

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company. | DOCKET NO. 060406-SU
ORDER NO. PSC-07-0077-PAA-SU
ISSUED: January 29, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW
KEN LITTLEFIELD

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES
AND
FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST
AND DECLINING TO INITIATE SHOW CAUSE PROCEEDINGS AGAINST COLLEGE
PARK MOBILE HOME PARK

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and our decisions on show cause proceedings, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. Background

On December 13, 1957, Polk County granted a franchise to Park Water Company to operate a water and wastewater system. In 1978, the wastewater treatment plant and collection system were sold to Warner Southern College, and the name was changed to Crooked Lake Park Sewer Company. The current owner purchased this utility on September 30, 1988, under the name Crooked Lake Park Sewerage Company (Crooked Lake or the utility). Polk County came under this Commission's jurisdiction on July 11, 1996. By Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU,¹ this Commission granted the utility its grandfather Certificate No. 517-S for its wastewater system.

¹ In re: Application for grandfather certificate to operate a wastewater utility in Polk County by Crooked Lake Park Sewerage Company.

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FPSC-COMMISSION CLERK

Crooked Lake is a Class C wastewater utility serving 423 wastewater customers in Polk County. According to the utility's 2005 Annual Report, total gross revenue was \$104,313 and total operating expenses were \$167,266. The utility previously filed for a staff-assisted rate case (SARC) on September 6, 2005. However, due to the health of the utility owner, the utility's books and records had not been updated through the end of the test year. Therefore, the books could not be audited by our staff. By Order No. PSC-06-0337-PAA-SU, issued April 24, 2006, in Docket No. 050586-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company, we closed the docket. The order also indicated that once the utility owner was prepared to assist our staff with the processing of a subsequent rate case request, he could submit another application for a SARC.

On May 19, 2006, Crooked Lake filed a new application for a SARC. In this application, the utility requested interim rates. By Order No. PSC-06-0654-PCO-SU, issued August 4, 2006, in this docket, we approved a 50.18% interim rate increase, subject to refund with interest, for Crooked Lake. However, to date, the utility has not implemented the interim rates due to problems with obtaining the required security.

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

II. Quality of Service

Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in every water and wastewater rate case, we determine the overall quality of service provided by a utility by evaluating three separate components of water and wastewater operations. These components are: the quality of the utility's product; the operating conditions of the utility's plant and facilities; and, the utility's attempt to address customer satisfaction. The rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered, along with input from the DEP and health department officials and consideration of customer comments or complaints. Below, we address each of these three components.

A. Quality of Utility's Product

The wastewater treatment system at Crooked Lake is under the jurisdiction of DEP (Tampa Bay district office). The product of a wastewater treatment plant is determined by the results of required testing and analysis of the wastewater. According to DEP, the utility currently is up to date with all of its testing requirements, and the results of the tests are satisfactory. By all indication, the utility appears to be properly treating its effluent and the quality of the product is satisfactory.

B. Operating Condition of the Wastewater Facilities

On January 31, 2006, DEP issued a Notice of Violation. In this notice, DEP cited several violations of DEP rules. In this Notice of Violation, DEP indicated that on January 16, 2004, DEP issued a Consent Order (OGC File Number 03-1878). The Consent Order was intended to resolve the unpermitted discharges from the percolation ponds by requiring an interconnection to the City of Lake Wales. The Consent Order required the wastewater treatment facility to be offline or in complete compliance by no later than March 1, 2005. On January 25, 2005, DEP issued a Proposed Amendment to the Consent Order. The amendment was intended to provide additional time and an alternative remedy to the utility to achieve compliance. The hurricanes in 2004 had delayed compliance and the City of Lake Wales was no longer capable of accepting the additional flow. DEP never received a response to the Proposed Amendment to the Consent Order.

The January 31, 2006 Notice of Violation specifically indicated that on September 16, 2005, January 6, and January 27, 2006, DEP conducted Compliance Evaluation Inspections at the Crooked Lake Park facility and observed the following:

1. There was a gravity hose extending out of the chlorine contact chamber discharging wastewater beyond the ponds and discharging wastewater east of the ponds. The inspection on January 27, 2006, confirmed the discharge flowed south and entered a canal leading to Crooked Lake, which is designated an Outstanding Florida Water. Therefore, the first violation was the release or disposal of excreta, sewage, or other wastewater or domestic wastewater residual without providing proper treatment, which is a violation of Rule 62-600.740(2)(B), Florida Administrative Code.
2. Failure to maintain Total Chlorine Residual of at least 0.5 mg/L for disinfection, which is a violation of Rule 62-600.440(2) (b), Florida Administrative Code.
3. Failure to notify DEP when bypassing the flow measuring device, which is a violation of Rule 62-600.740(2) (d), Florida Administrative Code.
4. Submission, by owner, manager, or operator of a domestic wastewater facility, or agent or employee thereof, of misleading, false, or inaccurate information of operational reports to the DEP, either knowingly or through neglect, which is a violation of Rule 62-600.740(2) (e), Florida Administrative Code.
5. Failure to comply with the Consent Order, which is a violation of Section 403.161(1) (b), Florida Statutes. The Consent Order became effective on January 16, 2004. In accordance with paragraph 6 of the Consent Order, the utility was to submit an application to DEP for a collection system permit. No application was received. In accordance with paragraph 10 of the Consent Order, the utility was to maintain at least one foot of freeboard in the percolation ponds, by hauling wastewater or effluent if necessary. The utility allowed the bypass of the percolation ponds in order to save the cost of hauling.

6. Operating a pollution source without a valid permit issued by the DEP, which is a violation of Section 403.087, Florida Statutes. The permit to operate the facility expired on September 6, 2005. On August 8, 2005, the utility submitted an untimely and incomplete application to renew the permit. Therefore, the utility has been operating without a permit since September 7, 2005.

In the Notice of Violation, the DEP's Southwest District (DEP-SWD) office requested that a civil complaint be filed to bring the wastewater treatment facility into compliance with the intent of the Consent Order, and to resolve the other violations found subsequently. The DEP-SWD further indicated that the stipulated penalties of \$200 per day should be collected if civil penalties of \$10,000 a day are not awarded by the court. Subsequently, DEP filed a lawsuit in the Circuit Court of the Tenth Judicial Circuit in Polk County, Florida against the utility regarding the discharge of the utility's effluent into nearby Crooked Lake. The case, Case No. 2006-CA-2085, is currently pending. Based on the above, the operating condition of the wastewater facilities appears to be out of compliance. Therefore, the quality of the wastewater plant is considered unsatisfactory.

C. The Utility's Attempt to Address Customer Satisfaction

In its filing, the utility did not include a list of customer complaints received during the test year. Our staff engineer reviewed the Commission's records and found three complaints filed in the last five years. In addition, our staff reviewed the DEP records and found no customer complaints on file. On November 16, 2006, our staff conducted a customer meeting in the Webber International University Conference Center. Twenty-eight customers attended the customer meeting. Several of the customers voiced concerns about the staff assisted rate case. In addition, all of the customers complained about quality of service. Many of the customers' complaints were regarding odor and the ponds overflowing. The customers appear to have valid complaints. Many pertain to the quality of plant problems noted above.

It appears the utility has not adequately addressed the DEP concerns or made the necessary corrections to improve its quality of service since the last rate proceeding.² During the utility's last rate case, eighteen customers attended the meeting. The major concerns addressed were sewage overflows and dissatisfaction with the projected percentage increase in rates. Today, the customers still have the same concerns. In the utility's original application filed in 1998, the utility requested the recovery of costs for improvements for its collection system and relocation of two percolation ponds as required by DEP. However, the utility experienced problems in acquiring a loan for funding the improvements. In a letter dated April 6, 1999, the utility stated that it would not include any cost associated with the possible relocation of the percolation ponds in that case. The utility further stated that if DEP insists that the percolation ponds be relocated, it would file a petition for a limited proceeding at that time. As stated above, the percolation ponds relocation issue has yet to be resolved.

² See Order No. PSC-99-2116-PAA-SU, in Docket No. 980778-SU, In re: Application for a staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

During the utility's last rate case, its operating permit had expired because it was out of compliance with DEP's regulatory requirements. The utility had received a DEP Warning Letter No. WL980009DW53SWD, dated March 25, 1999 citing it for:

- A) Effluent being discharged off utility property;
- B) Failure to use its south percolation pond;
- C) Overflow of raw wastewater from plant tanks;
- D) Failure to report its discharge violations to the Department; and
- E) Influent flows exceeding permitted capacity.

The utility's operating permit had expired on July 31, 1999. Pursuant to that warning letter, the utility needed to satisfy all of the violations and bring the plant up to current regulatory standards. This meant the utility would need to upgrade the capacity of the percolation ponds and construct new ponds a minimum of 100 feet from the wet edge of the pond to any adjacent property in accordance with Rule 62-610.521(6), F.A.C. At that time, the utility hired a consultant to address the problem. The consultant believed that the high volume of flows experienced at the plant was due to excessive infiltration, and that once the infiltration problems were under control, the need for additional plant capacity would be resolved. To address this infiltration problem, the utility proposed and this Commission approved several pro forma plant additions to correct the infiltration problem. Our staff verified the pro forma plant additions approved in the last rate case and relating to infiltration were completed. However, DEP continues to address the utility's need for additional capacity at the plant.

In the utility's last rate case, this Commission determined the utility's quality of service was unsatisfactory and required the utility to make the DEP mandated improvements.³ Currently, it appears that the utility remains out of compliance with the DEP mandated improvements, even though the utility made the pro forma improvements approved in the last rate case.

Summary

Based on the above, it is obvious that these utility problems have been in existence for a long period of time and still the utility has not properly addressed the problems. Therefore, all things considered, we find that the utility's quality of service is unsatisfactory.

III. Used and Useful Percentages

According to the utility's last rate case, in Order No. PSC-99-2116-PAA-SU, we determined both the wastewater treatment plant and the collection system were 100% U&U. Our staff has reviewed the systems and the utility's records and discovered there have been no changes to the plant which would increase its capacity. In addition, there have been no changes to the collection system to accommodate additional customers. Our staff's analysis determined the two systems were designed to provide services only to the Crooked Lake Park community

³ See Order No. PSC-99-2116-PAA-SU.

and all of the lots are metered. Therefore, we find the U&U percentage for both the wastewater treatment plant and the collection systems is 100%.

IV. Rate Base

By Order No. PSC-99-2116-PAA-SU issued in the utility's last rate case, we established the utility's rate base. Using information obtained from our staff's audit and engineering reports, we have updated the rate base components established in Order No. PSC-99-2116-PAA-SU through December 31, 2005. A summary of each component and the adjustments follows:

A. Utility Plant in Service (UPIS): The utility recorded \$379,267 for wastewater UPIS for the test year ending December 31, 2005. In 2000, the utility recorded plant additions in the amount of \$109,636. Some of the plant additions should have been recorded as expenses. We have decreased plant by \$28,754 to remove the 2000 expenses. Per Audit Disclosure No. 1, the utility recorded \$25,723 for the purchase of a vehicle. The audit indicated the utility should have recorded \$24,984 for the vehicle, and we have further reduced UPIS by the difference of \$739 ($\$25,723 - \$24,984 = \739). We have also made an averaging adjustment to decrease UPIS by \$3,616.

Our net adjustment to UPIS is a decrease of \$33,109, which results in an average UPIS balance of \$346,158.

B. Non-Used and Useful Plant: As discussed above, we have determined both the utility's wastewater treatment plant and collection system to be 100% used and useful. Also, the utility's wastewater collection system is contributed. Therefore, a non-used and useful adjustment is not necessary.

C. Contributions in Aid of Construction (CIAC): The utility recorded CIAC of \$126,736 for the test year ended December 31, 2005. We have decreased this account by \$300 to reflect an averaging adjustment, and, therefore, we calculate average CIAC to be \$126,436.

D. Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of \$215,026 for the test year. Using the prescribed rates set forth in Rule 25-30.4140, F.A.C., we have recalculated accumulated depreciation, and determined that this account should be increased by \$3,024. We have decreased this account by \$3,529 to reflect an averaging adjustment. Based on these adjustments, we calculate accumulated depreciation to be \$215,531.

E. Amortization of CIAC: The utility recorded \$109,872 for amortization of CIAC. Amortization of CIAC has been calculated using the same prescribed rates used for depreciation for the utility's wastewater collection system. Per Audit Disclosure No. 3, the utility used a 15-year life for the amortization of cash contributions which overstated accumulated amortization of CIAC. Using composite depreciation rates, we recalculated amortization of cash contributions, and this account has been decreased by \$6,213 to reflect this recalculation. We decreased this account by \$460 to reflect an averaging adjustment. Based on these adjustments, we calculate Amortization of CIAC to be \$103,199.

F. 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 find that the one-eighth of the O&M expense formula approach shall be used for calculating working capital allowance. Applying this formula, and based on O&M of \$108,317, we calculate a working capital allowance of \$13,540.

G. Rate Base Summary: Based on the forgoing, we find that the appropriate test year rate base is \$127,127. Our calculation of rate base is shown on Schedule No. 1.

V. Cost of Capital

According to our staff's audit, the utility recorded the following items in capital structure: common stock of \$3,000; negative retained earnings of \$149,187; paid-in-capital of \$76,070; and, long-term debt of \$206,480. The utility's capital structure consists of long term debt in the amount of \$206,480.

Using the leverage formula approved by Order No. PSC-06-0476-PAA-WS issued June 5, 2006, in Docket No. 060006-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 11.78%, with a range of 10.78% - 12.78%.

Reconciling the utility's capital structure with our approved rate base, and allowing a return on equity of 11.78% (midpoint), we calculate an overall rate of return of 8.17%. 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. 4, the utility recorded total revenues of \$104,313 for the 12-month period ended December 31, 2005. During the audit, the auditor discovered that the utility recorded its revenues on a cash basis. According to the Uniform System of Accounts, Accounting Instruction 2, the books of accounts of all water and wastewater utilities are to be kept by the double entry method, on an accrual basis. Using this methodology, we have calculated test year revenues to be \$107,153, and, therefore, have increased test year revenues by \$2,840 (\$107,153 - \$104,313).

Our calculation of test year revenue is shown on Schedule No. 3. The related adjustments are shown on Schedule No. 3-A.

B. Operating Expenses

The utility recorded operating expenses of \$167,266 during the test year ending December 31, 2005. The test year Operation and Maintenance (O & M) expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been

examined. Based on this review and examination, we have made several adjustments to the utility's operating expenses as follows:

1. Salaries and Wages – Employees – (701) – The utility recorded \$0 in this account during the test year. The utility is requesting a salary of \$100 per week (\$5,200 annually) for Mr. James Hollingsworth who serves as maintenance personnel, as well as a weekend operator. His duties involve plant operations and maintenance projects. He performs a portion of the normal daily repairs such as cleaning the weirs, checking return lines and lift stations. Also, he performs any additional duties that may arise. We find that this salary is reasonable, and have increased this account by \$5,200 for the maintenance employee, to reflect a Salaries and Wages – Employees expense of \$5,200.

2. Salaries and Wages – Officers – (703) – The utility recorded \$24,000 in this account during the test year. As discussed above, we have found the utility's quality of service to be unsatisfactory. In the utility's last rate case, we also determined the utility's quality of service was unsatisfactory. The utility owner shall be held accountable for not improving quality of service since the last rate proceeding. Moreover, it appears that the utility is still committing the same violations for which it was cited for by DEP in 1999, and we are considering whether a show cause proceeding for these violations should be initiated. Our decision on this show cause proceeding has been deferred to allow our staff to file a supplemental recommendation. In past cases, we have found it appropriate to reduce the president's salary based on poor quality of service and the performance of management.⁴ As stated above, the utility recorded \$24,000 for the president's salary. We find that the salary shall be reduced by 50% due to poor quality of service, and have decreased this account by \$12,000. Based on this reduction, we find that the Salaries and Wages – Officers expense is \$12,000.

3. Purchased Wastewater Treatment – (710) – The utility recorded \$26,955 to this account during the test year. Based on invoices reviewed by the staff engineer, this expense was stormwater-related. Therefore, we have reclassified the \$26,955 to Account No. 775. Based on this reclassification, purchased wastewater treatment expense is \$0.

4. Sludge Removal Expense – (711) – The utility recorded \$0 to this account during the test year. The utility provided documentation that indicated sludge was removed twice during the test year at a cost of \$5,670 for 205,500 gallons of sludge. Based on our staff engineer's review, we find that \$5,670 for sludge removal expense is reasonable, and we have reclassified sludge removal expense of \$5,670 from Account No. 736 to this account. Based on this reclassification, sludge removal expense is \$5,670.

5. Purchased Power – (715) – The utility recorded \$11,014 to this account during the test year, but provided invoices that indicated purchased power for the test year was \$13,161.

⁴ See Order Nos. PSC-93-0295-FOF-WS, issued February 24, 1993, in Docket No. 910637-WS, In Re: Application for a Rate Increase in Pasco County by Mad Hatter Utility, Inc. and PSC-01-1162-PAA-WU, issued May 22, 2001 in Docket No. 001118-WU, In Re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Sunrise Water Company).

Therefore, we have increase this account by \$2,147 (\$13,161-\$11,014), for a total purchased power expense of \$13,161.

6. Chemicals – (718) – The utility recorded \$1,440 to this account during the test year, but our staff determined that the amount recorded was for testing expenses. Therefore, the expense of \$1,440 has been reclassified to Account No. 735 for testing expenses.

For chemical expense, the utility provided an invoice indicating that this expense for the test year was \$4,590. We find that chemical expense of \$4,590 is reasonable, and have made an adjustment to increase this account by \$4,590.

Based on the two above-noted adjustments, we find the appropriate chemical expense is \$4,590.

7. Materials and Supplies – (720) – The utility recorded \$3,760 in this account during the test year. We have made the following adjustments: a decrease of \$2,172 to reclassify contractual services expenses to Account No. 736 and a decrease of \$240 to reclassify miscellaneous expenses for vegetation clearing to Acct. No. 775. Therefore, we calculate a materials and supplies expense of \$1,348 ($\$3,760 - \$2,172 - \$240 = \$1,348$).

8. Contractual Services – Professional – (731) – The utility recorded \$6,835 in this account during the test year. For accounting expense, the utility included \$3,350 for the preparation of annual reports, regulatory assessment fee forms, annual federal and state corporate income returns, quarterly payroll returns and for the performance of monthly accounting duties. However, the utility provided an invoice indicating that its annual accounting expense was \$3,550. We find that the \$3,550 for accounting expense is reasonable, and have increased this account by \$200 to reflect the actual invoice amount ($\$3,550 - \$3,350$).

The utility also included \$600 for rate case expense in this account. We have reclassified this rate case expense of \$600 from this account to Account No. 765, and, therefore this account is reduced by \$600 for this reclassification.

The utility included in this account \$2,885 for engineering expenses. However, the engineering expenses are non-recurring, and shall be amortized over five years for an annual recovery of \$577 ($\$2,885/5$). Therefore, we have decreased this account by \$2,308 ($\$2,885 - \577) to reflect the amortization of this expense.

Based on the above adjustments and reclassifications, we calculate Contractual Services - Professional expense to be \$4,127 ($\$6,835 + \$200 - \$600 - \$2,308 = \$4,127$).

9. Contractual Services Testing – (735) – The utility recorded \$1,995 in this account during the test year. The amount recorded was for operator services, and shall be reclassified to operator services expense, Account No. 736. Also, as noted above, the utility improperly classified testing expense of \$1,440 as chemical expense (Account No. 718), and this expense has been reclassified to this account.

State and local authorities require that several analyses be submitted in accordance with Chapter 62-19, F.A.C. For testing, the utility uses Short Environmental Laboratories, Inc. The list below includes monthly monitoring and other less frequent tests required by DEP:

<u>Test</u>	<u>Frequency</u>	<u>Cost per Year</u>
Bio Oxygen Demand	Bi-Monthly	\$ 650
Total Suspended Solids	Bi-Monthly	\$ 650
Fecal Coliform	Bi-weekly	\$ 500
Nitrate (as N)	Bi-weekly	\$ 500
CBOD (influent)	Annual	\$ 40
TSS (influent)	Annual	\$ 40
	Total	<u>\$2,380</u>

Because the utility has only recorded testing expense of \$1,440, and we calculate annual testing expense of \$2,380, we have increased this expense by \$940 (\$2,380 - \$1,440) to reflect annualized costs for DEP required testing.

10. Contractual Services – Other – (736) – The utility recorded \$44,186 in this account during the test year. We have made the following reclassifications to this account: increase of \$2,172 for contractual services expenses from Acct No. 720; decrease of \$25,108 for stormwater-related expense to Acct. No. 775; increase of \$1,995 for operator services expense from Acct No. 735; decrease of \$795 for miscellaneous expense-pond treatment to Acct. No. 775; decrease of \$5,670 for sludge removing expense to Acct. No. 711; and a decrease of \$375 for miscellaneous expenses to Acct. No. 775. As a result of the reclassification of \$1,995 for operator services, there is \$2,370 in this account for operator services. Based on monthly operator services expense of \$285, we calculate annual operator expenses to be \$3,420 (\$285 x 12 = \$3,420). Therefore, we have increased this account by \$1,140 (\$3,420 - \$2,370) to reflect the annualized operator services expense. We have also made an adjustment to decrease this account by \$20 to reflect an erroneous recorded invoice. Based on the above adjustments, Contractual Services expense – Other is \$17,526.

11. Rents – (740) – The utility recorded \$837 in this account during the test year. In the last rate case, the utility was granted \$1,200 for rent expense.⁵ The utility’s office was located in the personal residence of the utility’s president. He had one room of his home set aside as office space and shared the space with another related company. The utility owner no longer uses this home for his personal residence. Now, he is allocating 40% of all the expenses related to the residence to Crooked Lake. The remaining expenses are allocated 40% to College Park Mobile Home Park (College Park) and 20% to himself. The utility has provided documentation indicating that residence costs \$9,977 annually which includes the mortgage, electric, phone, insurance, and taxes. The amount being allocated to Crooked Lake is \$3,991 (\$9,977 x 40%). The dynamics of Crooked Lake has not changed. The one room that was used during the last proceeding was sufficient office space. We find that ratepayers should not bear the additional

⁵ See Order No. PSC-99-2116-PAA-SU.

expenses just because the utility owner decided to no longer use the home for his personal residence. We further find that the rent expense of \$1,200 approved in the utility's last rate case proceeding was more reasonable, and this amount should be indexed up to the present. Indexing the \$1,200, we find that the appropriate rent expense is \$1,400. Because the utility has only recorded \$837 in this account, we have increased this account by \$563 ($\$1,400 - \837), to reflect a rent expense of \$1,400.

12. Regulatory Commission Expense – (765) – The utility recorded \$0 in this account during the test year. Pursuant to Section 367.0816, Florida Statutes, rate case expense is amortized over a 4-year period. The utility paid a \$1,000 rate case filing fee for wastewater. 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, and we have estimated noticing expense for wastewater of \$167 postage expense, \$43 printing expense, and \$22 for envelopes, for a total noticing expense of \$232. We have therefore increased this account by \$58 ($\$232/4$) to reflect rate case expense for noticing. We have also amortized the reclassified \$600 of accounting expense by four years for an annual recovery of \$150 ($\$600/4$). Based on these adjustments, we calculate Regulatory Commission Expense to be \$458 ($\$250 + \$58 + \$150 = \458).

13. Miscellaneous Expense – (775) – The utility recorded \$5,309 in this account for the test year. We have made the following reclassifications to this account: increase of \$26,955 for stormwater-related expenses from Account No. 711; increase of \$25,108 for stormwater-related expense from Account No. 736; increase of \$240 for miscellaneous expense - vegetation clearing from Account No. 720; increase of \$795 for miscellaneous expense - pond treatment from Account No. 736; and, an increase of \$375 for miscellaneous expenses from Account No. 775. As a result of the reclassification of stormwater-related expenses, there is \$52,063 in this account for stormwater-related expenses. These expenses are non-recurring, and shall be amortized over four years for an annual recovery of \$13,016 ($\$52,063/4$). Therefore, we have decreased this account by \$39,047 ($\$52,063 - \$13,016$) to reflect the amortization of this expense. Our staff engineer indicated that the utility should keep growth of trees and shrubs at a minimum by conducting periodic vegetation clearing and pond treatment, and that \$770 is a reasonable amount for this. As a result of the reclassification of miscellaneous expenses for vegetation clearing and pond treatment, the utility has \$1,035 in this account. Therefore, we have decreased this account by \$265 ($\$1,035 - \770) to reflect the appropriate miscellaneous expense for vegetation clearing and pond treatment. Also, the staff engineer indicated that the utility be allowed \$1,200 to perform mowing more frequently. Therefore, we have increased this account by \$1,200 to reflect the appropriate miscellaneous expenses for mowing. We have also made an adjustment of \$3,487 to remove the utility's journal entry for plant retirements. Based on the above, we find that miscellaneous expense is \$17,183.

14. O & M Expense Summary – The total adjustment for O&M expenses is a decrease of \$41,289, and we find the appropriate O&M expenses to be \$108,317. Our calculation of the appropriate O&M expense is shown on Schedule 3-B.

C. Depreciation Expense (Net of Amortization of CIAC) – The utility recorded \$9,925 in this account during the test year. Using the rates prescribed in Rule 25-30.140, F.A.C., we have

calculated amortization of CIAC based on composite rates to be \$7,994. Therefore, we have decreased this account by \$1,931 (\$9,925 - \$7,994) to reflect the appropriate net depreciation expense of \$7,994.

D. Taxes Other Than Income – The utility recorded taxes other than income of \$7,735 during the test year. Per Audit Disclosure No. 6, the utility did not take advantage of the available discount. As a result, we find that this account shall be decreased by \$193 to reflect the discount on the property taxes. Also, Audit Disclosure No. 6 indicated that Regulatory Assessment Fees (RAFs) were understated. Earlier in this Order, we made an adjustment to increase operating revenues by \$2,840. Therefore, we have increased this account by \$128 to reflect the RAFs associated with the increase in operating revenues. We have also increased this account by \$2,234 to reflect payroll taxes associated with the approved salaries. Based on the above adjustments, we have increased this account by \$2,169 for a total for Taxes Other Than Income amount of \$9,904.

E. Income Tax – The utility recorded income tax of \$0 for water. The utility is an 1120 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 operating income, and will continue to exceed income over the next several years. Therefore, we have not made an adjustment to this account.

F. Operating Revenues – Revenues have been increased by \$30,836 to reflect the change in revenue required to cover expenses and allow the approved return on investment.

G. Taxes Other Than Income – The expense has increased by \$1,388 to reflect RAFs of 4.5% on the change in revenues.

H. Operating Expenses Summary – Based on all the above, we calculate operating expenses to be \$127,603. Our calculation of operating expenses is shown on Schedule No. 3. The related adjustments are shown on Schedule No. 3-A.

VII Revenue Requirement

The utility shall be allowed an annual increase of \$30,836 (28.78%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn an 8.17% return on its investment. Our calculations are as follows:

		<u>Wastewater</u>
Adjusted Rate Base		\$127,127
Rate of Return	X	<u>.0817</u>

Return on Rate Base	\$10,386
Adjusted O & M Expense	\$108,317
Depreciation expense (Net)	\$7,994
Taxes Other Than Income	\$11,292
Income Taxes	\$0
Revenue Requirement	<u>\$137,989</u>
Adjusted Test Year Revenues	<u>\$107,153</u>
Percent Increase/(Decrease)	<u>28.78%</u>

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

VIII. Wastewater Rates

Based on a revenue requirement of \$137,989, our staff calculated rates using the number of bills and consumption identified in the test year. The rates for wastewater have been calculated based on 80% of the water used by residential customers being returned to the system, and include an 8,000 gallon monthly gallonage cap for residential wastewater customers. The rates are designed such that the utility would recover approximately 60% (\$82,793) of wastewater system revenue from the base facility charge, and the remaining 40% (\$55,196) would be recovered from the gallonage charge.

College Park Mobile Home Park (CPMHP or College Park) is a master-metered customer of Crooked Lake and is also owned by the utility's owner, Mr. Knowlton. Currently Crooked Lake bills College Park as a bulk residential service wastewater customer. College Park is charged a base facility charge per unit and the residential gallonage cap per thousand gallons. College Park is also capped at 8,000 gallons per unit. At the customer meeting held in November, it was brought to our staff's attention that the customers of College Park are also being billed individually for water and wastewater by the owner. CPMHP is currently considered exempt from Commission regulation pursuant to Section 367.022(5), F.S. Under this exemption, landlords who provide service to their tenants without specific compensation for the service are exempt from our jurisdiction. However, in this instance, the College Park owner began to charge its tenants individually for what he considered excessive water and wastewater usage. The customers provided our staff with copies of bills that were sent out to the tenants.

The owner of College Park indicated to our staff that he needed to recoup the water and wastewater expenses, and thus began billing these mobile homeowners for water and wastewater usage in excess of 6,000 gallons, but he is not charging the homeowners more than he pays for the service. We find this practice is exempt from our regulation pursuant to Section 367.022(8) [the reseller's exemption], F.S. If CPMHP has determined pursuant to its contract with its

tenants that is should charge for usage above 6,000 gallons, and not over the 8,000 gallon cap, then we believe this is between CPMHP and its tenants. For determining wastewater rates, we have included the mobile home park customers and capped gallons in the utility's billing determinants.

The customers believe that being charged the water and wastewater gallonage charges for excessive water use above 6,000 gallons is in violation of either their contract or Chapter 723, F.S. Chapter 723, F.S., entitled Mobile Home Park Lot Tenancies, governs the relationship between mobile home park owners and the mobile home owners. Pursuant to Section 723.005, F.S., the Division of Land Sales, Condominiums, and Mobile Homes of the Department of Business and Professional Regulation "has the power and duty to enforce and ensure compliance with the provisions of this chapter" Therefore, we find that we cannot address any violations of Chapter 723, F.S., or the contracts between the customers and College Park. However, the owner should be aware of the statutory requirements of Section 723.037, Florida Statutes, which states: "A park owner shall give written notice to each affected mobile home owner and the board of directors of the homeowners' association, if one has been formed, at least 90 days prior to any increase in lot rental amount or reduction in services or utilities provided by the park owner or change in rules and regulations."

The new rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The tariff sheets shall be approved administratively upon 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.

Based on the foregoing, our approved wastewater monthly rates are shown on Schedule No. 4, and are designed to produce revenues of \$137,989. 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 25-30.475(1), F.A.C. In addition, the rates 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.

IX. Interim Rate Refund

In Order No. PSC-06-0654-PCO-SU, issued on August 4, 2006, interim wastewater rates were approved subject to refund, pursuant to Section 367.0814(4), F.S. We approved an interim revenue increase of \$52,343 (50.18%). Although the utility attempted to obtain security for the interim increase from several different sources, the utility was unsuccessful, and the utility did not implement the interim rates. Therefore, no refund is necessary.

X. 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 \$458 annually for wastewater. Using the utility's current revenues, expenses, capital structure and customer base, the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility 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.

XI. Temporary Rates in the Event of Protest

This Proposed Agency Action Order proposes an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, the rates shall be approved as temporary rates, and any increased revenues 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 \$21,261. 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 in resolution of any protest; 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.
- 9) 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.

XII. Show Cause Proceeding for Apparent Violation of Order No. PSC-99-2116-PAA-SU

Pursuant to Order No. PSC-99-2116-PAA-SU (PAA Order), this Commission directed the utility to make DEP mandated improvements. There is some question of whether the utility has complied with the PAA Order. We have directed our staff to file another recommendation and bring this issue back before us at a later date.

XIII. Should College Park Mobile Home Park be Ordered to Show Cause for Charging Specifically for Water and Wastewater Service Without a Certificate?

CPMHP has previously been considered exempt from our regulation pursuant to Section 367.022(5)(landlords providing service to their tenants without specific compensation for the service), F.S. At the customer meeting held on November 16, 2006, our staff discovered that CPMHP was charging its tenants the gallonage charge for all water and wastewater consumed by each tenant in excess of 6,000 gallons, but capping that charge at 8,000 gallons. However, because CPMHP is charging each individual mobile homeowner only the exact gallonage charge above any usage over 6,000 gallons and capping that charge at 8,000 gallons, it could never be charging more than what it is paying for such service. Therefore, CPMHP is exempt as a reseller pursuant to Section 367.022(8), F.S. Based on the above, CPMHP shall not be ordered to show cause in writing, within 21 days, why it should not be fined for its apparent failure to obtain a certificate or to comply with the requirements to be considered an exempt entity pursuant to Section 367.022(5), F.S.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Crooked Lake Park Sewerage Company's application for increased rates and charges is hereby approved as set forth in the body of this Order. It is further

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

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

ORDERED that Crooked Lake Park Sewerage Company is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Crooked Lake Park Sewerage Company shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. It is further

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

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

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

ORDERED that because Crooked Lake Park Sewerage Company never implemented the approved interim rates, there is no requirement for a refund. It is further

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

ORDERED that, pursuant to Section 367.0814(7), Florida Statutes, the rates approved herein shall be approved for the utility on a temporary basis, subject to the refund provisions set forth in the body of this Order, 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 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 \$21,261. Alternatively, the utility could establish an escrow agreement with an independent financial institution. It is further

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

ORDERED that Crooked Lake Park Sewerage Company shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after any temporary rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the

utility shall file reports with 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 reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that College Park Mobile Home Park shall not be ordered to show cause for charging its tenants specifically for water and wastewater service. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and our decisions on show cause proceedings, 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 if no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. It is further

ORDERED that this docket shall remain open to allow our staff to file a recommendation on whether Crooked Lake Park Sewerage Company should be ordered to show cause for its apparent violation of Order No. PSC-99-2116-PAA-SU.

By ORDER of the Florida Public Service Commission this 29th day of January, 2007.

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

By: 

Ann Cole, Chief
Bureau of Records

(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, our action, except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and our decisions on show cause proceedings, which are final agency action, 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 February 19, 2007. 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.

CROOKED LAKE PARK SEWERAGE COMPANY
TEST YEAR ENDING 12/31/2005
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1
DOCKET NO. 060406-SU

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$379,267	(\$33,109)	\$346,158
2. LAND & LAND RIGHTS	\$6,197	\$0	\$6,197
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0
4. CIAC	(\$126,736)	\$300	(\$126,436)
5. ACCUMULATED DEPRECIATION	(\$215,026)	(\$505)	(\$215,531)
6. AMORTIZATION OF CIAC	\$109,872	(\$6,673)	\$103,199
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$13,540</u>	<u>\$13,540</u>
8. WASTEWATER RATE BASE	<u>\$153,574</u>	<u>(\$26,447)</u>	<u>\$127,127</u>

**CROOKED LAKE PARK SEWERAGE COMPANY
 TEST YEAR ENDING 12/31/2005
 ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-A
 DOCKET NO. 060406-SU**

WASTEWATER

UTILITY PLANT IN SERVICE

1.	To remove 2004 expenses recorded as plant	(\$28,754)
2.	To reflect the appropriate plant asset for transportation	(\$739)
3.	Averaging adjustment	<u>(\$3,616)</u>
	Total	<u>(\$33,109)</u>

LAND AND LAND RIGHTS

1.

NON-USED AND USEFUL PLANT

1.
2.

Total \$0

CIAC

2.	Averaging adjustment	<u>\$300</u>
	Total	<u>\$300</u>

ACCUMULATED DEPRECIATION

1.	Accumulated depreciation per Rule 25-30.140, FAC	\$3,024
2.	Averaging adjustment	<u>(\$3,529)</u>
	Total	<u>(\$505)</u>

AMORTIZATION OF CIAC

1.	To adjust Amortization of CIAC based on composite rates	(\$6,213)
2.	Averaging adjustment	<u>(\$460)</u>
	Total	<u>(\$6,673)</u>

WORKING CAPITAL ALLOWANCE

1.	To reflect 1/8 of test year O & M expenses.	<u>\$13,540</u>
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CROOKED LAKE PARK SEWERAGE COMPANY						SCHEDULE NO. 2		
TEST YEAR ENDING 12/31/2005						DOCKET NO. 060406-SU		
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE	PRO RATA	BALANCE	PERCENT	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	ADJUSTMENTS	PER COMMISSION	OF TOTAL		
COMMON STOCK	\$3,000	\$0	\$3,000					
RETAINED EARNINGS	(149,187)	\$70,117	(\$79,070)					
PAID IN CAPITAL	\$76,070	\$0	\$76,070					
OTHER COMMON EQUITY	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>					
TOTAL COMMON EQUITY	(\$70,117)	\$70,117	\$0	0	0	0.00%	11.78%	0.00%
LONG TERM DEBT								
K. Knowlton	\$79,281	\$0	\$79,281	(\$30,469)	\$48,812	43.17%	5.76%	2.49%
American Bank	\$51,164	\$0	\$51,164	(\$19,663)	\$31,501	27.86%	10.00%	2.79%
Am South Bank	\$53,218	\$0	\$53,218	(\$20,452)	\$32,766	28.98%	8.75%	2.54%
Ford Credit	<u>\$22,817</u>	\$0	\$22,817	(\$8,769)	\$14,048	12.42%	2.90%	0.36%
TOTAL LONG TERM DEBT	\$206,480	\$0	\$206,480	(\$70,584)	\$113,079	100.00%		
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
TOTAL	<u>\$136,363</u>	<u>\$70,117</u>	<u>\$206,480</u>	<u>-\$70,584</u>	<u>\$113,079</u>	<u>100.00%</u>		<u>8.17%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>10.78%</u>	<u>12.78%</u>	
OVERALL RATE OF RETURN						<u>8.17%</u>	<u>8.17%</u>	

CROOKED LAKE PARK SEWERAGE COMPANY					SCHEDULE NO. 3	
TEST YEAR ENDING 12/31/2005					DOCKET NO. 060406-SU	
SCHEDULE OF WASTEWATER OPERATING INCOME						
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$104,313</u>	<u>\$2,840</u>	<u>\$107,153</u>	<u>\$30,836</u> 28.78%		<u>\$137,989</u>
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$149,606	(\$41,289)	\$108,317	\$0		\$108,317
3. DEPRECIATION (NET)	\$9,925	(\$1,931)	\$7,994	\$0		\$7,994
4. AMORTIZATION	\$0	\$0	\$0	\$0		\$0
5. TAXES OTHER THAN INCOME	\$7,735	\$2,169	\$9,904	\$1,388		\$11,292
6. INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>		<u>\$0</u>
7. TOTAL OPERATING EXPENSES	<u>\$167,266</u>	<u>(\$41,051)</u>	<u>\$126,215</u>	<u>\$1,388</u>		<u>\$127,603</u>
8. OPERATING INCOME/(LOSS)	<u>(\$62,953)</u>		<u>(\$19,062)</u>			<u>\$10,386</u>
9. WASTEWATER RATE BASE	<u>\$153,574</u>		<u>\$127,127</u>			<u>\$127,127</u>
10. RATE OF RETURN	<u>-40.99%</u>		<u>-14.99%</u>			<u>8.17%</u>

CROOKED LAKE PARK SEWERAGE COMPANY
TEST YEAR ENDING 12/31/2005
ADJUSTMENTS TO OPERATING INCOME

Schedule No. 3-A
 DOCKET NO. 060406-SU
 Page 1 of 2

WASTEWATER

OPERATING REVENUES

1. To adjust utility revenues to audited test year amount.	\$2,840
Subtotal	<u>\$2,840</u>

OPERATION AND MAINTENANCE EXPENSES

1. Salaries and Wages - Employees (701)	
a. To reflect annual salary for maintenance person	<u>\$5,200</u>
2. Salaries and Wages - Officers (703)	
a. To reduction in president's salary for quality of service	<u>-\$12,000</u>
3. Purchased Sewage Treatment	
a. To reclassify stormwater related expenses to Acct. No. 775	<u>(\$26,955)</u>
4. Sludge Removal Expense (711)	
a. To reclassify sludge removal expense recorded in Acct. 736	<u>\$5,670</u>
5. Purchased Power (715)	
a. To reflect annual purchase power per audit report	<u>\$2,147</u>
6. Chemicals (718)	
a. To reclassify testing expenses to Acct. 735	(\$1,440)
b. To reflect chemical expense for the test year	<u>\$4,590</u>
Subtotal	<u>\$3,150</u>
7. Material and Supplies (720)	
a. To reclassify contractual services expenses to Acct. 736	(\$2,172)
b. To reclassify vegetation clearing expense to Acct. 775	<u>(\$240)</u>
Subtotal	<u>(\$2,412)</u>
8. Contractual Services - Professional (731)	
a. To reflect annual accounting expenses	\$200
b. To reclassify accounting expenses to Acct 765 for rate case expense	(\$600)
c. To reflect non-recurring eng, expense amort. over 5 years	<u>(\$2,308)</u>
Subtotal	<u>(\$2,708)</u>
9. Contractual Services -Testing (735)	
a. To reclassify operator expenses to Acct. 736	(\$1,995)
b. To reclassify testing expenses from Acct. 718	\$1,440
c. To reflect annual DEP required testing expense	<u>\$940</u>
Subtotal	<u>\$385</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)

CROOKED LAKE PARK SEWERAGE COMPANY		Schedule No. 3-A
TEST YEAR ENDING 12/31/2005		DOCKET NO. 060406-SU
ADJUSTMENTS TO OPERATING INCOME		Page 2 of 2
10.	Contractual Services - Other (736)	
	a. To reclassify contractual services expenses from Acct. 720	\$2,172
	b. To reclassify stormwater related expenses to Acct. 775	(\$25,108)
	c. To reclassify operator expenses from Acct. No. 735	\$1,995
	d. To reclassify vegetation clearing expenses to Acct. 775	(\$795)
	e. To reclassify sludge removal expenses to Acct. No. 711	(\$5,670)
	f. To reclassify miscellaneous expenses to Acct. No. 775	(\$375)
	g. To reflect the appropriate operator services expenses	\$1,140
	h. To correct invoice recorded erroneous amount	(\$20)
	Subtotal	<u>(\$26,661)</u>
11.	Rents (740)	
	a. To reflect the appropriate rent expense	<u>\$563</u>
12.	Regulatory Expense (765)	
	a. To amortize filing fee (\$1000/4)	\$250
	b. To include and amortize notice expense over 4 years	\$58
	c. To reclassify accounting exp. from Acct. 731 for rate case expense	\$600
	d. To amortize accounting rate case expense	<u>(\$450)</u>
	Subtotal	<u>\$458</u>
13.	Miscellaneous Expense (775)	
	a. To reclassify stormwater related expenses from Acct. No. 711	\$26,955
	b. To reclassify stormwater related expenses from Acct. No. 736	\$25,108
	c. To reclassify vegetation clearing expenses from Acct. No. 720	\$240
	d. To reclassify pond treatment expenses from Acct. No. 736	\$795
	e. To reclassify miscellaneous expenses from Acct. No. 736	\$375
	f. To amortize stormwater related expenses over 4 years	(\$39,047)
	g. To reflect appropriate exp. for vegetation clearing and pond treatment	(\$265)
	h. To reflect the appropriate mowing expenses	\$1,200
	i. To remove journal entry for plant retirements	(\$3,487)
	Subtotal	<u>\$11,874</u>
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$41,289)</u>
	DEPRECIATION EXPENSE	
1.	To reflect the appropriate net depreciation expense	<u>(\$1,931)</u>
	Total	<u>(\$1,931)</u>
	TAXES OTHER THAN INCOME	
1.	To reduce ad valorem taxes	(\$193)
2.	To reflect the appropriate regulatory assessment fees	\$128
3.	To reflect payroll taxes for approved salaries	<u>\$2,234</u>
	Total	<u>\$2,169</u>

CROOKED LAKE PARK SEWERAGE COMPANY			SCHEDULE NO. 3-B
TEST YEAR ENDING 12/31/2005			DOCKET NO. 060406-SU
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENT	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$5,200	\$5,200
(703) SALARIES AND WAGES - OFFICERS	\$24,000	(\$12,000)	\$12,000
(704) EMPLOYEE PENSIONS AND BENEFITS	\$0	\$0	\$0
(710) PURCHASED SEWAGE TREATMENT	\$26,955	(\$26,955)	\$0
(711) SLUDGE REMOVAL EXPENSE	\$0	\$5,670	\$5,670
(715) PURCHASED POWER	\$11,014	\$2,147	\$13,161
(716) FUEL FOR POWER PRODUCTION	\$0	\$0	\$0
(718) CHEMICALS	\$1,440	\$3,150	\$4,590
(720) MATERIALS AND SUPPLIES	\$3,760	(\$2,412)	\$1,348
(730) CONTRACTUAL SERVICES - BILLING	\$6,909	\$0	\$6,909
(731) CONTRACTUAL SERVICES - PROFESSIONAL	\$6,835	(\$2,708)	\$4,127
(735) CONTRACTUAL SERVICES - TESTING	\$1,995	\$385	\$2,380
(736) CONTRACTUAL SERVICES - OTHER	\$44,186	(\$26,661)	\$17,526
(740) RENTS	\$837	\$563	\$1,400
(750) TRANSPORTATION EXPENSE	\$4,872	\$0	\$4,872
(755) INSURANCE EXPENSE	\$11,494	\$0	\$11,494
(765) REGULATORY COMMISSION EXPENSES	\$0	\$458	\$458
(770) BAD DEBT EXPENSE	\$0	\$0	\$0
(775) MISCELLANEOUS EXPENSES	<u>\$5,309</u>	<u>\$11,874</u>	<u>\$17,183</u>
	<u>\$149,606</u>	<u>(\$41,289)</u>	<u>\$108,317</u>

CROOKED LAKE PARK SEWERAGE COMPANY				SCHEDULE NO. 4
TEST YEAR ENDING 12/31/2005				DOCKET NO. 060406-SU
MONTHLY WASTEWATER RATES				
	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM	COMMISSION APPROVED RATES	4-YEAR RATE REDUCTION
<u>Residential Service</u>				
Base Facility Charge All Meter Sizes	\$11.10	\$16.67	\$15.51	\$0.05
<u>Gallorage Charge</u>				
Per 1,000 Gallons (8,000 gallon cap)	\$2.56	\$3.84	\$3.07	\$0.01
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8"X3/4"	\$11.10	\$16.67	\$15.51	\$0.05
3/4"	\$16.65	\$25.00	\$23.27	\$0.08
1"	\$27.75	\$41.67	\$38.79	\$0.13
1-1/2"	\$55.49	\$83.33	\$77.57	\$0.27
2"	\$88.79	\$133.34	\$124.12	\$0.43
3"	\$177.57	\$266.67	\$248.24	\$0.86
4"	\$277.46	\$416.69	\$387.87	\$1.35
6"	\$554.94	\$833.41	\$775.74	\$2.70
Gallorage Charge per 1,000 gallons	\$3.07	\$4.61	\$3.68	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$18.78	\$28.19	\$24.72	
5,000 Gallons	\$23.90	\$35.87	\$30.86	
8,000 Gallons	\$31.58	\$47.39	\$40.07	