

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Pasco County by Dixie Groves Utility Company. | DOCKET NO. 050449-WU  
ORDER NO. PSC-06-0378-PAA-WU  
ISSUED: May 8, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
J. TERRY DEASON  
ISILIO ARRIAGA  
MATTHEW M. CARTER II  
KATRINA J. TEW

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

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that, except for the statutory four year reduction in rates and temporary rates in event of protest which are final agency action, 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 (F.A.C.).

I. Background

Dixie Groves Utility Company (Dixie Groves or utility) is a Class C water utility located in Pasco County serving approximately 338 water customers. Water Certificate No. 139-W was originally issued to Dixie Groves Estates, Inc., pursuant to Order No. 5740, issued May 7, 1973, in Docket No. C-73191-W, In Re: Application of Dixie Groves Estates, Inc. for Certificate to Operate an Existing Water System in Pasco County. However, by Order No. PSC-04-0338-PAA-WU, issued March 31, 2004 in Docket No. 030656-WU, In Re: Application for transfer of facilities and Certificate No. 139-W in Pasco County from Dixie Groves Estates, Inc. to Dixie Groves Utility Company a Division of Community Utilities of Florida Inc., this Commission approved the transfer of the facilities to Dixie Groves.

Dixie Groves is managed by U.S. Water Services Corporation (U.S. Water). The utility is located in the Southwest Florida Water Management District (SWFWMD) and is in the Tampa

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Bay Water Use Caution Area. Wastewater service is provided by Pasco County Utilities. The utility's 2004 annual report reflects operating revenues of \$54,410 and an operating loss of (\$11,432).

Dixie Groves filed its application for a staff assisted rate case on June 29, 2005. The official date of filing was established as August 26, 2005. A customer meeting was held on February 15, 2006, in the City Hall of New Port Richey, Florida. We have jurisdiction to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

## II. Quality of Service

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

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

Below, we analyze each of these three components.

### A. Quality Of Utility's Product

The water treatment plants (WTPs) at Dixie Groves are regulated by DEP. DEP inspected the Dixie Groves WTPs on March 26, 2004. The utility has conformed to all testing and chemical analyses required by DEP and the test results have been satisfactory. The quality of the water service appears to meet or exceed the regulatory standards and is considered satisfactory.

### 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 DEP's letter dated March 26, 2004, the DEP's inspector observed the following deficiencies:

1. Provide update cross connection control and bacteriological sampling plans. (Chapter 62-555.360, F.A.C.)
2. Provide a fence with lockable access gates around the storage tank. (Chapter 62-555.320(5), F.A.C.)

3. Verify the tank sizes and well information.
4. WTP tanks have areas of rust. Those must be resurfaced or repainted as necessary. (Chapter 62-555.350, F.A.C.)

The utility has corrected deficiencies No. 1, 2, and 3. As to deficiency No. 4, in February 2005, the utility replaced the old hydropneumatic tank (pressure tank) for Well No. 3 with a new tank of the same design and capacity. The utility also intends to replace the old 1,500 gallon pressure tank for Well No. 2 with a new 3,000 gallon pressure tank. The utility proposed a capital improvement plan for solving the rust problem.

On February 15, 2005, Mr. Allen Zabel, President of the Dixie Groves Homeowners Association (HOA), filed complaint No. 642278W regarding the Dixie Groves water distribution system due to contamination and age of the water mains. On February 16, 2005, as a follow up, he also wrote a complaint letter to the Commission. In his letter, he stated that all of the residents in the community feel that the water supply is contaminated with asbestos and corroded galvanized pipe, and that no one feels that this water supply is drinkable, or even good for cooking and bathing. Mr. Zabel also stated that all residents agree that the utility should replace all distribution systems. He also stated that the residents feel that U.S. Water, the management company, was ignoring them. He asked this Commission to help regarding this issue.

According to the DEP's documents and e-mails, on February 28, 2005, Mr. Zabel also called the Pasco County Department of Health (DOH) and complained about their contaminated drinking water. Mr. Zabel told DOH staff that some of the Dixie Groves residents have been advised by their doctors not to bathe in the water at their homes. This issue was referred to DEP immediately. The DEP inspector assured Mr. Zabel that all test results indicated that the Dixie Groves water is satisfactory and they are not in any violation.

According to the utility's letter dated March 4, 2005 to the Commission, Mr. Deremer, President of U.S. Water met with Mr. Zabel on March 1, 2005, and outlined the utility's plans to resolve all customer concerns.

According to the utility's letter dated March 17, 2005 to the Commission, Mr. Deremer attended Dixie Groves HOA's meeting on March 10, 2005, and explained to all residents his proposed system improvements and related financing options. According to Mr. Zabel's letter dated March 12, 2005 to U.S. Water, Mr. Zabel confirmed that the majority of those residents who attended the meeting on March 10, 2005, agreed that the utility should proceed to install the new water distribution system without the fire hydrants and to pave the roadways after the lines were installed.

On December 2, 2005, the utility informed staff that the Pasco County Fire Marshal required that all new utilities or substantially modified water systems be designed to meet the fire protection standards of Pasco County. According to Mr. Zabel's letter dated January 24, 2006 to the utility, HOA held another meeting on January 21, 2006, regarding installing the fire hydrants and replacement of the existing lines at Dixie Groves' service area. Mr. Zabel's letter confirmed that the residents who attended the meeting voted unanimously in favor of replacement of all the existing water distribution system and the fire hydrants at Dixie Groves. Also, Mr. Zabel's letter

indicated that all customers believe that the replacement of the piping would be the most prudent option and would result in significantly improving the water quality and the service reliability of the water distribution system.

Now, based on the HOA's agreement, the utility is proposing to replace the entire distribution system and to install 22 fire hydrants in Dixie Groves. In order for the utility to meet the Pasco County fire flow requirement, which is 500 gallons per minutes for residential areas, the utility has submitted a request for interconnection with the Pasco County water system. If Pasco County rejects this interconnection project, the utility will pursue the installation of a storage tank for the fire protection. The utility indicated that the interconnection with Pasco County would be more economic and cost much less than to install a storage tank.

The utility originally proposed a two-phase water rate increase to address the pro forma plant improvements to replace the storage tank and the transmission and distribution system discussed above. In this Order we are addressing only the Phase I rates. The Office of Public Counsel and the utility have agreed to work together to study Dixie Grove's proposals to attempt to arrive at a mutually agreeable solution that will be effective with the least possible costs. Thus, we will address the Phase II rate increase at a later time.

Maintenance at the plant-site appeared to have been given adequate attention. The utility is trying to improve the operational conditions and has completed all improvements to the system that are necessary to satisfy the standards set by the DEP.

Consumptive use in Pasco County is permitted by the SWFWMD. The utility obtained its Water Use Permit No. 20007718.002 from the water management office on February 14, 2002, and the permit will expire on October 19, 2013.

All things considered, the operational conditions at the water plant shall be considered satisfactory.

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

As stated earlier, a customer meeting was held on February 15, 2006. Four customers and four representatives from the utility attended this meeting. One customer (a resident of the Dixie Garden Loop) went on record with comments and concerns about the proposed rate increase and whether his water meter was being read.

Responding to the customer's concern about the rate increase, our staff explained to the customer that the major cost of this rate increase would be for the replacement of the entire distribution system in Dixie Groves. Our staff also mentioned that the utility provided a letter dated January 24, 2006, from Mr. Allen Zabel, President of the Dixie Groves HOA. In the letter Mr. Zabel stated that the majority of residents who attended its meetings agreed that a new water distribution system should be installed due to the contamination and age of the water mains. The customer said he is not a member of the HOA.

Regarding the meter reading, the customer indicated that since his water meter is covered by a heavy concrete meter box, he believes that the utility was not able to read his meter. As a result, he questioned whether the utility was billing him accurately.

According to the utility's letter dated February 17, 2006, the utility immediately investigated the customer's concern regarding the meter box. The utility stated that it observed that the customer's meter had a heavy concrete box but that the box had two one sided meters (one for the customer and one for the next door neighbor). The utility also stated that though it is difficult to read the customer's meter, the reader is able to read the meter without removing the lid. The utility stated that based on the customer's or the customer's neighbor's billing history, neither customer has been billed on estimated usage.

Although the meters can be read, the utility has issued a work order to replace the meter box with a more conventional box having a full opening top. This work was expected to be completed within ten days, and would not affect the customer's billing.

Based on the above, we find that the utility is making a good faith effort to resolve customer complaints, and the quality of service shall be considered satisfactory.

### III. Excessive Unaccounted For Water

It is our practice to allow 10% of the total water treated as an acceptable amount of unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by stuck meters, line flushing, etc. Upon comparing the total treated water pumped from the wells with the total water sold to the customers, we determined the total unaccounted for water to be 3.87 gallons per minute (gpm). The reasonable unaccounted amount (10% of average daily flow) was determined to be 2.85 gpm. Therefore, the excessive unaccounted for water was calculated to be 1.02 gpm which is 3.58%.

It appears that a portion of the unmetered water is a result of the number of cracks and leaks between the distribution system and the service connection meter. The utility's owner intends to replace the distribution system in Dixie Groves in order to prevent the water losses through the water distribution system. Also, the utility has already replaced some of the water meters in the last 12 months which has reduced the water loss noticeably. Because of these meters and the projected distribution system replacement, we believe excessive unaccounted water will be zero in year 2006.

### IV. Year-End Rate Base

As discussed above, the utility was purchased by its current owner prior to the test year. The new owners purchased an old system which was in need of major repairs. During the test year, the utility made improvements to the water treatment plant. The cost associated with the improvements and upgrades represent over 33% of its net water plant in service.

Pursuant to Citizens of Florida v. Hawkins, 356 So. 2d 254 (Fla. 1978), we have the authority to apply a year-end rate base. Historically, we have only done this in extraordinary circumstances. We find that extraordinary circumstances exist in this docket because the utility has made water system improvements representing over 33% of its total water utility plant. See Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 971182-SU, In Re: Application for staff-assisted rate case in Marion County by BFF Corp. (Improvements representing 36.07% of total plant deemed extraordinary circumstances). Therefore, to allow this utility an opportunity to earn a fair return on its investment made during the test year and to insure compensatory rates on a prospective basis, we shall use a year-end rate base for this utility to set rates.

#### V. Used and Useful Percentages

##### A. Water Treatment Plant

Dixie Groves has two water treatment plants with two active wells which are interconnected via pressure switches. This water system is a closed system. These two production wells are designated as Well Nos. 2 and 3. Well No. 2 is the main well and operates 24 hours per day, seven days per week. Well No. 3 is considered as a standby well. The switches are located at each well. As the demand increases, the pressure drop triggers the pumps to come on and sustain peak usage. Well No. 2 has a diameter of six inches equipped with a 15-horsepower (hp) submersible pump with a capacity of 137 gpm. Well No. 3 has a diameter of four inches equipped with a three-horsepower (hp) submersible pump with a capacity of 57 gpm. There is another well in the utility's water system known as Well No. 1 which is not active and is not working. After chlorinating the raw water using liquid sodium hypochlorite solution, the water from the Well No. 2 is pumped into a 1,500-gallon hydropneumatic tank, and the water from Well No. 3 is pumped into a 3,000-gallon hydropneumatic tank. The treated water from the tanks is then pumped into the water distribution system. There is no fire hydrant within the distribution system.

In accordance with the American Waterworks Association Manual of Water Supply Practices, the highest capacity well should be removed from the calculation to determine the plant's reliability. Deleting the capacity of Well No. 2 (137 gpm) and considering the capacity of Well No. 3 (57 gpm and no usable storage), the firm reliable capacity of the water plant was determined to be 57 gpm.

During the 12-month test-year review period, the peak month of water usage occurred during May 2005. The maximum day in that maximum month was 38.19 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 28.52 gpm. Because there is no fire hydrant within the distribution system, we have used zero gpm fire flow in our calculation of the appropriate used and useful percentages. A regression analysis was performed to anticipate a growth of two equivalent residential connections (ERCs) for the next year which calculates a projection of 2.23 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 1.02 gpm which was 3.58%. Based on the above, we

calculate the used and useful percentage for the water treatment plant to be 100% (Attachment A, Page 1 of 2).

#### B. Water Distribution System

The water distribution system had the potential of serving 341 customers (estimated to be 344 ERCs) in 2004. The utility has installed a new connection for nine home owners who had private wells (estimated to be nine ERCs) in 2005. Currently, these nine home owners are not receiving water service from the utility. Therefore, the water distribution system has the potential of serving 350 customers (estimated to be 353 ERCs). The average number of customers served during the test year was 340 customers (estimated to be 342 ERCs). A regression analysis of growth over the past five years indicates that next year's growth would be two ERCs. When the two ERCs are applied to the statutory growth period, the future growth is calculated to be ten ERCs. By the formula approach, we calculate the distribution system to be 99.7% used and useful. Because the service area is built out, the used and useful percentage for the water distribution system shall be 100% (Attachment A, page 2 of 2).

#### VI. Rate Base At Year End

The utility's rate base was last established by Order No. PSC-99-0243-FOF-WU, issued February 9, 1999, in Docket No. 980726-WU, In Re: Application for staff-assisted rate case in Pasco County by Dixie Groves Estates, Inc. Using a test year ended May 31, 2005 for this rate case, and using information obtained from staff's audit and engineering reports, we have upgraded the rate base components found in that Order through May 31, 2005. Because we are using a year-end test year, we have made no averaging adjustments. A summary of each component and our adjustments are as follows:

A. Utility Plant in Service (UPIS): The utility recorded \$129,341 for water for the test year ending May 31, 2005. The utility's plant in service was last determined by Order No. PSC-04-0338-PAA-WU. A review of plant additions for the audit period revealed that items for the period January to May 2005, were not recorded on the books. Also, the retirements of the replaced items were not recorded on the books. We have decreased this account by \$19,528 to reflect plant additions and plant retirements since December 31, 2002. Based on these adjustments, we calculate UPIS to be \$109,813.

B. Contributions in Aid of Construction (CIAC): The utility recorded CIAC of \$10,330 for the test year ended May 31, 2005. Pursuant to Audit Disclosure No. 4, the utility recorded CIAC as revenues. We made an adjustment to increase this account by \$3,687 to reflect CIAC recorded as revenues. Based on this adjustment, we calculate CIAC to be \$14,017.

C. Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of \$62,986 for the test year. We recalculated accumulated depreciation using the prescribed rates in Rule 25-30.140, F.A.C. Based on this recalculation, we have reduced accumulated depreciation by \$17,632 to reflect an accumulated depreciation balance for the year-end test year of \$45,354.

D. Amortization of CIAC: The utility recorded \$10,330 for amortization of CIAC. We have recalculated amortization of CIAC using composite depreciation rates. Based on this recalculation, we increased amortization of CIAC by \$66 for a balance for the year-end test year of \$10,396.

E. Working Capital Allowance: Working Capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the O&M expense formula approach to calculate the working capital allowance. Applying this formula, we calculate a working capital allowance of \$8,066 (based on O&M of \$64,526), and have increased working capital by this amount.

E. Rate Base Summary: Based on the above, we calculate the appropriate year-end test year rate base to be \$70,115. Our calculation of rate base is shown on Schedule No. 1.

#### VII. Return on Equity

Using the leverage formula approved by Order No. PSC-05-0680-PAA-WS issued June 20, 2005, in Docket No. 050006-WS, In Re: Water and Wastewater industry annual establishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S., the appropriate rate of return on equity is 10.00%.

The utility's cost of debt is 9.00% for the \$38,708 loan. The utility's capital structure has been reconciled with our approved rate base. Using a return on equity of 10.00% with a range of 9.00 – 11.00%, we calculate an overall rate of return of 9.39%. Our calculations of the return on equity and overall rate of return are shown on Schedule No. 2.

#### VIII. Year-End Test Year Revenue

Per Audit Disclosure No. 4, the utility recorded total revenues of \$62,258 for the 12-month period ended May 31, 2005. During the audit, the auditor discovered that the utility overstated its revenues for January, March, and May for other water revenues by recording CIAC in the amount of \$3,687. Therefore, stated revenues shall be reduced by \$3,687 to reflect year-end test year revenue of \$58,571 for water. Our calculation of test year revenue is shown on Schedule No. 3, with the related adjustments shown on Schedule No. 3-A.

#### IX. Operating Expenses

The utility recorded operating expenses of \$72,925 during the test year ending May 31, 2005. The test year O & M expenses have been reviewed, and invoices, canceled checks and other supporting documentation have been examined. We made several adjustments to the utility's operating expenses, which are summarized as follows:



A. Operations and Maintenance Expenses (O&M)

1. Purchased Power – (615) – The utility recorded \$2,008 to this account during the test year. We decreased this account by \$72 to reflect the purchased power expense associated with excessive unaccounted for water (UAW). Based on this adjustment, we calculate the purchased power expense for the test year to be \$1,936.

2. Chemicals – (618) – The utility recorded \$4,028 to this account during the test year. We decreased this account by \$144 to reflect the expense associated with excessive unaccounted for water. Based on this adjustment, we calculate chemical expense for the test year to be \$3,884.

3. Materials and Supplies – (620) – The utility recorded \$5,746 in this account during the test year. We made the following adjustments: decrease of \$214 to reclassify plant additions to Acct No. 331, decrease of \$4,140 to reclassify plant additions to Acct. No. 334, decrease of \$1,152 to reclassify repairs to Acct. No. 636, and decrease of \$39 to reclassify miscellaneous expense to Acct. No. 675. Therefore, the net adjustment to this account is a reduction of \$5,545, for a total of \$201 for materials and supplies for the test year.

4. Contractual Services – Professional – (631) – The utility recorded \$3,805 in this account during the test year. We decreased this account by \$1,723 to reflect an invoice recorded outside the test year. We also decreased this account by \$214 to reclassify plant additions to Acct. No. 330. Based on these adjustments, we calculate a contractual services - professional expense of \$1,868.

5. Contractual Services – Testing (635) – This expense is included in the utility's monthly management fee for testing. The utility recorded \$2,888 in this account during the test year of which \$1,092 was a portion of the management fee. We have made an adjustment to decrease this account by \$701 (\$2,888 - \$2,187) to reflect the appropriate testing fee included in the utility's management fee.

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

Rule	Description	Frequency	Cost per year
62-550.518, F.A.C.	Microbiological	Monthly	\$1,092
62-550.310(1), F.A.C.	Primary Inorganics	36 months.	\$52
62-550.320(1), F.A.C.	Secondary Inorganics	36 months.	\$52
62-550.511, F.A.C.	Asbestos	1/9 year	\$35
62-550.512(1), F.A.C.	Nitrate & Nitrite	quarterly	\$160
62-550.515, F.A.C.	Volatile Organics	qtr'ly/1st year/36 month. Subsequent/Annual	\$59
62-550.516, F.A.C.	Pesticides & PCB	36 months.	\$150
62-550.519(1), F.A.C.	Radionuclides		0
	Group I	36 months.	\$29
	Group II	36 months	\$30
62-550.521, F.A.C.	Unregulated Organics		0
	Group I	qtr'ly/1st yr/9 year.	\$112
	Group II	36 months	\$18
	Group III	36 months.	\$83
62-551, F.A.C.	Lead & Copper	36 months	\$240
62-550, F.A.C.	TTHM *	Yearly	\$75
	<b>Total</b>		<b>\$2,187</b>

\* Total Trihalomethanes

Based on the above, we shall allow a total of \$2,187 per year for Dixie Groves water system testing and analysis.

6. Contractual Services – Other – (636) – The utility recorded \$35,162 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, groundskeeping, billing and collection, meter reading, vehicle insurance and fuel, and office supplies. During the test year, the utility recorded \$32,322 in this account for the management fee. We increased the management fee in the amount of \$735 (\$33,058 - 32,322) to reflect the appropriate management fee. Also, we made an adjustment to increase this account by \$1,152 to reflect reclassification of repairs from Acct. No. 620. We decreased this account by \$391 to reflect plant additions recorded in Acct. No. 339. The utility provided invoices totaling \$16,884 for hurricane related damages. Those expenses are non-recurring and this expense shall be amortized over four years. Therefore, we made an adjustment to increase this account by \$4,221 (\$16,884/4). Our net adjustment to this account is an increase of \$5,717.

7. 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. Therefore, we increased this account by \$250 ( $\$1000/4$ ). 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 for wastewater of \$125 postage expense, \$34 printing expense, and \$17 for envelopes, for a total rate case expense for noticing of \$176. We find that this estimate is appropriate, and we have increased this account by \$44 ( $\$176/4$ ) to reflect rate case expense for noticing. Based on these two adjustments, we calculate Regulatory Commission Expense to be \$294, and have increased this account by that amount.

8. Miscellaneous Expense – (675) – The utility recorded \$356 in this account for the test year. To reflect reclassification from Acct. 620, we made an adjustment to increase this account by \$39, for a total Miscellaneous Expense of \$395.

9. Operation and Maintenance Expense (O&M Summary) – The total O&M adjustment is a decrease of \$2,349, for total O&M expenses of \$64,526. Our calculation of O&M expenses is shown on Schedule 3-B.

B. Depreciation Expense (Net of Amortization of CIAC) – The utility recorded \$2,535 in this account during the test year. Using the rates prescribed in Rule 25-30.140, F.A.C., we recalculated depreciation expense. This recalculation shows that this account should be increased by \$1,788. In addition, amortization of CIAC has a negative impact on depreciation expense. The utility did not record any amortization of CIAC. We calculated amortization of CIAC based on composite rates, and decreased this account by \$524. Based on an increase of \$1,788 and a decrease of \$524, we calculate a net depreciation expense of \$3,799.

C. Taxes Other Than Income – The utility recorded taxes other than income of \$3,515 during the test year. Per Audit Disclosure No. 6, the audited revenue for the test year was \$58,571. Based on the audited test year revenues, the utility RAFs should be \$2,635 ( $\$58,571 \times 4.5\%$ ) for the test year. We made an adjustment to increase this account by \$282 ( $\$2,635 - \$2,354$ ) to reflect the appropriate RAFs for the test year revenues.

D. Income Tax – The utility recorded income tax of \$0 for water. The utility is an 1120 S 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 our 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.

E. Operating Revenues – Operating Revenues were increased by \$21,084 to reflect the change in revenue required to cover expenses and allow the approved return on investment.

F. Taxes Other Than Income – Taxes Other Than Income was increased by \$949 to reflect regulatory assessment fees of 4.5% on the change in revenues.

G. Operating Expenses Summary – The application of our adjustments to the audited test year operating expenses results in Operating Expenses of \$73,071. Our calculation of Operating Expenses is shown on Schedule No. 3. The related adjustments are shown on Schedule 3-A.

X. Revenue Requirement

The utility shall be allowed an annual increase of \$21,084 (36%). This will allow the utility the opportunity to recover its expenses and earn a 9.39% return on its investment. Our calculations are as follows:

		<u>Water</u>
Adjusted Rate Base		\$70,115
Rate of Return	x	<u>.0939</u>
Return on Rate Base		\$6,584
Adjusted O & M Expense		\$64,526
Depreciation Expense (Net)		\$3,799
Taxes Other Than Income		\$4,746
Income Taxes		<u>\$0</u>
Revenue Requirement		<u><u>\$79,655</u></u>
Annual Revenue Increase		<u>\$21,084</u>
Percent Increase/(Decrease)		<u><u>36.0%</u></u>

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

XI. Rate Structure

A key point of discussion in Attachment B relates to the highly seasonal nature of the customer base. Specifically, the overall average monthly consumption figure of 3.1 kgal is misleading because, during the test year, 69% of the customers were billed at monthly consumption levels of 3 kgal or less, averaging 1.2 kgal per month. This had the effect of substantially decreasing the overall annual average monthly consumption. Meanwhile, the remaining 31% of the customers were billed at monthly consumption levels greater than 3 kgal, averaging six times more consumption than those customers who were billed at 3 kgal or less.

These points are discussed in more detail in Attachment B. 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 50% for Phase I.

XII. Repression

Our staff performed an analysis for the Phase I repression. However, the utility has agreed that no repression adjustments should be used in Phase I. Therefore, we shall make no repression adjustments in Phase I.

Although we are making no repression adjustment at this time, in order to monitor the effects of the approved revenue increases for Phase I, 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 and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

XIII. Water Rates

The water rates shall be designed to produce revenue of \$79,655. Using test year number of bills and consumption, we calculate the appropriate rates to be as follows:

Monthly Water Rates (Phase I)

Residential and General Service

<u>Meter Sizes</u>	<u>Existing Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter Sizes		
5/8" x 3/4"	\$9.68	\$9.68
3/4"	\$14.52	\$14.52
1"	\$24.21	\$24.20
1 1/2"	\$48.44	\$48.40
2"	\$77.48	\$77.44
3"	\$154.43	\$154.88
4"	\$242.14	\$242.00
6"	\$484.25	\$484.00
Gallonage Charge Per 1,000 Gallons	\$1.58	\$3.19

Typical Residential Bills at Various Consumption Levels

<u>Consumption Level</u>	<u>Existing Rates</u>	<u>Approved Rates</u>
0 kgal	\$9.68	\$9.68
3 kgal	\$14.42	\$19.25
5 kgal	\$17.58	\$25.63
8 kgal	\$22.32	\$35.20

These approved rates are designed to allow the utility to recover approximately 50% of the revenue requirement from the base facility charge, with the remaining 50% of the revenue requirement being recovered from the gallonage charge.

These rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with our decision and the customer notice is adequate.

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

#### XIV. Four-Year Rate Reduction

Section 367.0816, F.S., requires that rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$308 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.

#### XV. Temporary Rates in the Event of Protest

By 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 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 should be in the form of a bond or letter of credit in the amount of \$14,310. 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 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 Dixie Groves Utility Company for a staff assisted rate case is hereby approved as set forth in the body of this Order. It is further

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

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

ORDERED that Dixie Groves Utility Company is authorized to charge the new rates and charges as set forth in the body of this Order and the attachments and schedules attached hereto. It is further

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

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

ORDERED that the rates shall not be implemented until proper notice has been received by the customers. Dixie Groves Utility Company shall provide proof of the date notice was given within ten days after the date of the notice. It is further



ORDERED that the water rates shall be reduced as shown on Schedule 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Dixie Groves Utility Company 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. 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. It is further

ORDERED that, pursuant to Section 367.0814(7), F.S., the rates approved herein shall be approved for the utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility. It is further

ORDERED that prior to implementation of any temporary rates, the utility shall provide appropriate security and any temporary rates shall be subject to the refund provisions set forth in the body of this Order. It is further

ORDERED that 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 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. It is further

ORDERED that the utility 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 temporary rates are in effect, pursuant to Rule 25-30.360(7), F.A.C., the utility shall file reports with the Commission's Division of Economic Regulation no later than the 20<sup>th</sup> of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further


ORDERED that the utility shall prepare monthly reports for the water system, detailing the number of bills rendered, the consumption billed, and the revenue billed. These reports shall be provided, by customer class and meter size, to our staff on a quarterly basis for a period of two years, beginning with the first billing period after the approved rates go into effect. It is further

ORDERED that except for the provision for temporary rates and the statutory four-year rate reduction which are issued as final agency action, the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., 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 if no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order shall be issued. However, the docket shall remain open to allow our staff to address the issue of Phase II rates at a subsequent agenda conference.

By ORDER of the Florida Public Service Commission this 8th day of May, 2006.

  
\_\_\_\_\_  
BLANCA S. BAYO, Director  
Division of the Commission Clerk  
and Administrative Services

( S E A L )

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, except for temporary rates in the event of protest and the statutory four-year rate reduction which are final agency action, our action proposing a rate increase 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 May 29, 2006. 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.

**Dixie Groves Utility**  
**Docket No: 050449-WU**

**Attachment A, Page 1 of 2**  
**Historical Test Year June 04 - May 05**

**WATER TREATMENT PLANT - USED AND USEFUL DATA**

1)	<b>Capacity of Plant</b>	57.00	gallons per min
2)	<b>Maximum Day From Maximum Month</b>	38.19	gallons per min
2a)	<b>Max. day @ peak</b>	76.38	gallons per min
3)	<b>Average Daily Flow</b>	28.52	gallons per min
4)	<b>Fire Flow Capacity (FF)</b> No fire hydrants within the system	0	gallons per min
5)	<b>Growth</b>	2.23	gallons per min
a)	Average Test Year Customers in ERCs: Historical Test Year: June 2004 - May 2005	342	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]	2.23	gallons per min
6)	<b>Excessive Unaccounted for Water (EUW)</b>	1.02	gallons per min
a)	Percentage of Excessive amount	3.58%	
b)	Total Unaccounted for Water	3.87	gallons per min
c)	Reasonable Amount (10% of average Daily Flow)	2.85	gallons per min
d)	Excessive Amount	1.02	gallons per min

**USED AND USEFUL FORMULA**

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

$$[2 \times (38.19 - 1.02) + 0 + 2.23] / 57 = 100\% \quad \text{Used \& Useful}$$

**Dixie Groves Utility**  
**Docket No: 050449-WU**

**Attachment A, Page 2 of 2**  
**Historical Test Year June 04-May 05**

**WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA PHASE I**

1)	<b>Capacity of System (ERCs)</b>	353	ERCs
2)	<b>Test Year Connections</b> Average Test Year	342	ERCs
3)	<b>Growth</b>	10	ERCs
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**

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

- Since the service area is built out, the used and useful is 100%.

DIXIE GROVES UTILITY COMPANY  
HISTORICAL TEST YEAR ENDED 6/30/05

Attachment B  
Page 1 of 2

## 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 \$9.68 and the gallonage charge is \$1.58 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 is to set the BFC charges such that they recover no more than 40% of the revenues to be generated from monthly service rates. This guideline also represents a specific recommendation in the final report of the Water Conservation Initiative. The Commission follows this guideline whenever possible.
- (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) The Commission's preferred rate structure had traditionally been the BFC / uniform gallonage charge rate structure. However, 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.
- (5) However, according to **Water Use Permit No. 20007718.002**, the District has not placed an inclining-block rate structure requirement upon the utility.

### PHASE I RATE DESIGN:

- RATE STRUCTURE ANALYSIS AND DESIGN FOR PHASE I:**
- (6) Our staff's analysis indicates that the utility customers' overall average monthly consumption is approximately 3.1 kgal, which, under normal circumstances, would represent very low average consumption with little, if any, discretionary usage. This figure is misleading, however, as 69% of the customers were billed at consumption levels of 3 kgal or less. These customers' average monthly consumption is approximately 1.2 kgals. This is indicative of a very seasonal customer base. The remaining 31% of the customer base, billed at consumption greater than 3 kgal, has average monthly consumption of approximately 7.2 kgals.
- (7) An important rate design goal is to minimize, to the extent possible, the price increases at 5 kgal or less. The majority of consumption at or below 5 kgal is considered highly nondiscretionary, essential consumption. However, due to the seasonality of the customer base, greater emphasis should be placed on revenue stability concerns, rather than on minimizing price increases at 5 kgal or less.
- (8) Due to the relatively low average monthly consumption and the seasonal customer base, coupled with the absence of a conservation rate structure requirement in the utility's water use permit, we believe a continuation of the current BFC/uniform gallonage charge rate structure is appropriate.

HISTORICAL TEST YEAR ENDED 6/30/05

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

**RATE STRUCTURE  
ANALYSIS AND  
DESIGN FOR  
PHASE I (cont.):**

- (9) Based on our staff's initial analysis of fixed versus variable allocation of revenue requirement recovery, the utility would recover approximately 49% from the BFC and the remaining 51% from the gallonage charge. This allocation exceeds both the Water Conservation Initiative's recommendation and the WMD guideline discussed in number (2) above. The initial BFC revenue recovery allocation is also greater than what is typically set by the Commission.
- (10) However, as previously discussed, the customer base is very seasonal, raising revenue stability concerns. In this circumstance, staff believes it would be inappropriate to reduce the BFC by making a conservation adjustment to shift a portion of the cost recovery to the gallonage charge. Instead, we find a negative conservation adjustment is appropriate, which would shift sufficient cost recovery from the gallonage charge to the BFC in order to increase the BFC by approximately 2%. The resulting BFC cost recovery percentage is 50%.
- (11) As previously discussed, the utility is located in SWFWMD's Northern Tampa Bay water use caution area. As discussed in a prior issue, the overall revenue requirement increase for Phase I is approximately 36%. In order to recognize both the utility's location in a water use caution area, as well as the Commission's attempts in prior cases to minimize, to the extent possible, the price increases at nondiscretionary levels of consumption, we find that the entire Phase I revenue requirement increase should be placed into the gallonage charge. This Commission has approved the application of the entire increase to the gallonage charge in prior cases. (See Order No. PSC-03-0845-PAA-WS, issued July 21, 2003 in Docket No. 021192-WS, In Re: Application for staff-assisted rate case in Highlands County by Damon Utilities, Inc., p. 23.)

**COMMISSION DETERMI-  
NATION FOR PHASE I:**

Therefore, we find that the appropriate final BFC cost recovery percentage is 50%. We also find that the entire Phase I revenue requirement increase shall be applied to the gallonage charge.

DIXIE GROVES UTILITY COMPANY TEST YEAR ENDING 05/31/2005 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1 DOCKET NO. 050449- WU	
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$129,341	-\$19,528	\$109,813
2. LAND & LAND RIGHTS	1,211	\$0	\$1,211
3. NON-USED AND USEFUL COMPONENTS	0	\$0	\$0
4. CIAC	-10,330	-\$3,687	-\$14,017
5. ACCUMULATED DEPRECIATION	-62,986	\$17,632	-\$45,354
6. AMORTIZATION OF CIAC	10,330	\$66	\$10,396
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>\$8,066</u>	<u>\$8,066</u>
8. WATER RATE BASE	<u>\$67,566</u>	<u>\$2,549</u>	<u>\$70,115</u>



**DIXIE GROVES UTILITY COMPANY**  
**TEST YEAR ENDING 05/31/2005**  
**ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-A**  
**DOCKET NO. 050449-WU**

**WATER**

**UTILITY PLANT IN SERVICE**

1. To reflect plant additions & retirements since 12/31/02	<u>-\$19,528</u>
Total	<u>-\$19,528</u>

**CIAC**

1. To reflect CIAC recorded as revenues (AD No. 4)	<u>-3,687</u>
	<u>-\$3,687</u>

**ACCUMULATED DEPRECIATION**

1. To reflect accumulated depreciation per Rule 25-30.0140	<u>\$17,632</u>
Total	<u>\$17,632</u>

**AMORTIZATION OF CIAC**

1 To adjust Amortization of CIAC based on composite rates	<u>\$66</u>
	<u>\$66</u>

**WORKING CAPITAL ALLOWANCE**

1. To reflect 1/8 of test year O&M expenses	<u>\$8,066</u>
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DIXIE GROVES UTILITY COMPANY						SCHEDULE NO. 2		
TEST YEAR ENDING 05/31/2005						DOCKET NO. 050449-WU		
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE		BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS				
1. COMMON STOCK	\$115,000		\$115,000					
2. RETAINED EARNINGS	-47,746		-\$47,746					
3. PAID IN CAPITAL		0	\$0					
4. OTHER COMMON EQUITY			<u>\$0</u>					
5. TOTAL COMMON EQUITY	\$67,254	\$0	67,254	-25,769	41,485	59.20%	10.00%	5.92%
6. NOTES PAYABLE	\$38,708		38,708	-14,831	23,877	34.07%	9.00%	3.07%
			0	0	0	0.00%		0.00%
		<u>0</u>	0	0	0	0.00%		0.00%
			0	0	0	0.00%		0.00%
		<u>0</u>	0	0	0	0.00%		0.00%
TOTAL LONG TERM DEBT	38,708	0	38,708	-14,831	23,877	34.07%		
7. CUSTOMER DEPOSITS	<u>4,717</u>		<u>4,717</u>	0	<u>4,717</u>	<u>6.73%</u>	6.00%	<u>0.40%</u>
8. TOTAL	<u>\$110,679</u>	<u>\$0</u>	<u>\$110,679</u>	<u>-\$40,601</u>	<u>\$70,078</u>	<u>100.00%</u>		<u>9.39%</u>
RANGE OF REASONABLENESS						<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY						<u>9.00%</u>	<u>11.00%</u>	
OVERALL RATE OF RETURN						<u>8.80%</u>	<u>9.98%</u>	

**DIXIE GROVES UTILITY COMPANY**  
**TEST YEAR ENDING 05/31/2005**  
**SCHEDULE OF WATER OPERATING INCOME**

**SCHEDULE NO. 3**  
**DOCKET NO. 050449-WU**

	TEST YEAR PER UTILITY	COMMN ADJ. PER UTILITY	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. <b>OPERATING REVENUES</b>	<u>\$62,258</u>	<u>-\$3,687</u>	<u>\$58,571</u>	<u>\$21,084</u> 36.0%	<u>\$79,655</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	66,875	-2,349	64,526	0	64,526
3. DEPRECIATION (NET)	2,535	1,264	3,799		3,799
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,515	282	3,797	949	4,746
6. INCOME TAXES	0	0	0	0	0
7. <b>TOTAL OPERATING EXPENSES</b>	<u>\$72,925</u>	<u>-\$1,094</u>	<u>\$71,831</u>	<u>\$949</u>	<u>\$73,071</u>
8. <b>OPERATING INCOME/(LOSS)</b>	<u>-\$10,667</u>		<u>-\$13,260</u>		<u>\$6,584</u>
9. <b>WATER RATE BASE</b>	<u>\$67,566</u>		<u>\$70,115</u>		<u>\$70,115</u>
10. <b>RATE OF RETURN</b>	<u>-15.79%</u>		<u>-18.92%</u>		<u>9.39%</u>

**DIXIE GROVES UTILITY COMPANY  
TEST YEAR ENDING 05/31/2005  
ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-A  
DOCKET NO. 050449-WU  
PAGE 1 OF 2**

**WATER**

**OPERATING REVENUES**

1. To reflect actual revenues (AD No. 4)	-3,687
	<u>-\$3,687</u>

**OPERATION AND MAINTENANCE EXPENSES**

1. Purchased Power (615)	
a. To reflect 3.58% UAW (2008*3.58%)	-72
	<u>-\$72</u>
2. Chemicals (618)	
To reflect 3.58% UAW test year chemical expense	
a. (4028*3.58%)	-144
	<u>-\$144</u>
3. Materials and Supplies (620)	
a. To remove plant addition already included in Acct No. 331	-214
b. To remove plant addition already included in Acct No. 334	-4,140
c. To reclassify repairs to Acct. No. 636	-1,152
d. To reclassify miscellaneous expense to Acct. No. 675	-39
	<u>-\$5,545</u>
4. Contractual Services - Professional (631)	
a. To reflect invoice outside the test year	-1,723
b. To remove plant addition recorded in Acct. No. 330	-214
	<u>-\$1,937</u>
5. Contractual Services - Testing (635)	
a. To reflect DEP required testing	-701
Total	<u>-\$701</u>
6. Contractual Services - Other (636)	
To reflect reclassification of repairs from Acct. 620 to Acct.	
a. 636	1,152
b. To remove plant addition already recorded in Acct. No. 339	-391
c. To reflect the appropriate management fee	735
d. To reflect non-reoccurring hurricane expense (16884/4)	4221
Total	<u>\$5,717</u>

**DIXIE GROVES UTILITY COMPANY**  
**TEST YEAR ENDING 05/31/2005**  
**ADJUSTMENTS TO OPERATING INCOME**

7. 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 (\$176/4)	44
	<u>\$294</u>
8. Miscellaneous Expense (675)	
a. To reflect reclassification from Acct. 620 to Acct. 675	39
b.	0
Total	<u>\$39</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<u><b>-\$2,640</b></u>

**DEPRECIATION EXPENSE**

a. To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	1,788
b. To reflect amortization of CIAC composite rates	-524
Total	<u>\$1,264</u>

**TAXES OTHER THAN INCOME**

a. To reflect appropriate RAFS for test year revenues	282
Total	<u>\$282</u>

**DIXIE GROVES UTILITY COMPANY**  
**TEST YEAR ENDING 05/31/2005**  
**ANALYSIS OF WATER OPERATION AND**  
**MAINTENANCE EXPENSE**

**SCHEDULE NO. 3-B**  
**DOCKET NO. 050449-WU**

	TOTAL PER UTILITY	COMMISSION PER ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES		0	0
(603) SALARIES AND WAGES - OFFICERS	12,000	0	12,000
(604) EMPLOYEE PENSION & BENEFITS		0	0
(610) PURCHASED WATER		0	0
(615) PURCHASED POWER	2,008	-72 [1]	1,936
(616) FUEL FOR POWER PRODUCTION		0	0
(618) CHEMICALS	4,028	-144 [2]	3,884
(620) MATERIALS AND SUPPLIES	5,746	-5,545 [3]	201
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	3,805	-1,937 [4]	1,868
(635) CONTRACTUAL SERVICES - TESTING	2,888	-701 [5]	2,187
(636) CONTRACTUAL SERVICES - OTHER	35,162	5,717 [6]	40,879
(640) RENTS		0	0
(650) TRANSPORTATION EXPENSE		0	0
(655) INSURANCE EXPENSE	882	0	882
(665) REGULATORY COMMISSION EXPENSE		294 [7]	294
(670) BAD DEBT EXPENSE		0	0
(675) MISCELLANEOUS EXPENSES	<u>356</u>	<u>39</u> [8]	<u>395</u>
	66,875	-2,349	64,526

DIXIE GROVES UTILITY COMPANY			SCHEDULE NO. 4
TEST YEAR ENDING 05/31/2005			DOCKET NO. 050449-WU
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	MONTHLY RATE REDUCTION
<b>Residential</b>			
<b><u>and General Service</u></b>			
<b><u>Base Facility Charge by Meter Size:</u></b>			
5/8"X3/4"	\$9.68	\$9.68	\$0.04
3/4"	\$14.52	\$14.52	\$0.06
1"	\$24.21	\$24.20	\$0.09
1-1/2"	\$48.44	\$48.40	\$0.19
2"	\$77.48	\$77.44	\$0.30
3"	\$154.43	\$154.88	\$0.60
4"	\$242.14	\$242.00	\$0.94
6"	\$484.25	\$484.00	\$1.88
<b><u>Residential Service Gallonage Charge</u></b>			
0-10,000 Gallons	\$1.58	\$3.19	\$0.01
Above 10,000 Gallons			\$0.00
<b><u>General Service Gallonage Charge</u></b>			
Per 1,000 Gallons	\$1.58	\$3.19	\$0.01
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
0 kgal	\$9.68	\$9.68	
3 kgal	\$14.42	\$19.25	
5 kgal	\$17.58	\$25.63	
8 kgal	\$22.32	\$35.20	