

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc. | DOCKET NO. 041145-WU  
ORDER NO. PSC-05-0621-PAA-WU  
ISSUED: June 6, 2005

The following Commissioners participated in the disposition of this matter:

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

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

Holiday Utility Company, Inc. (Holiday or utility) is a Class C water utility serving 338 water customers in the Westwood area subdivision (120 service connections) in Pasco County and the Anclote area (218 service connections) in Pasco and Pinellas Counties. Both of these communities are served by an independent water system. According to the utility's 2003 annual report, total gross revenues were \$56,774 and total operating expenses were \$92,616.

The utility began operations in 1969. By Order No. 6780, issued July 17, 1975, in Docket No. 73489, In Re: Application of Holiday Utility Company for a certificate to operate a water system in Pasco County, Florida, this Commission granted the utility water certificate 224-W. The utility has had two staff assisted rate cases (Docket No. 800514-W and Docket No.

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840291-WU), and currently has an open docket (Docket No. 030458-WU) for the transfer of majority organizational control to Holiday Waterworks Corporation.

The utility applied for this staff assisted rate case on September 27, 2004, and was advised that it was eligible for staff assistance by letter dated October 25, 2004. The correct filing fee of \$1,000 was paid on December 1, 2004.

The customer meeting was held on March 30, 2005, in New Port Richey at the West Pasco Government Center. One customer attended the meeting.

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

## II. Quality of Service

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 proceeding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the comments and testimony of the utility's customers shall be considered.

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

### A. Quality Of Utility's Product

Both of the water treatment plants (WTPs) at Westwood and Anclote are regulated by the Department of Environmental Protection (DEP). The DEP inspected the Westwood and Anclote WTPs on March 16, 2004. The utility has conformed with all testing and chemical analyses required by the DEP and the test results have been satisfactory for both systems. The quality of the water service meets or exceeds the regulatory standards and is considered satisfactory for both systems.

### B. Operational Conditions At The Plant

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. According to the DEP's letter dated August 21, 2003, due to recent EPA rule changes promulgated by DEP in 2004 regarding disinfection byproducts, a number of water systems are in the process of changing from free chlorine to chloramines disinfection. This rule requires water systems to meet certain standards relating to Trihalomethanes (THMs), a known

carcinogen. The Holiday system meets the new requirements for disinfection byproducts without any modification to the existing treatment system, based on compliance testing conducted in 2004. Because the use of free chlorine as a disinfectant in combination with chloramines may result in water quality problems, DEP requires that if any public water supply systems are interconnected, those systems share a common disinfectant. This applies to all interconnections, emergency or otherwise.

The Westwood WTP is presently using free chlorine for disinfection and has an emergency interconnect such that it could receive water from Pasco County (County) which recently converted their disinfection process from free chlorine to chloramines. Therefore, Holiday must either go to chloramines for its Westwood WTP, or eliminate the interconnect with the County.

The utility has proposed a Capital Improvement Plan for solving this and other problems. Based on this plan, the utility intends to upgrade both the Westwood WTP and Anclote WTP. For the Westwood WTP, the utility will eliminate the interconnect with the County and install two new 15 horsepower (hp) submersible well pumps, meters valves and electrical controls necessary to utilize the existing Wells 2 and 3 that currently are nonfunctional. The addition of Wells 2 and 3 will provide adequate water supply and pressure to meet the Pasco County minimum fire protection standards for residential communities of 500 gallons per minute (gpm). The utility believes this project will greatly improve system reliability, provide for badly needed fire protection enhancement, and is a prudent investment for its customers. This project is estimated to cost \$42,200 and is anticipated to be completed by mid 2006.

According to the utility's proposed Capital Improvement Plan, the utility also intends to install a 100 KW auxiliary power generator for the Westwood System. The generator will run on diesel fuel and will be equipped with a secondary fuel containment vessel. This project is estimated to cost \$41,500 and is anticipated to be completed by mid 2005.

For the Anclote WTP, the utility's proposed Capital Improvement Plan provides for an interconnect with the City of Tarpon Springs. The City of Tarpon Springs has already converted to chloramines. As a result of the interconnection with the City of Tarpon Springs, and in order to comply with DEP's rule for a common disinfectant, the utility intends to construct a new disinfection system for the Anclote WTP -- specifically, the conversion from free chlorine to chloramine disinfectant. This project is currently in the design phase and scheduled for construction in mid 2005 with an estimated cost of \$36,250 to complete.

The interconnection project is estimated to cost \$85,200 and is anticipated to be completed by the end of 2005. By utilizing the interconnection with the City of Tarpon Springs as a backup water supply, Holiday will eliminate the need for the purchase of an auxiliary power generator for the Anclote WTP site.

According to the DEP's letter dated March 26, 2004, the DEP's inspector observed deficiencies during his site inspection. The deficiencies for both WTPs are as follows:

1. Provide a proper smooth nosed raw tap before the check valve (Chapter 62-555, F.A.C.) for both systems.
2. Provide updated cross connection control and auxiliary power plans (Rule 62-555.360, F.A.C.) for both systems.
3. Westwood WTP tank has areas of rust. It must be resurfaced or repainted as necessary (Rule 62-555.350, F.A.C.).
4. Provide a fence with lockable access gates around the storage tank (Rule 62-555.320(5), F.A.C.) for both systems.

Regarding deficiencies Nos. 1 and 2, the utility completed these projects and submitted the plans to DEP in year 2004. Regarding deficiency No. 3, an engineering evaluation of the tank is being scheduled. For deficiency No. 4, the utility also proposed a Capital Improvement Plan. Based on this plan, the utility intends to install new fences with double access gates at both water treatment plants. This project is estimated to cost \$6,500 and is anticipated to be completed by the end of 2005.

Maintenance at the plant site appeared to have been given adequate attention. However, during the engineering field inspection, both water treatment plant sites were heavily vegetated and had poor soil conditions for vehicle transportation. There are large oak trees at both sites which can cause catastrophic damage to the treatment facilities during tropical storm and hurricane events, especially to the hydropneumatic tanks and chlorine storages. Additionally, extended loss of water service may occur until a replacement tank can be located. Also, our staff noticed that neither the Westwood WTP nor the Anclote wells had fences around them, and that there were a lot of debris and junk materials at the Westwood WTP. The chlorine storage at Anclote was very old and had many holes on the sides. Finally, there was no local emergency phone number at the WTPs to enable a timely emergency response. However, according to the utility's proposed Capital Improvement Plan, the utility intends to improve the access roadways to both WTPs and to remove the vegetation and cut down the large oak trees at both sites. This project is estimated to cost \$26,660 and is anticipated to be completed by mid 2005.

Although, the operational conditions at the WTPs are not 100% satisfactory, the DEP inspector and our staff believe that the utility is cooperating and trying to improve the operational conditions as much as possible. Therefore, the utility shall complete any and all improvements to the system that are necessary to satisfy the standards set by the DEP. Also, a local emergency phone number, which can be easily seen, shall be posted at both WTPs within 60 days from the date of the Consummating Order for this rate case.

All things considered, the operational conditions at the water treatment plants shall be considered satisfactory at this time.

### C. Utility's Attempt To Address Customer Satisfaction

An informal customer meeting was held at 6:00 p.m. on March 30, 2005, in the West Pasco Government Center/County Commission Board Room in New Port Richey. No customers from the Anclote area and only one customer from the Westwood area attended this meeting. The Westwood customer made comments and expressed her concerns about the location of the wells and whether the disinfection method at the Westwood WTP would change from free chlorine to chloramines disinfection. Our staff and the utility personnel responded that the disinfection method would not be changed at Westwood WTP.

All things considered, and noting the utility's good faith efforts, we find that the utility's attempt to address customer satisfaction is satisfactory. Based on the above, the overall quality of service shall be considered satisfactory.

### III. Unaccounted for Water

In order to allow for a reasonable amount of non-revenue producing water caused by stuck meters, line flushing, etc., we usually allow 10% of the total water treated as an acceptable amount of unaccounted for water. Comparing the total treated water pumped from the wells with the total water sold to the customers, the total unaccounted for water for the Anclote WTP was determined to be 14.44 gpm. We calculate that the reasonable unaccounted amount (10% of average daily flow) is 4.93 gpm, with the excessive unaccounted for water being 9.51 gpm which is 19.32%. This 19.32% is excessive, and the allowable expenses for purchased electricity and chemicals shall be reduced by 19.32% for the Anclote WTP.

It appears that a large portion of the unmetered water is because of old meters and inaccurate metering. The utility's owner is in process of replacing the meters and has already replaced most of the water meters in the last 12 months, which has drastically reduced the unaccounted for water.

### IV. Rate Base

#### A. Used and Useful Percentages

##### 1. Westwood WTP

The WTP is a closed system with one six-inch well designated as Well No. 1 equipped with a 15 hp vertical turbine pump that resources the ground water table at a rate of 240 gpm. The raw water is treated with liquid chlorine which is injected prior to entry into the 14,000 gallon hydropneumatic tank. The Westwood water system also has an existing interconnection with the Pasco County water system via a two-inch meter as a backup water supply and can be utilized during emergencies. The fire hydrants are connected to the potable water system.

In accordance with the American Waterworks Association Manual of Water Supply Practices (AWAMWSP), the highest capacity well should be removed from the calculation to determine the plant's reliability. Since this WTP has just one well, we have considered just that

well. Therefore, considering one well with the volume capacity of 240 gpm and no usable storage, the firm reliable capacity of the water plant is 240 gpm.

During the 12-month test-year-review period, the peak month of water usage occurred during July 2004. For the maximum day in that maximum month, the flow was 25 gpm. Because the water plant is a closed system operation having one hydro-tank (no storage tank), the actual peak hours of the maximum days should be considered. Therefore, the actual peak hours  $\{2 \times (\text{Maximum day} - \text{excessive unaccounted water})\}$  was used in the used and useful formula. The average daily flow was 17.89 gpm. The utility provides fire protection via fire hydrants throughout the distribution system. The Pasco County fire code requires a minimum of 500 gpm which is considered in the calculations. A regression analysis was performed to anticipate a growth of two ERCs for the next year which calculates a projection of 3.97 gpm for the statutory growth period defined in Section 367.081(2)(a)2.b., F.S. The excessive unaccounted for water was calculated to be 0.02 gpm which is almost zero percent. Therefore, in accordance with the calculation sheet (Attachment A, Page 1 of 6), we find that the used and useful percentage for the Westwood WTP is 100%.

## 2. Westwood Water Distribution System

The Westwood water distribution system has the potential of serving 128 customers (estimated to be 136 ERCs). The average number of customers served during the test year was 120 customers (estimated to be 126 ERCs). A regression analysis of growth over the past five years indicates that growth would be two ERCs per year. When we apply the two ERCs to the statutory growth period, the future growth is calculated to be ten ERCs. By the formula approach, we calculate the Westwood distribution system to be 100% used and useful (Attachment A, page 2 of 6).

## 3. Anclote Water Treatment Plant

This water system is a closed system with four existing wells designated as Well Nos. 2, 3, 4, and 5. Well No. 5 is considered as a standby well and is currently not in use. Well No. 2 has a diameter of six inches and is equipped with a two hp submersible pump with a capacity of 60 gpm. Well No. 3 has a diameter of six inches and is equipped with a three hp submersible pump with the volume capacity of 70 gpm. Well No. 4 has a diameter of four inches and is equipped with a three hp submersible pump with the volume capacity of 75 gpm. The raw water from the three operating wells is currently pumped into a 3,000-gallon hydropneumatic tank after receiving chlorination by using liquid sodium hypochlorite solution. The fire hydrants are connected to the potable water system.

In accordance with the AWAMWSP, the highest capacity well should be removed from the calculation to determine the plant's reliability. The firm reliable capacity is calculated by using the capacity of the wells while removing the largest well (75 gpm). Considering the other two lowest volume capacity wells with 60 gpm and 70 gpm and no usable storage, the firm reliable capacity of water plant was determined to be 130 gpm.

During the 12-month test-year-review period, the peak month of water usage occurred during March 2004. The maximum day in that maximum month was 79.86 gpm. Because the water plant is a closed system operation having one hydro-tank (no storage tank), the actual peak hours of the maximum days should be considered. Therefore, the actual peak hours {2 x (Maximum day – excessive unaccounted water)} was used in the used and useful formula. The average daily flow was 49.26 gpm. The utility provides fire protection via fire hydrants throughout the distribution system. The Pasco County fire code requires a minimum of 500 gpm which is considered in the calculations. A regression analysis was performed to anticipate a growth of two ERCs for the next year which calculates a projection of 6.17 gpm for the statutory growth period defined in Section 367.081(2)(a)2.b., F.S. The excessive unaccounted for water was calculated to be 9.51 gpm which was 19.32%. Therefore, in accordance with the calculation sheet (Attachment A, Page 3 of 6), we find that the used and useful percentage for the Anclote WTP is 100%.

#### 4. Anclote Water Distribution System

The water distribution system has the potential of serving 228 customers (estimated to be 269 ERCs). The average number of customers served during the test year was 218 customers (estimated to be 259 ERCs). A regression analysis of growth over the past five years indicates that growth would be two ERCs per year. When we apply the two ERCs to the statutory growth period, the future growth is calculated to be 10 ERCs. By the formula approach, we calculate the distribution system to be 100% used and useful (Attachment A, Page 4 of 6).

### B. Used And Useful For Pro Forma Items

#### 1. Westwood WTP

As previously discussed, the utility is planning to install two new 15 hp submersible well pumps to utilize the standby Wells 2 and 3. Each new pump will resource the ground water table at a rate of 220 gpm. These wells were drilled by the utility in the late 1960's and early 1970's and have been out of service for an unknown period of time. The addition of Wells 2 and 3 are necessary to provide an adequate backup water supply to the existing Well Number 1. The utility will eliminate the Pasco County interconnection after upgrading its existing treatment system.

In accordance with the AWAMWSP, the highest capacity well should be removed from the calculation to determine the plant's reliability. The firm reliable capacity is calculated by using the capacity of the wells with the removal of the largest well (240 gpm). Considering the other two lowest volume capacity wells with 220 gpm each and no usable storage, the firm reliable capacity of water plant was determined to be 440 gpm.

Considering the other same data for the used and useful in accordance with the calculation sheet (Attachment A, Page 5 of 6), we find that the used and useful percentage for the Westwood water treatment pro forma plant should be 100%.



## 2. Anclote Water Treatment Plant

As previously discussed, the utility is planning to install a new five hp submersible well pumps to utilize the standby Well No. 5. This new pump will resource the ground water table at a rate of 60 gpm. The addition of Well No. 5 in the Anclote system would provide the community with improved fire flow and will add to the overall system reliability.

In accordance with the AWAMWSP, the highest capacity well should be removed from the calculation to determine the plant's reliability. The firm reliable capacity is calculated by using the capacity of the wells with the removal of the largest well (75 gpm). Considering the other three lowest volume capacity wells with 60 gpm, 60 gpm, and 70 gpm, and no usable storage, the firm reliable capacity of the Anclote water plant was determined to be 190 gpm.

Considering the other same data for the used and useful in accordance with the calculation sheet (Attachment A, Page 6 of 6), we find that the used and useful percentage for the Anclote water treatment pro forma plant is 100%.

## C. Average Test Year Rate Base

The utility's rate base was last established by Order No. 14506, issued June 26, 1985, in Docket No. 840291-WU, In Re: Application of Holiday Utility Company, Inc., for staff assistance on a rate increase to its customers in Pasco County, Florida. We have used a test year ended June 30, 2004 for this rate case. Rate base components, established in Order No. 14506, have been updated through June 30, 2004 using information obtained from our staff's audit and engineering reports. A summary of each component and the adjustments follows.

### 1. Utility Plant in Service (UPIS)

The utility recorded \$271,225 for water UPIS for the test year ending June 30, 2004. Per Audit Disclosure No. 1, the utility recorded a total of \$6,687 for plant additions twice. We have decreased this account by \$6,687 to correct the double entry. We have increased this account by \$3,462 to reflect plant additions reclassified from Account No. 620, and by \$1,692 to reflect a plant addition that was not recorded on the utility's books. The utility had plant additions that replaced items currently in plant. However, the utility did not retire the replaced items. We have retired 75% of the replacement cost for those plant items. The retirement adjustments are as follows: decrease of \$2,357 (\$3,142 x 75%) to Account No. 311, decrease of \$2,123 (\$2,831 x 75%) to Account No. 331, and a decrease of \$3,657 (\$4,876 x 75%) to Account No. 334. We have also made an averaging adjustment to decrease UPIS by \$8,175.

Our net adjustment to UPIS is a decrease of \$17,845, for a UPIS balance of \$253,380.

### 2. Contributions in Aid of Construction (CIAC)

The utility recorded CIAC of \$32,052 for the test year ended June 30, 2004. We have made an adjustment to increase this account by \$200 to reflect CIAC recorded as non-utility



income and have decreased this account by \$100 to reflect an averaging adjustment. Based on these two adjustments, we calculate CIAC to be \$32,152.

### 3. Accumulated Depreciation

The utility recorded a balance for accumulated depreciation of \$236,557 for the test year. We have calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, F.A.C, and have decreased this account by \$19,616 accordingly. We have also increased this account by \$1,510 to reflect an averaging adjustment. Based on these adjustments, we find accumulated depreciation to be \$218,451.

### 4. Amortization of CIAC

The utility recorded \$18,762 for amortization of CIAC. Using composite depreciation rates to recalculate amortization of CIAC, we have increased this account by \$252 to reflect this recalculation. We have also decreased this account by \$294 to reflect an averaging adjustment. Based on these adjustments, there is a net decrease of \$40 to this account, for a total Amortization of CIAC of \$18,720.

### 5. 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 operations and maintenance (O&M) expense formula approach to calculate the working capital allowance. Based on O&M of \$69,414, and applying this formula, we calculate the appropriate working capital allowance to be \$8,677.

### 6. Rate Base Summary

Based on the forgoing, we find that the appropriate test year rate base is a positive \$30,174. Our calculation of rate base is shown on Schedule No. 1.

## V. Cost of Capital

Per Audit Disclosure No. 2, the utility collects a \$40 deposit from its customers and does not pay interest on the customer deposits. Pursuant to Rule 25-30.311(4), F.A.C., each utility that requires deposits to be made by its customers shall pay a minimum interest on such deposits of 6 percent per annum. The deposit interest shall be made annually, either in cash or by credit on the current bill. The rule does not prohibit any public utility paying a higher rate of interest than required by this rule. The utility shall pay 6 percent annual interest on customer deposits.

The utility provided a list of customer deposits. The total amount on the list does not agree with the utility trial balance as of June 30, 2004. The customer list shows a balance of \$6,193, while the general ledger shows a balance of \$1,181. Based on the review of the customer deposit list, our staff has determined that a number of the customer deposits have been held longer than 23 months. Pursuant to Rule 25-30.311(5), F.A.C., these deposits should have been refunded if the customer established a satisfactory payment record. As of March 9, 2005,

the utility researched its customer deposits and refunded \$1,590 to those customers with satisfactory payment records. The utility's customer deposit balance should be \$4,603 (\$6,193 - \$1,590), and we have increased customer deposits by \$3,422 (\$4,603 - \$1,181).

Per Audit Disclosure No. 8, the utility has a loan of \$31,318 from the owner of the utility. There is no interest on the loan, no loan documents, and the utility is not making any payments on the principal. Because the loan payments are not paid and it is from a related party, we shall treat the funds as equity capital.

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), Florida Statutes, and reconciling the utility's capital structure with our approved rate base, we find that the appropriate rate of return on equity is 9.10%, with a range of 8.10 – 10.10%. Using the midpoint of 9.10%, we calculate the overall rate of return to be 8.63%.

Our calculation of the return on equity and overall rate of return is shown on Schedule No. 2.

## VI. Net Operating Income

### A. Test Year Revenue

Per Audit Disclosure No. 5, the utility recorded total revenues of \$64,634 for the 12-month period ended June 30, 2004. During the audit, the auditor discovered that the utility overstated its revenues for August 2003 by \$5,032. The utility recorded \$8,837 as residential revenues for the month of August instead of the actual revenues of \$3,305. Therefore, we have decreased test year revenues by \$5,032 (\$8,837 - \$3,305).

As discussed above, the utility has excessive unaccounted for water, but has implemented a meter replacement program which has managed to reduce its unaccounted for water. The reduction in unaccounted for water results in more billable gallons and an increase in gallonage revenue. The utility provided additional information with regard to its gallons, which our staff has analyzed and which shows that the utility's test year gallons should be increased by 490,000 gallons. Therefore, we have made an adjustment to impute additional revenue of \$666 ( $490,000/1,000 \times \$1.36$ ).

Based on the above adjustments, we calculate test year revenue to be \$60,269 for water. Our calculation of test year revenue is shown on Schedule No. 3, with the related adjustments shown on Schedule No. 3-A.

### B. Operating Expenses

The utility recorded operating expenses of \$118,648 during the test year ending June 30, 2004. The test year O&M expenses have been reviewed, and invoices, canceled checks and

other supporting documentation have been examined. We have made several adjustments to the utility's operating expenses, and a summary of our adjustments follows:

1. Operations and Maintenance Expenses (O&M)

(a) Salaries and Wages – Officers – (603). The utility recorded \$20,796 in this account during the test year. The utility requested a \$12,000 officer's salary. The officer duties include budget and fiscal management, PSC Reporting, water quality management, used and unaccounted for water management, customer relations, and check signing. We find that the requested salary is appropriate and reasonable for a utility of this size, and we have, therefore, made an adjustment to decrease this account by \$8,796 (\$20,796 - \$12,000).

(b) Purchased Power – 615. The utility recorded \$4,668 to this account during the test year. Based on invoices reviewed by the engineer, we have increased this account by \$263 to reflect purchased power of \$1,675 and \$3,255 for Westwood and Anclote, respectively. We have also made a decrease to this account to reflect excessive unaccounted for water (UAW). This account has been decreased by \$629 ( $\$3,255 \times 19.32\%$  UAW) for UAW at the Anclote plant. Finally, we have decreased this account by \$344 to reflect a repression adjustment as discussed later in this Order. Based on these adjustments, the cost of purchased power for the test year is \$3,958.

(c) Chemicals – (618). The utility recorded \$486 to this account during the test year. Based on invoices reviewed by the engineer, we have decreased this account by \$73 to reflect chemical expense of \$143 and \$270 for Westwood and Anclote, respectively. We have also made decreases to this account to reflect excessive unaccounted for water (UAW). This account has been decreased by \$52 ( $\$270 \times 19.32\%$  UAW) for UAW at the Anclote plant. Finally, we have decreased this account by \$29 to reflect repression as discussed later in this order. Based on these adjustments, the cost of chemicals for the test year is \$332.

(d) Materials and Supplies – (620). The utility recorded \$5,154 in this account during the test year. We have reduced this account by \$3,462 to reclassify plant additions to Acct. No. 331 and by \$1,692 to reclassify plant additions to Acct. No. 334. Based on these adjustments, the cost of materials and supplies for the test year is \$0.

(e) Contractual Services – Professional – (631). The utility recorded \$23,981 in this account during the test year. The utility included in this account \$15,682 of expenses related to the transfer docket. These expenses are non-recurring and should be amortized over five years at \$3,136 ( $\$15,682/5$ ). Therefore, we have decreased this account by \$12,546 ( $\$15,682 - \$3,136$ ). Per Audit Disclosure No. 6, we have increased this account by \$2,058 to correct an erroneous credit journal entry. The utility included in this account \$3,699 of engineering expenses relating to various projects. These expenses are non-recurring and should be amortized over five years at \$740 ( $\$3,699/5$ ) per year. Therefore, we have decreased this account by \$2,959 ( $\$3,699 - \$740$ ). The amount recorded in this account also included \$2,900 of expenses related to accounting services. The utility requested \$2,000 annually for the preparing of corporate returns and the PSC annual report. We find that this amount is reasonable and have decreased this account by

\$900 (\$2,900 - \$2,000). Based on the above, the contractual services - professional expense shall be \$9,633.

(f) Contractual Services Testing – (635). This expense is included in the utility’s monthly management fee for testing. The utility recorded \$5,212 in this account during the test year of which \$2,143 was a portion of the management fee. We have made an adjustment to increase this account by \$33 (\$2,176 - \$2,143) to annualize this account’s allocated portion of the testing included in the management fee. The utility has requested an increase of its management fee. We find that this request is reasonable and have made a pro forma adjustment to increase this account by \$188 (\$2,364 - \$2,176) to reflect this account’s allocated portion of the requested management fee.

State and local authorities require that several analyses be submitted in accordance with Chapter 62-550, F.A.C. The list below includes monthly monitoring and other less frequent tests required by DEP:

<u>Test</u>	<u>Frequency</u>	<u>Water</u>	
		<u>Cost per year Westwood</u>	<u>Cost per year Anclote</u>
Microbiological	Monthly	\$840	\$1,524
Primary Inorganics	Monthly	\$52	\$52
Secondary Inorganics	Monthly	\$52	\$52
Asbestos	1/9 years	\$35	\$35
Nitrate & Nitrite	Quarterly	\$160	\$160
Volatile Organics	Annual	\$59	\$59
Pesticides/PCB	36 months	\$150	\$150
Radionuclides			
Group I	36 months	\$29	\$29
Group II	36 months	\$30	\$30
Unregulated Organics			
Group I	Qtr’y/1 <sup>st</sup> yr/9 year	\$112	\$112
Group II	36 months	\$18	\$18
Group III	36 months	\$83	\$83
Lead & Copper	Biannual	\$134	\$107
TTHM	Yearly	\$75	\$75
	Total	<u>\$1,829</u>	<u>\$2,486</u>

According to the invoices and other test costs, the utility’s annual DEP required testing is \$4,315 which consists of \$1,829 and \$2,486 for the Westwood and Anclote water systems, respectively. The total testing amount includes our allocated monthly management fee for testing of \$2,364. During the test year, the utility recorded \$4,094 for DEP required testing. We have decreased this account by \$1,118 (\$5,212 - \$4,094) to reflect annual DEP required testing. Based on the above, we find the cost for contractual services – testing to be \$4,315.

(g) Contractual Services – Other – (636). The utility recorded \$32,528 in this account during the test year. The utility charges a management fee which includes but is not limited to the following: treatment plant operations, transportation, collection office, field customer service, grounds keeping, billing and collection, meter reading, vehicle insurance and fuel, and office supplies. During the test year, the utility recorded \$31,947 in this account for the management fee. We have made an adjustment of \$495 (\$32,442 - \$31,947) to annualize the management fee. The utility has requested an inflationary increase of its management fee. We find that the increase is appropriate and have made an adjustment to increase this account by \$2,796 (\$35,239 - \$32,443). We have also made an adjustment to decrease this account by \$3,300 to reflect maintenance and labor already capitalized. Finally, the utility provided invoices totaling \$7,077 for hurricane related damages. Those expenses are non-recurring and shall be amortized over 4 years. Therefore, we have made an adjustment to increase this account by \$1,769 (\$7,077/4).

(h) Rents – (640). The utility recorded \$15,264 in this account during the test year. This amount represents rent paid for land use. Rule 25-30.433(10), F.A.C., specifies that a utility is required to own the land on which the utility treatment facilities are located, or possess the right to continued use of the land, such as by holding a 99-year lease. Per Audit Disclosure No. 5 of the transfer docket's audit, the utility did not include land on its books and records. The utility indicated that all the wells and treatment plant are located on land owned by the previous owner and the land is part of his overall ranch. He owned both the ranch and the utility, and saw no need to transfer the land to the utility. The utility was not charged a lease fee for use of the land. The current owners (Holiday Waterworks) purchased the land that the utility plant is situated on for \$20,000 from the previous owner of the utility. The land purchase agreement is dated April 25, 2003. On May 1, 2003, Holiday Waterworks entered into a 99-year land lease agreement with the utility for \$14,400 annually plus \$864 (6% sales tax) for a total of \$15,264.

The rental agreement for the land is a related party transaction. By Order No. PSC-00-1513-TRF-WS, issued August 21, 2000, in Docket No. 991835-WS, In Re: Application for allowance for funds prudently invested (AFPI) charge for additional water improvements and for additional lines associated with wastewater extension into George Mayo subdivision in Marion County, by Tradewinds Utilities, Inc., this Commission found as follows:

Related party transactions require heightened scrutiny. Although a transaction between related parties is not per se unreasonable, it is the utility's burden to prove that its costs are reasonable. Florida Power Corporation v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982). This burden is even greater when the transaction is between related parties. In GTE Florida, Inc. v. Deason, 642 So. 2d 545 (Fla. 1994), the Court established that when affiliate transactions occur, that does not mean that unfair or excessive profits are being generated, without more evidence to contrary. The standard is to evaluate affiliate transactions and determine whether those transactions exceed the going market rate or are otherwise unfair.

The utility has chosen not to purchase the land but to lease or rent it from a related party. By Order No. PSC-04-1264-PAA-SU, issued December 21, 2004, in Docket No. 040300-SU, In Re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, the



Commission found 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 8.63%, the rent for the land is calculated to be \$1,726 ( $\$20,000 \times 8.63\%$ ). Therefore, we have decreased this account by \$12,674 ( $\$14,400 - \$1,726$ ). We have also decreased this account by \$760 ( $\$864 - \$104$ ) to reflect 6% sales tax on the approved land rent.

Based on the above, we calculate rent expense to be \$1,830.

(i) Regulatory Commission Expense – (665). 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 paid a \$1,000 rate case filing fee for water. Therefore, we have increased this account by \$250 ( $\$1,000/4$ ). The utility is required by Rule 25-22.0407(9)(b), F.A.C., to mail notices of the customer meeting to its customers. Our staff estimated noticing expense to be \$124 postage expense, \$33 printing expense, and \$17 for envelopes. The above results in a total rate case expense for noticing of \$174, and we have increased this account by \$43 ( $\$174/4$ ) to reflect rate case expense for noticing. We have also increased this account by \$200 ( $\$801/4$ ) for rate case expense for the utility's consultant. Therefore, the net increase to this account is \$493.

(j) Miscellaneous Expense – (675). The utility recorded \$3,703 in this account for the test year. Per Audit Disclosure No. 6, the utility included \$751 of prior period RAFs and \$2,250 of transfer application fees. We have removed the \$751 expense for prior period RAFs. Also, we have amortized the \$2,250 of transfer application fees over five years which will result in an expense of \$450 ( $\$2,250/5$ ), and a reduction of \$1,800 ( $\$2,250 - \$450$ ) to remove the unamortized portion of the transfer application fees. Therefore, we find that the miscellaneous expense is \$1,151.

(k) Operation and Maintenance Expense (O&M Summary). The total O&M adjustment is a decrease of \$43,790, for O&M expenses of \$69,414. Our calculation of O&M expenses is shown on Schedule 3-B.

## 2. Depreciation Expense (Net of Amortization of CIAC)

The utility recorded \$0 in this account during the test year. Using the rates prescribed in Rule 25-30.140, F.A.C., we calculate the appropriate depreciation expense to be \$10,240, and have increased this account accordingly. In addition, amortization of CIAC has a negative impact on depreciation expense. The utility did not record any amortization of CIAC. Based on composite rates, we have decreased this account by \$1,299 to reflect the appropriate calculated amortization of CIAC. Therefore, we find the net depreciation expense to be \$8,941 ( $\$10,240 - \$1,299$ ).

## 3. Taxes Other Than Income

The utility recorded taxes other than income of \$5,444 during the test year. Per Audit Disclosure No. 7, the utility included in this account \$3,508 as RAFs for the 12-month period

ending June 30, 2004. This amount included \$953 for late filing fees and \$2,555 for RAFs for the 12-month period ended December 31, 2003. Based on the audited test year revenues of \$60,269, the utility RAFs should be \$2,712 ( $\$60,269 \times 4.5\%$ ) for the test year. Therefore, there is a net decrease of \$796 ( $-\$953 + \$157$ ) to remove prior period fees and penalties and to reflect test year RAFs. The utility included in this account \$1,501 for payroll taxes. We have decreased this account by \$583 to reflect payroll taxes associated with our approved salary.

Our total adjustment to this account is a decrease of \$1,379.

#### 4. Income Tax

The utility recorded income tax of \$0 for water. The utility is an 1120 C corporation; however, the utility has a large amount of loss carry forwards based on its current income tax return. These loss carry forwards are in excess of the approved return on equity, and will continue to be so over the next couple of years. Therefore, we have not made an adjustment to this account.

#### 5. Operating Revenues

Revenues have been increased by \$25,922 to reflect the change in revenue required to cover expenses and allow the approved return on investment.

#### 6. Taxes Other Than Income

We increased this expense by \$1,166 to reflect RAFs of 4.5% on the change in revenues.

#### 7. Operating Expenses Summary

The application of our adjustments to the audited test year operating expenses results in operating expenses of \$83,586.

Our calculation of operating expenses is shown on Schedule No. 3, with the related adjustments shown on Schedule 3-A.



VII. Revenue Requirement

A. Phase I Revenue Requirement

The utility shall be allowed an annual increase of \$25,922 (43.01%) for water. This will allow the utility the opportunity to recover its expenses and earn an 8.63% return on its investment. Our calculation is as follows:

	<u>Water</u>
Adjusted Rate Base	\$30,174
Rate of Return	x .0863
Return on Rate Base	<u>\$2,604</u>
Adjusted O & M Expense	\$69,414
Depreciation expense (Net)	\$8,941
Taxes Other Than Income	\$5,232
Income Taxes	<u>\$0</u>
Revenue Requirement	<u><u>\$86,190</u></u>
Adjusted Test Year Revenues	<u>\$60,269</u>
Percent Increase/(Decrease)	<u><u>43.01%</u></u>

Our calculation of the Phase I revenue requirement is shown on Schedule No. 3.

B. Phase II Pro Forma Revenue Requirement

As discussed above, the utility provided a Capital Improvement Plan outlining a number of pro forma plant additions that it intends to complete. The following is a chart summarizing the pro forma additions, the cost, and our approved treatment:

	<u>Pro Forma Plant Item</u>	<u>Utility Requested</u>	<u>Approved</u>
1.	Install fencing at both Water Treatment Sites	\$6,500	\$6,500
2.	Initiate operation of Well Number 5 at the Anclote System	\$8,800	\$8,800
3.	Construct Water Interconnection with City of Tarpon Springs	\$85,200	\$85,200
4.	Construction of Disinfection System for Anclote Serv. Area	\$36,250	\$36,250
5.	a.) Conduct system wide water main and valve survey	\$12,200	Expense
	b.) Replace system components as determined by survey	\$31,500	\$31,500
6.	Site Access Improvement	\$26,660	\$26,660
7.	Install Auxiliary Power Generator for the Westwood System	\$41,500	\$41,500
8.	Rehabilitate Wells Number 2 and 3 at the Westwood System	\$42,200	\$42,200
9.	Securing and/or possible abandonment of wells not in use	\$37,400	\$0
10.	Water Meter Replacement Program	\$20,488	\$9,909
11.	Rehabilitation of Well House Number 1 at the Westwood	<u>\$5,470</u>	<u>Expense</u>
	Total	\$354,167	\$288,519

We find that the utility's proposed pro forma additions are prudent to the viability of the system and shall be capitalized except as noted below:

Item No. 5(a) – The utility proposes to conduct a system wide water main and valve location survey to develop a base map. This project is non-recurring, and the cost shall be expensed and amortized over 10 years which is the approximate life of this item. Therefore, it is included as an expense at \$1,220 (\$12,200/10).

Item No. 9 – The utility is in the process of securing and/or possibly abandoning wells not in use. This project is not used and useful and beneficial to the customers of the system. Therefore, the customers shall not pay for this project.

Item No. 10 – The utility has proposed a meter replacement program which is scheduled to be completed by 2008. The meter replacement and labor cost of \$9,909 shall be capitalized through the year 2005.

Item No. 11 – The utility is proposing to rehabilitate Well House No. 1 at the Westwood system. The proposed project is non-recurring and shall be amortized over five years at \$1,094.

In order to complete the proposed projects, the utility has been pre-approved for funding at Merchantile Bank at a rate of prime plus 1%. By adding the loan amount of \$288,519 to the utility's capital structure discussed above, the appropriate rate of return on equity is 11.40% with a range of 10.40%-12.40%, and the appropriate overall rate of return is 6.74%. By including the \$288,519 of pro forma plant and \$2,314 of expenses to the revenue requirement components discussed above, we calculate the pro forma revenue requirement to be \$120,914. We have removed the adjustments for excessive unaccounted for water. Also, by following the methodology for rent expense discussed above, we calculate the utility's rent expense to be \$1,348 with sales tax of \$81.

The utility shall complete the pro forma additions within 12 months of the issuance of the Consummating Order. The utility shall be allowed to implement the resulting Phase II rates once the completed pro forma additions have been verified by our staff. If the utility fails to complete all of the pro forma additions within 12 months of the Consummating Order, it shall not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates.

Our calculations of the rate base, capital structure, operating expenses and revenue requirement which includes pro forma plant items are shown on Schedules 5, 5-A, 6, 7, 7-A and 7-B.

## IX. Rate Structure, Rates, and Miscellaneous Charges

### A. Rate Structure

The appropriate rate structure for this utility is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage shall be 40%. Our analysis and resulting approved rate structure is shown on Attachment B.

### B. Repression Adjustments for Phase I and II

Repression adjustments of 2,106.77 kgals for Phase I rates, and 866.67 kgals for Phase II rates are appropriate. In order to monitor the effects of the revenue increases for Phases I and II, the utility shall prepare monthly reports detailing the number of bills rendered, the consumption billed, and the revenue billed. These reports shall be provided, by customer class, meter size, and Phase, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect. Separate analyses for Phase I and Phase II are contained in Attachment C.

C. Monthly Rates

The appropriate revenue requirements are \$86,190 and \$120,914 for Phase I and Phase II, respectively. This represents an increase in revenue requirement of \$25,922 (approximately 43.01%), and \$60,646 (approximately 100.63%), for Phases I and II, respectively. Approximately 40% (or \$34,201) of the Phase I revenue requirement and 40% (or \$48,685) of the Phase II revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the BFC based on the annualized number of factored ERCs. The remaining 60% (or \$51,989) of the Phase I revenue requirement and 60% (or \$72,229) represents the consumption charges based on the estimated number of gallons consumed during the test period less the respective repression adjustments for Phases I and II.

The utility's existing rates and our approved rates are as follows:

<u>Monthly Rates (Phase I)</u>		
Residential and General Service Water Rates		
	<u>Current Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter Sizes		
5/8" x 3/4"	\$5.37	\$7.52
3/4"		\$11.28
1"	\$13.45	\$18.80
1 1/2"	\$26.90	\$37.60
2"	\$43.07	\$60.16
3"	\$86.11	\$120.32
4"	\$134.56	\$188.00
6"	\$269.14	\$376.00
 <u>Gallonage Charge</u>		
Per 1,000 Gallons	\$1.36	\$2.14
Gallonage Charge		

Based on our approved rates, the following would be the estimated average residential water monthly billings for the consumption shown:

<u>Monthly Consumption</u> ( In Gallons)	<u>Existing Monthly Billing</u>	<u>Approved Rates</u>
3,000	\$9.45	\$13.94
5,000	\$12.17	\$18.22
8,000	\$16.25	\$24.64

The utility shall be allowed to implement the following Phase II rates once all pro forma plant items have been completed and verified by staff.

Monthly Rates (Phase II)

Residential and General Service Water Rates

<u>Meter Sizes</u>	<u>Phase I Rates</u>	<u>Approved Phase II Rates With Pro Forma Plant</u>
<u>Base Facility Charge</u>		
Meter Sizes		
5/8" x 3/4"	\$7.52	\$10.70
3/4"	\$11.28	\$16.05
1"	\$18.80	\$26.75
1 1/2"	\$37.60	\$53.50
2"	\$60.16	\$85.60
3"	\$120.32	\$171.20
4"	\$188.00	\$267.50
6"	\$376.00	\$535.00
<u>Gallonage Charge</u>		
Per 1,000 Gallons	\$2.14	\$3.08

If the utility fails to complete all of the pro forma additions within 12 months of the Consummating Order, it shall not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates.

For each phase, the utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates shall not be implemented until our staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

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.

D. 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 RAFs which is \$516 annually for water. 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 shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction.

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

E. Miscellaneous Service Charges

The utility's existing tariff does not authorize the utility to collect miscellaneous service charges. The utility shall be authorized to collect charges designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the ratepaying body as a whole. The approved charges are as follows:

<u>Charges</u>	<u>Water</u>	<u>Commission Approved</u>
		<u>Charges</u>
Initial Connection		\$15.00
Normal Reconnection		\$15.00
Violation Reconnection		\$25.00
Premise Visit Charge (in lieu of disconnection)		\$15.00

A definition of each charge is provided for clarification:

Initial Connection - this charge would be levied for service initiation at a location where service did not exist previously.

Normal Reconnection - this charge would be levied for transfer of service to a new customer account, a previously served location or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection - this charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), F.A.C., including a delinquency-in-bill payment.

Premises Visit Charge (in lieu of disconnection) - this charge would be levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service, because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The utility shall file revised tariff sheets which are consistent with our decision. The approved charges shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the charges shall not be implemented until our staff has approved the proposed customer notice. The utility shall provide proof of the date the notice was given no less than 10 days after the date of the notice.

#### F. Temporary Rates in Event of Protest

In this Order, we propose an increase in water 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 temporary rates collected by the utility shall be subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$17,594. 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 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 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 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 the application of Holiday Utility Company, Inc., for a water rate increase 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 Holiday Utility Company, Inc. shall complete any and all improvements to the system that are necessary to satisfy the standards set by the Florida Department of Environmental Protection. It is further

ORDERED that a local emergency phone number shall be posted at both the Westwood and Anclote water treatment plant. The emergency phone number shall be posted at both locations no later than 60 days from the date of the Consummating Order for this rate case. It is further

ORDERED that Holiday Utility Company, Inc. shall complete the pro forma plant items approved in this Order within twelve months from the date of the Consummating Order. It is further

ORDERED that Holiday Utility Company, Inc. is authorized to charge the Phase I rates as set forth in the body of this Order. It is further

ORDERED that Holiday Utility Company, Inc. shall be allowed to implement the resulting Phase II rates once the completed pro forma additions have been verified by our staff. If the utility fails to complete all of the pro forma additions within 12 months of the Consummating Order, it shall not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates. It is further

ORDERED that, for each phase, Holiday Utility Company, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. It is further

ORDERED that the rates shall not be implemented until our staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In no event shall the rates be effective for service rendered prior to the stamped approval date. 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 our staff's verification that the tariffs are consistent with our decision and the customer notice is adequate. It is further

ORDERED that Holiday Utility Company, Inc. shall reduce its water rates as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs 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 Holiday Utility Company, Inc. 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 Holiday Utility Company, Inc. 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 with interest. It is further

ORDERED that prior to implementation of any temporary rates, the utility shall provide appropriate security for the refund and the proposed customer notice as set forth in the body of this Order. It is further

ORDERED that Holiday Utility Company, Inc. shall maintain an account of all monies received as a result of the temporary rate increase. It is further

ORDERED that irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. 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 Holiday Utility Company, Inc. 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., Holiday Utility Company, Inc. 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 from a substantially affected person 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 twelve months from the 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 6th day of June, 2005.

  
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BLANCA S. BAYO, 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.**

As identified in the body of this order, our action, except for the four-year rate reduction and the approval of temporary rates in the event of a protest, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 27, 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.

**WATER TREATMENT PLANT – USED AND USEFUL DATA  
 WESTWOOD WTP**

1)	<b>Capacity of Plant</b>	240.00	gallons per min
2)	<b>Maximum Day From Maximum Month</b>	25	gallons per min
2a)	<b>Max. day @ peak</b>	50	gallons per min
3)	<b>Average Daily Flow</b>	17.89	gallons per min
4)	<b>Fire Flow Capacity (FF)</b> Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)	<b>Growth</b>		
a)	Average Test Year Customers in ERCs:	126	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 = (5b)x(5c)x [2a\^(5a)]	3.97	gallons per min
6)	<b>Excessive Unaccounted for Water (EUW)</b>	0.02	gallons per min
a)	Percentage of Excessive amount	0	
b)	Total Unaccounted for Water	1.81	gallons per min
c)	Reasonable Amount (10% of average Daily Flow)	1.79	gallons per min
d)	Excessive Amount	0.02	gallons per min

**USED AND USEFUL FORMULA**

$$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$$

$$[2 \times (25 - 0.02) + 500 + 3.97] / 240 = 100\% \quad \text{Used \& Useful}$$

**WATER DISTRIBUTION SYSTEM – USED AND USEFUL DATA  
WESTWOOD WTP**

1)	<b>Capacity of System (ERCs)</b>	136	ERCs
2)	<b>Test Year Connections</b> Average Test Year	126	ERCs
3)	<b>Growth</b>		
a)	Customer growth in connections for last 5 years including test year using Regression Analysis	2	ERCs
b)	Statutory Growth Period	5	Years
c)	Growth = (a)x(b) Connections allowed for growth	10	ERCs

**USED AND USEFUL FORMULA**

$$[2+3]/(1) = 100\% \quad \text{Used and Useful}$$



**WATER TREATMENT PLANT – USED AND USEFUL DATA  
 ANCLOTE WTP**

1)	<b>Capacity of Plant</b>	130.00	gallons per min
2)	<b>Maximum Day From Maximum Month</b>	79.86	gallons per min
2a)	<b>Max. day @ peak</b>	159.72	gallons per min
3)	<b>Average Daily Flow</b>	49.26	gallons per min
4)	<b>Fire Flow Capacity (FF)</b> Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)	<b>Growth</b>		
a)	Average Test Year Customers in ERCs:	259	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 = (5b)x(5c)x [2a\5a]	6.17	gallons per min
6)	<b>Excessive Unaccounted for Water (EUW)</b>	9.51	gallons per min
a)	Percentage of Excessive amount	19.32%	
b)	Total Unaccounted for Water	14.44	gallons per min
c)	Reasonable Amount (10% of average Daily Flow)	4.93	gallons per min
d)	Excessive Amount	9.51	gallons per min

**USED AND USEFUL FORMULA**

$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$

$[2 \times (79.86 - 9.51) + 500 + 6.17] / 130 = 100\%$     Used & Useful

**WATER DISTRIBUTION SYSTEM – USED AND USEFUL DATA  
 ANCLOTE WTP**

1)	<b>Capacity of System (ERCs)</b>	269	ERCs
2)	<b>Test Year Connections</b> Average Test Year	259	ERCs
3)	<b>Growth</b>		
a)	Customer growth in connections for last 5 years including test year using Regression Analysis	2	ERCs
b)	Statutory Growth Period	5	Years
c)	Growth = (a)x(b) Connections allowed for growth	10	ERCs

**USED AND USEFUL FORMULA**

$[2+3]/(1) = 100\%$  Used and Useful

**WATER TREATMENT PLANT – USED AND USEFUL DATA  
WESTWOOD WTP**

1)	<b>Capacity of Plant</b>	440.00	gallons per min
2)	<b>Maximum Day From Maximum Month</b>	25	gallons per min
2a)	<b>Max. day @ peak</b>	50	gallons per min
3)	<b>Average Daily Flow</b>	17.89	gallons per min
4)	<b>Fire Flow Capacity (FF)</b> Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)	<b>Growth</b>		
a)	Average Test Year Customers in ERCs:	126	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 = (5b)x(5c)x [2a\{(5a)}	3.97	gallons per min
6)	<b>Excessive Unaccounted for Water (EUW)</b>	0.02	gallons per min
a)	Percentage of Excessive amount	0	
b)	Total Unaccounted for Water	1.81	gallons per min
c)	Reasonable Amount (10% of average Daily Flow)	1.79	gallons per min
d)	Excessive Amount	0.02	gallons per min

**USED AND USEFUL FORMULA**

$$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$$

$$[2 \times (25 - 0.02) + 500 + 3.97] / 440 = 100\% \quad \text{Used \& Useful}$$

**WATER TREATMENT PLANT – USED AND USEFUL DATA  
 ANCLOTE WTP**

1)	<b>Capacity of Plant</b>	190.00	gallons per min
2)	<b>Maximum Day From Maximum Month</b>	79.86	gallons per min
2a)	<b>Max. day @ peak</b>	159.72	gallons per min
3)	<b>Average Daily Flow</b>	52.16	gallons per min
4)	<b>Fire Flow Capacity (FF)</b> Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)	<b>Growth</b>		
a)	Average Test Year Customers in ERCs:	259	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 = (5b)x(5c)x [2a/(5a)]	6.17	gallons per min
6)	<b>Excessive Unaccounted for Water (EUW)</b>	13.68	gallons per min
a)	Percentage of Excessive amount	26.23%	
b)	Total Unaccounted for Water	18.90	gallons per min
c)	Reasonable Amount (10% of average Daily Flow)	5.22	gallons per min
d)	Excessive Amount	13.68	gallons per min

**USED AND USEFUL FORMULA**

$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$

$[2 \times (79.86 - 13.68) + 500 + 6.17] / 190 = 100\%$  Used & Useful

## DETERMINATION OF APPROPRIATE RATE STRUCTURE

**CURRENT  
RATES:**

- (1) The utility's current water rate structure consists of a monthly base facility charge (BFC)/uniform gallonage charge rate structure. The BFC is \$5.37 and the gallonage charge is \$1.36 for each 1,000 gallons (kgal) used.

**PRIOR ORDERS  
AND PRACTICES  
WITH WATER  
MANAGEMENT  
DISTRICTS:**

- (2) The Commission has a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs or Districts). A guideline of the five Districts, which has been adopted as a practice of the Commission, is to set the BFC charges such that they recover no more than 40% of the revenues to be generated from monthly service rates.
- (3) The utility is located in the Southwest Florida Water Management District (SWFWMD or District) in the Northern Tampa Bay water use caution area.
- (4) Over the past several years, based in large part on requests made by the Water Management Districts, the Commission has been implementing the inclining-block rate structure as the rate structure of choice. However, according to the utility's **Water Use Permit (WUP) No. 202319.04**, Special Condition No. 11, the District has deleted the requirement that the utility implement a conservation oriented rate structure.

**SELECTION AND  
DESIGN OF RATE  
STRUCTURE:**

- (5) The utility provided our staff with updated consumption information, representing an increase of approximately 3% over previously filed test year kgals.
- (6) Since the updated data is not in the detail necessary to design inclining block rates, and the SWFWMD deleted the inclining block rate structure condition from Holiday's WUP, a continuation of the utility's current BFC/uniform gallonage charge rate structure is appropriate.
- (7) Based on our initial analysis of fixed versus variable cost recovery allocation of revenue requirement, the utility would recover 56% from the BFC and the remaining 44% from the gallonage charge. This BFC revenue recovery allocation is greater than our practice of recovering no more than 40% through the BFC. Therefore, additional costs shall be shifted from the BFC to the gallonage charge.
- (8) As shown in Column (B) of Table 1 below, without a conservation adjustment to move more cost recovery from the BFC to the gallonage charge, the BFC allocation is 56%. Therefore, a conservation adjustment to shift more cost recovery to the gallonage charge is appropriate.

**DETERMINATION OF APPROPRIATE RATE STRUCTURE (cont.)**

**TABLE 1**

<b>PRE-REPRESSION PRICE INCREASES AT VARIOUS CONSERVATION ADJUSTMENTS (CA)</b>					
<b>Conservation Adjustment (CA) Percentages and Resulting BFC Allocations</b>					
<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>	<b>(F)</b>
<b>Monthly Consumption</b>	<b>CA=0% BFC=56%</b>	<b>CA=30% BFC=40%</b>	<b>CA=38% BFC=35%</b>	<b>CA=47% BFC=30%</b>	<b>CA=56% BFC=25%</b>
<b>0 kgal</b>	100.0%	40.0%	24.0%	6.0%	-12.1%
<b>1 kgal</b>	80.8%	41.2%	30.6%	18.7%	6.8%
<b>3 kgal</b>	59.0%	42.4%	38.1%	33.2%	28.4%
<b>5 kgal</b>	47.0%	43.1%	42.2%	41.2%	40.3%
<b>10 kgal</b>	32.0%	44.0%	47.4%	51.2%	55.1%
<b>20 kgal</b>	20.8%	44.7%	51.2%	58.7%	66.2%
<b>30 kgal</b>	16.2%	44.9%	52.8%	61.8%	70.7%

- (9) As shown in Table 1, several different conservation adjustments were examined. Although the BFC cost recovery percentages in Columns (C) through (F) result in rate structures within the guidelines of the WMDs and Commission practice, we find that column (C) most equitably distributes the rate increase among the customers.

**FINDING:**

Based on the foregoing, the appropriate water rate structure is a continuation of the current base facility and uniform gallonage charge rate structure. The base facility charge (BFC) cost recovery percentage shall be set at 40%

**REPRESSION ANALYSIS – PHASE I**

[A]	(a)	(b)	(c)	(d)	(e)
<u>Line</u>		<u>Current</u>	<u>Rates Before Repr. Adjust.</u>	<u>Change Amount</u>	<u>Change Percent</u>
1	BFC per month	\$5.37	\$7.52	\$2.15	40.0%
2	Charge per Kgal	\$1.36	\$1.99	\$0.63	46.3%
3	Avg. Cons. (kgal)	4.944			
4	Price of Avg. Cons	\$12.09	\$17.36	\$5.26	43.5%

**[B] CURRENT CONSUMPTION AND PRICE:** (1) Based on updated consumption information, Holiday’s residential customers’ average monthly consumption is 4.944 kgal (see line 3, column (b) above), and the resulting average price per month is \$12.09 (see line 4, column (b) above).

**MATCHING UTILITIES:** (2) A search of our database of utilities receiving rate increases and decreases produced seven utilities whose average monthly consumption before a rate increase **and** whose corresponding average monthly price were within plus/minus 30% of Holiday’s corresponding values discussed in (1) above.

(3) The averages of the seven-average prior monthly consumption values and average prior price values matched very well with Holiday – they were both within 9% of Holiday’s corresponding values. Furthermore, the average percentage price increase of the seven utilities was 41.8%, which is virtually identical to Holiday’s pre-repression increase of 43.5%.

(4) All three measures discussed in (3) above for the seven utilities closely match the corresponding Holiday values. Therefore, we find it is reasonable to base Holiday’s anticipated water consumption reduction on the average of the seven utilities’ consumption reductions. We have found this approach to be reasonable in the past. (See. Order No. PSC-02-1114-PAA-WS, issued August 14, 2002 in Docket No. 011481-WS, In re: Application for staff-assisted rate case in Polk County by Bieber Enterprises, Inc. d/b/a Breeze Hill Utilities, holder of Certificate Nos. 598-W and 513-S, pp. 31-32.) The average reduction in quantity demanded of the seven utilities was 10.8%.

<b>APPROVED REPRESSION IN PHASE I:</b>	Our approved repression adjustment of 10.8% results in a residential consumption reduction of approximately 2,106.8 kgals, or an overall repression adjustment of 8.0%.
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**REPRESSION ANALYSIS: PHASE II**

[C]	(a)	(b)	(c)	(d)	(e)
<u>Line</u>		<u>Current</u>	<u>Before</u> <u>Repr. Adjust</u>	<u>Change</u> <u>Amount</u>	<u>Change</u> <u>Percent</u>
1	BFC per month	\$7.52	\$10.70	\$3.18	42.3%
2	Charge per Kgal	\$2.14	\$2.97	\$0.83	38.8%
3	Avg. Cons. (kgal)	4.408			
4	Price of Avg. Cons	\$16.95	\$23.79	\$6.84	40.3%

**[D] ANTICIPATED  
 CONSUMPTION  
 AND PRICE  
 AFTER PHASE I:**

(5) Holiday's residential customers' anticipated average monthly consumption after Phase I rates become effective is 4.408 kgals (see line 3, column (b) above), and the resulting anticipated average price per month is \$16.95 (see line 4, column (b) above).

**MATCHING  
 UTILITIES:**

(6) A search of our database of utilities receiving rate increases and decreases produced five utilities whose average monthly consumption before a rate increase **and** whose corresponding average monthly price were within plus/minus 30% of Holiday's corresponding values.

(7) The averages of the five-average prior monthly consumption values and average prior price values were both within 10% of Holiday's corresponding values.

(8) Due to the close match of the five utilities' prior consumption and price values, absent any constraints, we find that it is reasonable to base Holiday's anticipated water consumption reduction on the average of the five utilities' consumption reductions. As discussed in (4) on the preceding page, we have found this approach to be reasonable in the past.

(9) The average reduction in quantity demanded of the five utilities discussed in (8) above was 7.6%. Based on 2.5 persons per household, this would require a reduction of approximately 4.0 gallons per person per day.

HOLIDAY UTILITY COMPANY, INC.  
HISTORICAL TEST YEAR ENDED JUNE 30, 2004

ATTACHMENT C  
PAGE 3 OF 3

## REPRESSION ANALYSIS – PHASE II (cont.)

**DEVIATION  
FROM  
MATCHING  
UTILITIES:**

- (10) However, we do not believe an approximate 7.6% reduction in consumption as a result of Phase II rates is sustainable. Based on a review of the utility's service area, there is a high percentage of nondiscretionary to discretionary consumption. This is due in large part to a high percentage of the single-family homes (approximately 40%) which have replaced the grass in the front yard with gravel. We do not believe this circumstance matches the service areas of the five matching utilities.
- (11) The high percentage of homes in Holiday's service area with grveled front lawns substantially reduces any discretionary usage associated with irrigation.
- (12) Furthermore, the mobile homes in the utility's service area are situated on small lots. There are few, if any, mobile homes with landscaped yards. This would indicate very little outdoor discretionary use.
- (13) Our approved repression adjustment in Phase I would bring average consumption to approximately 53 gallons per day per capita (gpdc), indicating very little, if any discretionary usage. An additional repression adjustment of approximately 7.6% for Phase II would decrease average consumption to approximately 49 gpdc, which is less than minimal daily subsistence consumption.
- (14) In the alternative, a Phase II repression adjustment of 5.0% would decrease average consumption to approximately 50.3 gpdc, a value which is still slightly greater than minimal subsistence consumption.
- (15) Based on the foregoing, we find that a repression adjustment of 5% is more reasonable. This would require a reduction of approximately 2.6 gallons per person per day per household.

**APPROVED  
REPRESSION IN  
PHASE II:**

A repression adjustment of 5.0% results in a residential consumption reduction of approximately 866.7 kgals, or an overall repression adjustment of 3.6%.

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004**  
**SCHEDULE OF WATER RATE BASE**

**SCHEDULE NO. 1**  
**DOCKET NO. 041145-WU**

DESCRIPTION	BALANCE PER UTILITY	COMMN. ADJUST. TO UTIL. BAL.	BALANCE PER COMMN.
1. UTILITY PLANT IN SERVICE	\$271,225	(\$17,845)	\$253,380
2. LAND & LAND RIGHTS	\$0	\$0	\$0
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0
4. CIAC	(\$32,052)	(\$100)	(\$32,152)
5. ACCUMULATED DEPRECIATION	(\$236,557)	\$18,106	(\$218,451)
6. AMORTIZATION OF CIAC	\$18,762	(\$42)	\$18,720
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$8,677</u>	<u>\$8,677</u>
8. WATER RATE BASE	<u>\$21,378</u>	<u>\$8,796</u>	<u>\$30,174</u>

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004**  
**ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-A**  
**DOCKET NO. 041145-WU**

**WATER**

**UTILITY PLANT IN SERVICE**

1. To remove plant items recorded twice (AD No. 1)	(\$6,687)
2. To reclassify plant additions to Acct. 331 from Acct. 620 (AD No. 6)	\$3,462
3. To reclassify a plant addition to Acct. 334 from Acct. 620 (AD No. 6)	\$1,692
4. To retire 75% of replacement cost for plant in Acct. 311 (AD No. 3)	(\$2,357)
5. To retire 75% of replacement cost for plant in Acct. 331 (AD No. 3)	(\$2,123)
6. To retire 75% of replacement cost for plant in Acct. 334 (AD No. 3)	(\$3,657)
7. Averaging adjustment	(\$8,175)
Total	<u>(\$17,845)</u>

**CIAC**

1. To reflect CIAC recorded as non-utility income (AD No. 4)	(\$200)
2. Averaging adjustment	\$100
	<u>(\$100)</u>

**ACCUMULATED DEPRECIATION**

1. To reflect accumulated depreciation per Rule 25-30.0140	\$19,616
2. Averaging adjustment	(\$1,510)
3.	
Total	<u>\$18,106</u>

**AMORTIZATION OF CIAC**

1 To adjust Amortization of CIAC based on composite rates	\$252
2 Averaging adjustment	(\$294)
	<u>(\$42)</u>

**WORKING CAPITAL ALLOWANCE**

1. To reflect 1/8 of test year O&M expenses	<u>\$8,677</u>
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HOLIDAY UTILITY COMPANY, INC TEST YEAR ENDING 06/30/2004 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 041145-WU		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER COMMN.	PERCENT OF TOTAL	COST	WEIGHTED COST	
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS					
1. COMMON STOCK	\$1,054		\$1,054						
2. RETAINED EARNINGS	(\$161,056)	\$60,028	(\$101,028)						
3. PAID IN CAPITAL	\$99,974	\$0	\$99,974						
4. OTHER COMMON EQUITY		\$31,318	\$31,318						
5. TOTAL COMMON EQUITY	(\$60,028)	\$91,346	\$31,318	(\$5,747)	\$25,571	84.74%	9.10%	7.71%	
6. LONG TERM DEBT									
Loan from owner	\$31,318	(\$31,318)	\$0	\$0	\$0	0.00%		0.00%	
			\$0	\$0	\$0	0.00%		0.00%	
		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>		<u>0.00%</u>	
		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>		<u>0.00%</u>	
TOTAL LONG TERM DEBT	\$31,318	(\$31,318)	\$0	\$0	\$0	0.00%			
7. CUSTOMER DEPOSITS	<u>\$1,181</u>	<u>\$3,422</u>	<u>\$4,603</u>	<u>\$0</u>	<u>\$4,603</u>	<u>15.26%</u>	6.00%	<u>0.92%</u>	
8. TOTAL	<u>(\$27,529)</u>	<u>\$63,450</u>	<u>\$35,921</u>	<u>(\$5,747)</u>	<u>\$30,174</u>	<u>100.00%</u>		<u>8.63%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>8.10%</u>	<u>10.10%</u>		
OVERALL RATE OF RETURN						<u>7.78%</u>	<u>9.48%</u>		

HOLIDAY UTILITY COMPANY, INC TEST YEAR ENDING 06/30/2004 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3 DOCKET NO. 041145-WU		
	TEST YEAR PER UTILITY	COMMN ADJ. PER UTILITY	COMMN. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$64,634</u>	<u>(\$4,366)</u>	<u>\$60,269</u>	<u>\$25,922</u> 43.01%	<u>\$86,190</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$113,204	(\$43,790)	\$69,414	\$0	\$69,414
3. DEPRECIATION (NET)	\$0	\$8,941	\$8,941	\$0	\$8,941
4. AMORTIZATION	\$0	\$0	\$0	\$0	\$0
5. TAXES OTHER THAN INCOME	\$5,444	(1,379)	\$4,065	\$1,166	\$5,232
6. INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7. TOTAL OPERATING EXPENSES	<u>\$118,648</u>	<u>(\$36,228)</u>	<u>\$82,420</u>	<u>\$1,166</u>	<u>\$83,586</u>
8. OPERATING INCOME/(LOSS)	<u>(\$54,014)</u>		<u>(\$22,151)</u>		<u>\$2,604</u>
9. WATER RATE BASE	<u>\$21,378</u>		<u>\$30,174</u>		<u>\$30,174</u>
10. RATE OF RETURN	<u>-252.66%</u>		<u>-73.41%</u>		<u>8.63%</u>

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-A**  
**DOCKET NO. 041145-WU**  
**PAGE 1 OF 2**

	<u><b>WATER</b></u>
<b>OPERATING REVENUES</b>	
1. To correct a posting error of revenues for 8/03 (AD No. 5)	(\$5,032)
2. To impute revenues	<u>\$666</u>
	<u>(\$4,366)</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>	
1. To reduce salary for system owner	<u>(\$8,796)</u>
2. Purchased Power (615)	
a. To reflect test year purchased power per engineer	\$263
b. To reduce purchase power for Anclote WTP for 19.32% UAW	(\$629)
c. To reflect repression adjustment	<u>(\$344)</u>
	<u>(\$710)</u>
3. Chemicals (618)	
a. To reflect test year chemical expense per engineer	(\$73)
b. To reduce chemical expense for Anclote WTP for 19.32% UAW	(\$52)
c. To reflect repression adjustment	<u>(\$29)</u>
	<u>(\$154)</u>
4. Materials and Supplies (620)	
a. To reclassify plant addition to Acct No. 331	(\$3,462)
b. To reclassify plant addition to Acct No. 334	<u>(\$1,692)</u>
	<u>(\$5,154)</u>
5. Contractual Services - Professional (631)	
a. To amortize expenses related to transfer docket (AD No. 6)	(\$12,546)
b. To correct an erroneous credited journal entry (AD No. 6)	\$2,058
c. To amortize non-recurring engineering expenses	(\$2,959)
d. To reflect appropriate accounting expense for the test year	<u>(\$900)</u>
	<u>(\$14,347)</u>
6. Contractual Services - Testing (635)	
a. To annualize the testing fee	\$33
b. To reflect pro forma increase in testing	\$188
c. To reflect testing expense per engineering report	<u>(\$1,118)</u>
Total	<u>(\$897)</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)



**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-A**  
**DOCKET NO. 041145-WU**  
**PAGE 2 OF 2**

7. Contractual Services - Other (636)	
a. To annualize the management fee	\$495
b. To reflect pro forma increase to management fee	\$2,796
c. To remove maintenance and labor already capitalized	(\$3,300)
d. To reflect maintenance repairs due to Hurricane Damage (\$7,077/4)	<u>\$1,769</u>
Total	<u>\$1,760</u>
8. Rent Expense (640)	
a. To reduce land rent	(\$12,674)
b. To reduce sales tax	(\$760)
	<u>(\$13,434)</u>
9. Regulatory Commission Expense (665)	
a. To amortize Rate Case Filing fee over 4 years (\$1,000/4)	250
b. To amortize notice expense over 4 years (\$174/4)	43
c. To amortize consulting fees (\$801/4)	200
	<u>\$493</u>
10. Miscellaneous Expense (675)	
a. To remove prior period RAFs	(\$751)
b. To amortize Filing fees for transfer docket \$2,250 - \$450(\$2,250/5)	(\$1,800)
Total	<u>(\$2,551)</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<b><u>(\$43,790)</u></b>

**WATER**

**DEPRECIATION EXPENSE**

1. To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	\$10,240
2. To reflect amortization of CIAC composite rates	(\$1,299)
Total	<u>\$8,941</u>

**TAXES OTHER THAN INCOME**

1. To remove prior period fees and penalties for RAFs	(\$796)
2. To reflect payroll taxes for the test year	(\$583)
Total	<u>(\$1,379)</u>

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004**  
**ANALYSIS OF WATER OPERATION AND**  
**MAINTENANCE EXPENSE**

**SCHEDULE NO. 3-B**  
**DOCKET NO. 041145-WU**

	TOTAL PER UTILITY	COMMN. PER ADJUST.		TOTAL PER COMMN.
(601) SALARIES AND WAGES - EMPLOYEES	\$20,796	(\$8,796)	[1]	\$12,000
(603) SALARIES AND WAGES - OFFICERS		\$0		\$0
(604) EMPLOYEE PENSION & BENEFITS		\$0		\$0
(610) PURCHASED WATER	\$126	\$0		\$126
(615) PURCHASED POWER	\$4,668	(\$710)	[2]	\$3,958
(616) FUEL FOR POWER PRODUCTION		\$0		\$0
(618) CHEMICALS	\$486	(\$154)	[3]	\$332
(620) MATERIALS AND SUPPLIES	\$5,154	(\$5,154)	[4]	(\$0)
(630) CONTRACTUAL SERVICES - BILLING	\$0	\$0		\$0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	\$23,981	(\$14,347)	[5]	\$9,633
(635) CONTRACTUAL SERVICES - TESTING	\$5,212	(\$897)	[6]	\$4,315
(636) CONTRACTUAL SERVICES - OTHER	\$32,528	\$1,760	[7]	\$34,288
(640) RENTS	\$15,264	(\$13,434)	[8]	\$1,830
(650) TRANSPORTATION EXPENSE		\$0		\$0
(655) INSURANCE EXPENSE	\$1,287	\$0		\$1,287
(665) REGULATORY COMMISSION EXPENSE		\$493	[9]	\$493
(670) BAD DEBT EXPENSE		\$0		\$0
(675) MISCELLANEOUS EXPENSES	<u>\$3,703</u>	<u>(\$2,551)</u>	[10]	<u>\$1,151</u>
	\$113,204	(\$43,790)		\$69,414

**REQUIRED RATE REDUCTION SCHEDULE  
 HOLIDAY UTILITY COMPANY, INC  
 TEST YEAR ENDING 06/30/2004**

**SCHEDULE NO. 4  
 DOCKET NO. 041145-WU**

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

MONTHLY WATER RATES

RESIDENTIAL, MULTI-RESIDENTIAL, AND GENERAL SERVICE BASE FACILITY CHARGE:		MONTHLY APPROVED RATES (Phase I)	MONTHLY RATE REDUCTION
Meter Size:			
5/8"X3/4"	\$	7.52	0.05
3/4"		11.28	0.07
1"		18.80	0.11
1-1/2"		37.60	0.23
2"		60.16	0.36
3"		120.32	0.72
4"		188.00	1.13
6"		376.00	2.25
GALLONAGE CHARGE			
Per 1,000 Gallons	\$	2.14	0.01

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004 (with Pro Forma)**  
**SCHEDULE OF WATER RATE BASE**

**SCHEDULE NO. 5**  
**DOCKET NO. 041145-WU**

<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>COMMN. ADJUST. TO UTIL. BAL.</b>	<b>BALANCE PER COMMN.</b>
1. UTILITY PLANT IN SERVICE	\$271,225	\$207,780	\$479,005
2. LAND & LAND RIGHTS	\$0	\$0	\$0
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0
4. CIAC	(\$32,052)	(\$100)	(\$32,152)
5. ACCUMULATED DEPRECIATION	(\$236,557)	\$74,484	(\$162,073)
6. AMORTIZATION OF CIAC	\$18,762	(\$42)	\$18,720
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$9,021</u>	<u>\$9,021</u>
8. WATER RATE BASE	<u>\$21,378</u>	<u>\$291,143</u>	<u>\$312,521</u>

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004 (with Pro Forma)**  
**ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 5-A**  
**DOCKET NO. 041145-WU**

**WATER**

**UTILITY PLANT IN SERVICE**

1.	To remove plant items recorded twice (AD No. 1)	(\$6,687)
2.	To reclassify plant additions to Acct. 331 from Acct. 620 (AD No. 6)	\$3,462
3.	To reclassify a plant addition to Acct. 334 from Acct. 620 (AD No. 6)	\$1,692
4.	To retire 75% of replacement cost for plant in Acct. 311 (AD No. 3)	(\$2,357)
5.	To retire 75% of replacement cost for plant in Acct. 331 (AD No. 3)	(\$2,123)
6.	To retire 75% of replacement cost for plant in Acct. 334 (AD No. 3)	(\$3,657)
7.	To include pro forma for fencing at WTP (Acct No. 304)	\$6,500
8.	To include pro forma for Initiation of Well No. 5 (Acct. No. 311)	\$8,800
9.	To include pro forma for Interconnection (Acct. No. 309)	\$85,200
10.	To include pro forma for Disinfection system (Acct. No. 320)	\$36,250
11.	To include pro forma for Water Main Replacement (Acct No. 309)	\$31,500
12.	To include pro forma for Site Access Improvement (Acct No. 304)	\$26,660
13.	To include pro forma for Auxiliary Power Generator (Acct No. 310)	\$41,500
14.	To include pro forma for Rehabilitation of wells (Acct. No. 311)	\$42,200
15.	To include pro forma for Meter Replacement (Acct. No. 334)	\$9,909
16.	To retire 75% of replacement pro forma items	(\$62,894)
7.	Averaging adjustment	(\$8,175)
	Total	<u>\$207,780</u>

**CIAC**

1.	To reflect CIAC recorded as non-utility income (AD No. 4)	(\$200)
2.	Averaging adjustment	\$100
		<u>(\$100)</u>

**ACCUMULATED DEPRECIATION**

1.	To reflect accumulated depreciation per Rule 25-30.0140	\$19,616
2.	To reflect pro forma accumulated depreciation	(\$6,516)
3.	To reflect retirements	\$62,894
4.	Averaging adjustment	(\$1,510)
	Total	<u>\$74,484</u>

**AMORTIZATION OF CIAC**

1	To adjust Amortization of CIAC based on composite rates	\$252
2	Averaging adjustment	(\$294)
		<u>(\$42)</u>

**WORKING CAPITAL ALLOWANCE**

1.	To reflect 1/8 of test year O&M expenses	<u>\$8,897</u>
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**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004 (with Pro Forma)**  
**SCHEDULE OF CAPITAL STRUCTURE**

**SCHEDULE NO. 6**  
**DOCKET NO. 041145-WU**

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON STOCK	\$1,054		\$1,054					
2. RETAINED EARNINGS	(\$161,056)	\$60,028	(\$101,028)					
3. PAID IN CAPITAL	\$99,974	\$0	\$99,974					
4. EQUITY		<u>\$31,318</u>	<u>\$31,318</u>					
5. EQUITY	(\$60,028)	\$91,346	\$31,318	(\$1,179)	\$30,139	9.65%	11.40%	1.10%
6. LONG TERM DEBT								
Loan from owner	\$31,318	(\$31,318)	\$0	\$0	\$0	0.00%		0.00%
Pro Forma Financing	\$288,519		\$288,519	(\$10,864)	\$277,655	88.88%	6.25%	5.55%
		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>		<u>0.00%</u>
		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>		<u>0.00%</u>
TOTAL LONG TERM DEBT	\$319,837	(\$31,318)	\$288,519	(\$10,864)	\$277,655	88.88%		
7. CUSTOMER DEPOSITS	<u>\$1,181</u>	<u>\$3,422</u>	<u>\$4,603</u>	<u>\$0</u>	<u>\$4,603</u>	<u>1.47%</u>	6.00%	<u>0.09%</u>
8. TOTAL	<u>\$260,990</u>	<u>\$63,450</u>	<u>\$324,440</u>	<u>(\$12,043)</u>	<u>\$312,397</u>	<u>100.00%</u>		<u>6.74%</u>
RANGE OF REASONABLENESS						<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY						<u>10.40%</u>	<u>12.40%</u>	
OVERALL RATE OF RETURN						<u>6.65%</u>	<u>6.84%</u>	

<b>SCHEDULE OF WATER OPERATING INCOME</b>					
	TEST YEAR PER UTILITY	COMMN. ADJ. PER UTILITY	COMMN. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$64,634</u>	<u>(\$4,366)</u>	<u>\$60,269</u>	<u>\$60,646</u> 100.63%	<u>\$120,914</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$113,204	(\$42,031)	\$71,173	\$0	\$71,173
3. DEPRECIATION (NET)	\$0	\$21,892	\$21,892	\$0	\$21,892
4. AMORTIZATION	\$0	\$0	\$0	\$0	\$0
5. TAXES OTHER THAN INCOME	\$5,444	(\$1,379)	\$4,065	\$2,729	\$6,794
6. INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7. TOTAL OPERATING EXPENSES	<u>\$118,648</u>	<u>(\$21,518)</u>	<u>\$97,130</u>	<u>\$2,729</u>	<u>\$99,859</u>
8. OPERATING INCOME/(LOSS)	<u>(\$54,014)</u>		<u>(\$36,861)</u>		<u>\$21,056</u>
9. WATER RATE BASE	<u>\$21,378</u>		<u>\$312,397</u>		<u>\$312,397</u>
10. RATE OF RETURN	<u>-252.66%</u>		<u>-11.80%</u>		<u>6.74%</u>



**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004 (with Pro Forma)**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 7-A**  
**DOCKET NO. 041145-WU**  
**PAGE 1 OF 2**

**WATER****OPERATING REVENUES**

1. To correct a posting error of revenues for 8/03 (AD No. 5)	(\$5,032)
2. To impute revenues	<u>\$666</u>
	<u>(\$4,366)</u>

**OPERATION AND MAINTENANCE EXPENSES**

1. To reduce salary for system owner	<u>(\$8,796)</u>
2. Purchased Power (615)	
a. To reflect test year purchased power per engineer	\$263
b. To reduce purchased power for Anclote WTP for 19.32% UAW	(\$629)
c. To reflect repression adjustment (Phase I)	(\$344)
d. To reflect repression adjustment (Phase II)	<u>(\$142)</u>
	<u>(\$852)</u>
3. Chemicals (618)	
a. To reflect test year chemical expense per engineer	(\$73)
b. To reduce chemicals for Anclote WTP for 19.32% UAW	(\$52)
c. To reflect repression adjustment (Phase I)	(\$29)
d. To reflect repression adjustment (Phase II)	(\$12)
	<u>(\$166)</u>
4. Materials and Supplies (620)	
a. To reclassify plant addition to Acct No. 331	(\$3,462)
b. To reclassify plant addition to Acct No. 334	<u>(\$1,692)</u>
	<u>(\$5,154)</u>
5. Contractual Services - Professional (631)	
a. To amortize expenses related to transfer docket (AD No. 6)	(\$12,546)
b. To correct an erroneous credited journal entry (AD No. 6)	\$2,058
c. To amortize non-recurring engineering expenses	(\$2,959)
d. To reflect appropriate accounting expense for the test year	(\$900)
e. To amortize survey for pro forma plant (\$12,200/10)	<u>\$1,220</u>
	<u>(\$13,127)</u>
6. Contractual Services - Testing (635)	
a. To annualize the testing fee	\$33
b. To reflect pro forma increase in testing	\$188
c. To reflect testing expense per engineering report	<u>(\$1,118)</u>
Total	<u>(\$897)</u>

(O &amp; M EXPENSES CONTINUED ON NEXT PAGE)

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004 (with Pro Forma)**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 7-A**  
**DOCKET NO. 041145-WU**  
**PAGE 2 OF 2**

7. Contractual Services - Other (636)	
a. To annualize the management fee	\$495
b. To reflect pro forma increase to management fee	\$2,796
c. To remove maintenance and labor already capitalized	(\$3,300)
d. To reflect maintenance repairs due to Hurricane Damage (\$7077/4)	<u>\$1,769</u>
Total	<u>\$1,760</u>
8. Rent Expense (640)	
a. To reduce land rent	(\$13,052)
b. To reduce sales tax	(\$783)
	<u>(\$13,835)</u>
9. Regulatory Commission Expense (665)	
a. To amortize Rate Case Filing fee over 4 years (\$1000/4)	\$250
b. To amortize notice expense over 4 years (\$174/4)	\$43
c. To amortize consulting fees (\$801/4)	\$200
	<u>\$493</u>
10. Miscellaneous Expense (675)	
a. To remove prior period RAFs	(\$751)
b. To amortize Filing fees for transfer docket \$2250 - \$450(2250/5)	(\$1,800)
c. To amortize expenses related to rehabilitation of Well No. 1 (\$5470/5)	\$1,094
Total	<u>(\$1,457)</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<b><u>(\$41,037)</u></b>

**WATER****DEPRECIATION EXPENSE**

1. To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	\$23,273
2. To reflect amortization of CIAC composite rates	(\$1,381)
Total	<u>\$21,892</u>

**TAXES OTHER THAN INCOME**

1. To remove prior period fees and penalties for RAFs	(\$796)
2. To reflect payroll taxes for the test year	(\$583)
Total	<u>(\$1,379)</u>

**HOLIDAY UTILITY COMPANY, INC**  
**TEST YEAR ENDING 06/30/2004 (with Pro Forma)**  
**ANALYSIS OF WATER OPERATION AND**  
**MAINTENANCE EXPENSE**

	TOTAL PER UTILITY	COMMN. PER ADJUST.		TOTAL PER COMMN.
(601) SALARIES AND WAGES - EMPLOYEES	\$20,796	(\$8,796)	[1]	\$12,000
(603) SALARIES AND WAGES - OFFICERS		\$0		\$0
(604) EMPLOYEE PENSION & BENEFITS		\$0		\$0
(610) PURCHASED WATER	\$126	\$0		\$126
(615) PURCHASED POWER	\$4,668	(\$852)	[2]	\$3,816
(616) FUEL FOR POWER PRODUCTION		\$0		\$0
(618) CHEMICALS	\$486	(\$166)	[3]	\$320
(620) MATERIALS AND SUPPLIES	\$5,154	(\$5,154)	[4]	(\$0)
(630) CONTRACTUAL SERVICES - BILLING	\$0	\$0		\$0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	\$23,981	(\$13,127)	[5]	\$10,853
(635) CONTRACTUAL SERVICES - TESTING	\$5,212	(\$897)	[6]	\$4,315
(636) CONTRACTUAL SERVICES - OTHER	\$32,528	\$1,760	[7]	\$34,288
(640) RENTS	\$15,264	(\$13,835)	[8]	\$1,429
(650) TRANSPORTATION EXPENSE		\$0		\$0
(655) INSURANCE EXPENSE	\$1,287	\$0		\$1,287
(665) REGULATORY COMMISSION EXPENSE		\$493	[9]	\$493
(670) BAD DEBT EXPENSE		\$0		\$0
(675) MISCELLANEOUS EXPENSES	\$3,703	(\$1,457)	[10]	\$2,245
	<u>\$113,204</u>	<u>(\$42,031)</u>		<u>\$71,173</u>