%</u>		

TYMBER CREEK UTILITIES			SCHEDULE NO. 3-A			
TEST YEAR ENDING 12/31/03			DOCKET NO. 040300-SU			
SCHEDULE OF WASTEWATER OPERATING INCOME						
	TEST YEAR	COMMISSION	COMMISSION	ADJUST.		
	PER UTILITY	ADJUSTMENTS	ADJUSTED	FOR	REVENUE	REQUIREMENT
			TEST YEAR	INCREASE		
1. OPERATING REVENUES	<u>\$147,094</u>	<u>\$0</u>	<u>\$147,094</u>	<u>\$33,061</u>	<u>\$180,155</u>	
				\$0		
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$141,732	\$6,652	\$148,384	\$0	\$148,384	
3. DEPRECIATION (NET)	\$10,076	(\$5,553)	\$4,523	\$0	\$4,523	
4. AMORTIZATION	\$0	\$0	\$0	\$0	\$0	
5. TAXES OTHER THAN INCOME	\$12,055	(\$263)	\$11,792	\$1,488	\$13,280	
6. INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$163,863</u>	<u>\$836</u>	<u>\$164,699</u>	<u>\$1,488</u>	<u>\$166,187</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$16,769)</u>		<u>(\$17,605)</u>		<u>\$13,969</u>	
9. WASTEWATER RATE BASE	<u>\$233,399</u>		<u>\$159,097</u>		<u>\$159,097</u>	
10. RATE OF RETURN	<u>-7.18%</u>		<u>-11.07%</u>		<u>8.78%</u>	

TYMBER CREEK UTILITIES
TEST YEAR ENDING 12/31/03
ADJUSTMENTS TO OPERATING INCOME

WASTEWATER

OPERATING REVENUES

1. \$0

OPERATION AND MAINTENANCE EXPENSES

1. Salaries and Wages for Employees (701)

- a. To include salary for daily wastewater duties performed by Marla Kumpf \$8,196
- b. To reflect appropriate test year salary for Marla Kumpf \$76
- c. To reflect proforma salary increase for Marla Kumpf \$960
- d. To reflect proforma salary for part-time office assistant \$4,020

\$13,252

2. Salaries and Wages for Officers (703)

- a. To reflect proforma salary increase for Officer \$552

3. Sludge Removal Expense (711)

- a. To reclassify maintenance expenses to Acct. 736 (\$1,487)

4. Purchased Power

- a. To reflect increase in purchase power due to abnormal test year \$5,031

5. Materials and Supplies

- a. To reclassify plant additions labor Acct. 370 (\$3,687)
- b. To reclassify labor and maintenance to Acct. 736 (\$1,412)

(\$5,099)

6. Contractual Services - Billing (730)

- a. To reclassify salary to Acct. 701 for Marla Kumpf (\$8,196)
- b. To reclassify fees for Rate Case Fee to Acct. 765 (\$823)
- c. To reclassify fees for consultant to Acct. 731 (\$527)
- d. To reclassify accounting fees to Acct. 731 (\$290)
- e. To reclassify billing expense for Elva Wilson from Acct. 736 \$950
- f. To annualize billing expense for Elva Wilson \$190

(\$8,696)

7. Contractual Services - Professional (731)

- a. To reclassify fees for consultant from Acct. 730 \$527
- b. To reclassify fees for accounting from Acct. 730 \$290
- c. To reclassify Wetherall maintenance charge to Acct. 736 (\$14)
- d. To reclassify Wetherall operations and maintenance from Acct. 735 \$2,134
- e. To reflect proforma increase for consultant amortized over 5 years (\$540/5) \$108

\$3,045

(O & M EXPENSES CONTINUED ON NEXT PAGE)

**TEST YEAR ENDING 12/31/03
ADJUSTMENTS TO OPERATING INCOME**

8.	Contractual Services - Testing(735)	
	a. To reclassify Wetherall operations and maintenance to Acct. 731	<u>(\$2,134)</u>
9.	Contractual Services - Other (736)	
	a. To reclassify billing expense for Elva Wilson to Acct. 730	(\$950)
	b. To reclassify accounting fees to Acct. 731	(\$200)
	c. To remove interest paid on a unpaid invoice	(\$59)
	d. To reclassify labor related to plant addition to Acct. 370	(\$1,987)
	e. To reclassify labor and maintenance from Acct. 720	\$1,412
	f. To reclassify maintenance expense from Acct. 711	<u>\$1,487</u> <u>(\$297)</u>
10.	Rent Expense	
	a. To remove land rent	(\$2,140)
	b. To reflect proforma increase for rent	\$144
	c. To reflect the appropriate sales tax	<u>\$221</u> <u>(\$1,775)</u>
11.	Transportation Expense (750)	
	a. To reflect appropriate transportation expense per Commission	<u>\$1,810</u>
12.	Regulatory Commission Expenses (765)	
	a. Notice Expense Amortized over 4 Years (\$216/4)	\$54
	b. Amortize Rate Case Filing Fee over 4 Years (\$1000/4)	\$250
	c. Amortize Rate Case Consult. Fee over 4 Years from Acct. 730 (\$823/4)	<u>\$206</u> <u>\$510</u>
13.	Miscellaneous Expense (775)	
	a. Amortize renewal of wastewater permit (9700/5)	<u>\$1,940</u>
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$6,652</u>
	DEPRECIATION EXPENSE	
1.	To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$1,119
2.	Pro forma depreciation expense	\$398
3.	Non-Used and Useful Depreciation	(\$8,275)
4.	To reflect amortization per composite rates	<u>\$1,205</u>
	Total	<u>(\$5,553)</u>
	TAXES OTHER THAN INCOME	
1.	To reflect appropriate payroll taxes per audit	(\$48)
2.	To reflect appropriate property taxes per audit	\$534
3.	To remove expense related to the water system	(\$250)
4.	To reflect non-used and useful property tax	(\$922)
5.	To reflect payroll tax increase due to salary increases	<u>\$423</u>
	Total	<u>(\$263)</u>

TYMBER CREEK UTILITIES
TEST YEAR ENDING 12/31/03
ANALYSIS OF WASTEWATER OPERATION
AND MAINTENANCE EXPENSE

SCHEDULE NO. 3-C
DOCKET NO. 040300-SU

	TOTAL PER UTILITY	COMMN. ADJUST- MENT		TOTAL PER COMMN.
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$13,252	[1]	\$13,252
(703) SALARIES AND WAGES - OFFICERS	\$8,498	\$552	[2]	\$9,050
(704) EMPLOYEE PENSIONS AND BENEFITS	\$0	\$0		\$0
(710) PURCHASED SEWAGE TREATMENT	\$0	\$0		\$0
(711) SLUDGE REMOVAL EXPENSE	\$37,987	(\$1,487)	[3]	\$36,500
(715) PURCHASED POWER	\$15,471	\$5,031	[4]	\$20,502
(716) FUEL FOR POWER PRODUCTION	\$0	\$0		\$0
(718) CHEMICALS	\$4,165	\$0		\$4,165
(720) MATERIALS AND SUPPLIES	\$5,099	(\$5,099)	[5]	\$0
(730) CONTRACTUAL SERVICES - BILLING	\$9,836	(\$8,696)	[6]	\$1,140
(731) CONTRACTUAL SERVICES - PROFESSIONAL	\$24,136	\$3,045	[7]	\$27,181
(735) CONTRACTUAL SERVICES - TESTING	\$9,384	(\$2,134)	[8]	\$7,250
(736) CONTRACTUAL SERVICES - OTHER	\$12,343	(\$297)	[9]	\$12,046
(740) RENTS	\$9,490	(\$1,775)	[10]	\$7,715
(750) TRANSPORTATION EXPENSE	\$0	\$1,810	[11]	\$1,810
(755) INSURANCE EXPENSE	\$1,200	\$0		\$1,200
(765) REGULATORY COMMISSION EXPENSES	\$0	\$510	[12]	\$510
(770) BAD DEBT EXPENSE	\$1,304	\$0		\$1,304
(775) MISCELLANEOUS EXPENSES	<u>\$2,819</u>	<u>\$1,940</u>	[13]	<u>\$4,759</u>
	<u>\$141,732</u>	<u>\$6,652</u>		<u>\$148,384</u>

APPROVED RATE REDUCTION SCHEDULE

**TYMBER CREEK UTILITIES
 TEST YEAR ENDING 12/31/03**

**SCHEDULE NO. 4
 DOCKET NO. 040300-SU**

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

MONTHLY WASTEWATER RATES

	<u>MONTHLY APPROVED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
<u>RESIDENTIAL SERVICE</u>		
BASE FACILITY CHARGE:		
Meter Size:		
All Meter Sizes	\$ 14.41	\$0.04
<u>GENERAL SERVICE</u>		
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 14.41	\$0.04
3/4"	\$21.61	\$0.06
1"	\$36.02	\$0.11
1-1/2"	\$72.04	\$0.21
2"	\$115.26	\$0.34
3"	\$230.52	\$0.68
4"	\$360.18	\$1.07
6"	\$720.36	\$2.14
RESIDENTIAL GALLONAGE CHARGE		
PER 1,000 GALLONS (10,000 GALLON CAP)	\$ 4.39	\$0.01
GENERAL SERVICE GALLONAGE CHARGE		
PER 1,000 GALLONS	\$ 5.26	\$0.02