

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in  
Pasco County by Pasco Utilities, Inc.

DOCKET NO. 060599-WU  
ORDER NO. PSC-07-0425-PAA-WU  
ISSUED: May 15, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
MATTHEW M. CARTER II  
KATRINA J. McMURRIAN

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

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that this action, except for setting temporary rates in the event of protest, the statutory four-year rate reduction, the decision not to initiate a show cause proceeding, and the requirement to adjust primary accounts in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. Background

Pasco Utilities, Inc. (Pasco or utility) is a Class C water utility providing service to approximately 674 customers in Pasco County. Wastewater service is provided by septic tanks. The utility is located in Wesley Chapel, approximately 20 miles north of Tampa. The utility's 2005 annual report shows operating revenues of \$110,742, operating expenses of \$288,174, and a net operating loss of \$177,432.

The utility began operating in 1967. Water rates were last established for the utility in 1980.<sup>1</sup> Water rate base was established in 1986.<sup>2</sup> On September 5, 2006, the utility filed an application for a staff-assisted rate case (SARC) and paid the appropriate filing fee on that date.

<sup>1</sup> Order No. 9327, issued April 11, 1980, in Docket No. 770268-W(CR), In re: Application of Pasco Utilities, Inc., for a rate increase to its water customers in Pasco County, Florida.

<sup>2</sup> Order No. 16112, issued May 14, 1986, in Docket No. 850303-WU, In Re: Investigation of the water rates of Pasco Utilities, Inc., in Pasco County, Florida, to determine potential overearnings.

DOCUMENT NUMBER - DATE

04010 MAY 15 2007

FPSC-COMMISSION CLERK

Our staff audited the utility's records for compliance with Commission rules and orders and determined the components necessary for rate setting. The staff engineer also conducted a field investigation of the utility's plant and service area. A review of the utility's operational expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating cost. An historical test year ending June 30, 2006 is being used for this rate case.

We have jurisdiction pursuant to Section 367.0814, Florida Statutes (F.S.).

## II. Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., in every water and wastewater rate case, this Commission shall determine the overall quality of service provided by a utility by evaluating three separate components of water operations. The components are: (1) the quality of the utility's product; (2) the operating conditions of the utility's plant and facilities; and (3) the utility's attempt to address customers' 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 the Utility's Product

Pasco's water treatment plants (WTPs) are regulated by the DEP. The DEP inspected Pasco WTPs on May 14, 2005. The utility has conformed to all testing and chemical analyses required by DEP and the test results have been satisfactory. Based on the above, the quality of the water service meets or exceeds the regulatory standards and shall be considered satisfactory.

### B. Operating Conditions of the Plant

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. According to the DEP's sanitary Survey Report dated May 31, 2005, the DEP's inspector observed one deficiency during his site inspection. The DEP inspector stated that excessive caulk was used on the well head. The utility proposed a Capital Improvement Plan (Plan) to resolve this deficiency. According to the utility's proposed Plan, the utility intends to rehabilitate the well heads at an estimated cost of \$10,103. This pro forma project is discussed in more detail in Section IV of this Order.

Maintenance at the plant-site appears to have been given adequate attention. Consumptive use in Pasco County is permitted by the Southwest Florida Water Management District (SWFWMD). The utility obtained its Water Use Permit No. 2000799.003 from the water management office on February 18, 2005, which will expire on February 18, 2015. Therefore, the operational conditions at the water plant shall be considered satisfactory.

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

An informal customer meeting was held on March 5, 2007, in the Tampa Bay Golf and Country Club Ballroom in San Antonio, Florida. The meeting was open to all customers at 6:00 p.m. There were two customers (one couple) and three representatives from the utility that attended this meeting. There was only one customer that went on record with comments and concerns about the utility. The customer was concerned about the rate increase and the quality of the water.

Our staff addressed the customer's concerns by explaining the rate increase and the results of the water quality service. Regarding the rate increase, our staff explained that the major cost of this increased rate is for the rehabilitation of the well heads and other improvements at the water plant. Our staff also noted that the utility has not had an increase in rates since its rates were originally approved by the Commission in 1967. Our staff also explained that the quality of the water appears to meet the regulatory standards and is considered satisfactory. Based upon the above, we find that the owner of the utility is putting forth a sufficient good faith effort in attempting to resolve customer complaints and the quality of service shall be considered satisfactory.

#### D. Summary

Based on review of the water treatment and distribution system, it appears that all systems are operating properly and are in compliance with DEP and health department standards. Also, it appears the utility is attempting to address customers' concerns. Therefore, we find the quality of service provided by Pasco to be satisfactory.

### III. Used and Useful Percentages

We performed an analysis of the utility's facilities, which is discussed below:

#### A. Water Treatment Plant

Pasco 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. 3 and 4. Well No. 4 is the main well and operates 24 hours per day, 7 days per week. Well No. 3 is considered 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. 3 has a diameter of 6 inches equipped with a 25 horsepower (hp) submersible pump with a capacity of 300 gpm. Well No. 4 has a diameter of 8 inches equipped with a 30 horsepower (hp) submersible pump with a capacity of 350 gpm. The raw water from both wells pumps into two separate 5,000-gallon hydropneumatic tanks after receiving chlorination by using liquid sodium hypochlorite solution. The treated water from the tanks is then pumped into the water 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. To calculate the firm reliable capacity, we removed Pasco's largest well, operating at 350 gallons per minute (gpm). By using the lowest volume capacity well (300 gpm) and recognizing the utility has no usable storage, the firm reliable capacity of the water plant was determined to be 300 gpm.

During the 12-month test year review period, the peak month of water usage occurred during June 2006. The single maximum day (SMD) in the test year period was 180.56 gpm. Since the water plant is a closed system operation having one hydro-tank (no storage tank), the actual peak hours of the maximum days should be considered. Therefore, the actual peak hours {2 x (Single Maximum day – excessive unaccounted water)} was used in the used and useful formula. The average daily flow was 107.55 gpm. Since there is no fire hydrant within the distribution system, the fire flow is considered zero gpm in the calculations. A regression analysis was performed indicating a growth of 9 ERCs for the next year resulting in a projection of 24.25 gpm for the statutory growth period defined in Section 367.081(2)(a)2.b., F.S. Based on the utility's provided information and from the flow analysis, there does not appear to be excessive unaccounted for water in the test year period. Therefore, in accordance with the calculation sheet (Attachment A, Page 1 of 2), the used and useful percentage for the water treatment plant shall be considered 100%.

#### B. Water Distribution System

The water distribution system has the potential of serving 882 customers (estimated to be 882 ERCs) in the test year period. The average number of customers served during the test year was 670 customers (estimated to be 670 ERCs). A regression analysis of growth over the past five years indicates the growth will be 9 ERCs per year. When the 9 ERCs are applied to the statutory growth period defined in Section 367.081(2)(a)2.b., F.S., the future growth is calculated to be 45 ERCs. By the formula approach, the distribution system shall be considered 81.07% used and useful (Attachment A, page 2 of 2).

#### IV. Rate Base

The utility's rate base was last established by Order No. 16112, supra. An average test year ended June 30, 2006, has been selected for this rate case. Rate base components established in Order No. 16112 have been updated through June 30, 2006, using information obtained from our staff's audit and engineering reports. A summary of each component and the adjustments follow:

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

The utility recorded UPIS of \$553,632 for water for the test year ending June 30, 2006. According to Audit Finding No. 2, the utility did not record retirements appropriately when it added plant to replace existing plant. Accordingly, UPIS is decreased by \$33,756 for the inappropriately recorded retirements. Audit Finding No. 2 also identified plant for which the utility was unable to provide supporting documentation. As a result, UPIS is decreased by \$105,187 for unsupported plant. Audit Finding No. 2 identified Plant Held for Future Use that was excluded in the last rate case. The amounts were for new water mains extending into areas that were not yet serving customers. According to the utility, customers were connected to these water mains within months of the last rate case and all water mains are now fully utilized. Therefore, USPIS is increased by \$63,350 for these mains. Audit Finding No. 7 identified two items that were expensed that should have been capitalized. Thus, UPIS is increased by \$1,670 to reclassify office equipment from Account 675, Miscellaneous Expense, and by \$961 to reclassify meters from Account 636, Contractual Services – Other.

Pasco requested pro forma capital costs of \$80,753 for the following capital projects:

- 1) replacement of control panels - \$2,404
- 2) fencing around the wells - \$8,000
- 3) rehabilitation of the well heads - \$10,103
- 4) replacement of Mercoid switches - \$1,846
- 5) replacement of the pressure gauges - \$900
- 6) purchase of two emergency LP gas generators - \$56,000
- 7) replacement of corroded piping - \$1,500.

We reviewed the estimates of these costs and agree they are reasonable. Therefore, we increase UPIS by \$80,753. We decrease plant by \$12,565 for retirements on the pro forma plant being replaced. The utility shall complete the pro forma upgrades within nine months of the issuance date of the Consummating Order. Finally, we decrease UPIS by \$3,842 for an averaging adjustment. Based on the above, we find a UPIS balance of \$545,017.

#### B. Land

Pasco recorded land of \$19,300 for the test year. According to Audit Finding No. 3, the utility did not make the adjustment decreasing land to \$4,000 as required by Order No. 16112. In addition, in 1987, the utility abandoned and capped a non-productive well, disposed of the property where the well was located, and decreased the value of land by \$700. Therefore, we decreased land by \$16,000 to \$3,300, the amount approved in the last rate case minus \$700 for the land no longer in use (\$4,000 - \$700). Based on the above, we find a land balance of \$3,300.

#### C. Non-used and Useful Plant

In Section III. A. of this Order, we established the used and useful percentages for each plant account including pro forma plant items. Applying the non-used and useful percentages to the water distribution plant results in non-used and useful plant of \$66,496. The non-used and useful accumulated depreciation is \$39,668 for the water distribution plant. In addition, the non-used and useful pro forma plant is \$520. Non-used and useful pro forma accumulated depreciation is immaterial. The water treatment plant was determined to be 100% used and useful. Accordingly, we find that the net average non-used and useful adjustment is decreased by \$27,349.

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

The utility recorded a CIAC balance of \$404,497 for the test year. We agree with this amount. However, we have decreased this account by \$1,013 for an averaging adjustment. We find the CIAC balance is \$403,485.

According to the audit workpapers, Pasco collected \$144,900 in water connection fees (\$900 per connection) between 1985 and June 30, 2006. Pasco recorded the connection fees as CIAC. The utility does not have a tariff authorizing this charge, thus the CIAC collected was unauthorized. However, recording the fees as CIAC benefited customers by decreasing rate base and thereby the return on investment the utility was allowed to earn. It does not appear customers were harmed. In addition, we have previously allowed a utility to keep unauthorized

CIAC collections which benefited customers.<sup>3</sup> Further, the utility is not over contributed and we have considered and approved a main extension charge below. We find that the charges collected may remain on the utility's books as CIAC.

#### E. Accumulated Depreciation

The utility recorded an accumulated depreciation balance of \$369,892 for the test year. The calculated accumulated depreciation on June 30, 2006, using the prescribed rates in Rule 25-30.140, F.A.C., is \$319,210. Therefore, we decreased water accumulated depreciation by \$50,682 to accurately reflect depreciation. Additionally, we increased this account by \$2,122 to reflect accumulated depreciation on pro forma plant and decreased this account by \$12,565 to remove pro forma retirements. Further, we decreased accumulated depreciation by \$4,096 for an averaging adjustment. We find that the accumulated depreciation balance is \$304,672.

#### F. Accumulated Amortization of CIAC

The utility recorded an accumulated amortization of CIAC balance of \$271,564 for the test year. We recalculated amortization of CIAC using rates prescribed in Rule 25-30.140, F.A.C. Based on this recalculation, we decreased accumulated amortization of CIAC by \$22,672 to reflect a balance of \$248,892. We further decreased this account by \$6,085 to reflect an averaging adjustment. We find that accumulated amortization of CIAC is \$242,807.

#### G. 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 for calculating working capital allowance. Applying this formula, we find a working capital allowance of \$16,937 (based on O&M of \$135,496). Working capital has been increased by \$16,937 to reflect one-eighth of O&M expenses.

#### H. Rate Base Summary

Based on the forgoing, we find the appropriate test year rate base is \$72,556.

Our calculation of the appropriate rate base is shown on Schedule Nos. 1-A and 1-B.

#### V. Cost of Capital

According to our audit, the utility recorded the following items in capital structure: common stock of \$1,200, paid in capital of \$241,016, negative retained earnings of \$485,506, long term debt of \$199,000, and customer deposits of \$13,713. The long term debt consists of a promissory note to Homecoming Financial with an interest rate of 9.25%. Thus, capital structure consists of long term debt and customer deposits.

The utility's capital structure has been reconciled with our approved rate base. Using the leverage formula approved by Order No. PSC-06-0476-PAA-WS, issued June 5, 2006, in Docket

---

<sup>3</sup> Order No. PSC-01-2511-PAA-WS, issued December 24, 2001, in Docket No. 010396-WS, In re: Application for staff-assisted rate case in Brevard County by Burkim Enterprises, Inc.

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., we find the appropriate rate of return on equity is 11.54% with a range of 10.54% - 12.54% and an overall rate of return of 8.64%. Our calculations are shown on Schedule No. 2.

## VI. Net Operating Income

### A. Test Year Revenues

The utility recorded revenues of \$123,592 for the test year. We calculated annualized revenue for the test period using the current rates times the number of bills and consumption provided in the billing analysis. Test year revenues were increased by \$11,435 to reflect annualized revenue based on the existing rates. Further, pursuant to our decision in Section VIII of this Order, there is a \$7.00 increase in miscellaneous service revenues. Based on the number of connections and reconnections in 2006, we calculated a \$602 increase in miscellaneous revenues (\$7.00 x 86 connections and reconnections). Therefore, we find the appropriate test year revenues to be \$135,629.

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

### B. Pre-Repression Operating Expenses

The utility recorded operating expenses of \$126,070 for the test year ending June 30, 2006. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Based on this review, we have made several adjustments to the utility's operating expenses as follows:

#### 1. Operation and Maintenance Expenses (O&M)

a. Salaries and Wages – Officers – (603/703) - The utility recorded \$19,500 in this account as a management fee to Mr. Maynard Fernandez, the owner. In accordance with Audit Finding 7, this account is increased by \$4,500 for management fees from July 2005 through September 2005 that the utility failed to record. Mr. Fernandez manages the utility, and is also responsible for the installation of new services, maintenance greater than \$250, main service extension, general ledger and tax accounting, financial statements and the PSC Annual Report. According to audit workpapers, Mr. Fernandez spends 28 hours per week on utility-related duties. We find salaries and wages expense to be \$24,000.

b. Purchased Power – (615/715) – The utility recorded \$7,101 in this account for the test year. In accordance with Audit Finding 7, this account is increased by \$139 to include a power bill for the test year that was not recorded by the utility. Therefore, purchased power expense is \$7,240.

c. Contractual Services – Professional – (631/731) – The utility recorded legal expenses of \$15,920 in this account for the test year. This account is decreased by \$10,571 to remove prior period legal expenses as identified in Audit Finding 7. In addition, this account is

decreased by \$994 to remove nonutility legal expenses. This account is decreased by \$3,484 to amortize the remaining legal expense over 5 years ( $\$4,355/5 \text{ years} = \$871 - \$4,355 = \$3,484$ ) in accordance with Rule 25-30.433(8), F.A.C. We find the appropriate amount of Contractual Services – Professional expenses to be \$871.

d. Contractual Services – Testing – (635/735) – The utility recorded \$5,472 in this account for the test year. This account is decreased by \$5,472 to remove testing expenses that are included in the annualized management fee. We find the appropriate contractual services – testing expense is \$0.

e. Contractual Services – Other (636/736) – The utility recorded \$55,355 in this account for the test year. We made the following adjustments as recommended in Audit Finding 7: decreased this account by \$1,496 for a credit received, decreased this account by \$961 to reclassify meters to plant Account 334, decreased this account by \$1,000 for an unsupported expense, and increased this account by \$1,990 to reverse a journal entry in December 2005 that capitalized out of period expenses thereby decreasing the current period test year expense.

On February 1, 2006, the utility entered into an agreement with U.S. Water Services Corporation (USWSC) for operations, maintenance, and customer service of the utility system. The monthly fee as of April 2007 is \$5,898 or \$70,772 annually. The management fee includes plant operation, testing, transportation, grounds maintenance, field customer service, billing, collection, rate support, Monthly Operating Reports, meter reading, and minor field repairs and maintenance. Repairs that require more than simple hand tools, parts, additional manpower, or more than a few minutes of the operator's time are the responsibility of the owner.

The management fee includes some expenses that were included in the test year prior to February 2006. These expenses have been identified and excluded. We decreased this account by \$5,553 to remove meter reading, answering service, testing, meter turn ons/offers, and line locates that are included in the management fee. Further, we increased this account by \$42,776 to annualize the management fee ( $\$70,772$  annually less  $\$27,996$  management fee included in test year expenses).

Finally, Pasco requested pro forma maintenance and repair costs of \$16,682 for the following projects:

- 1) removal of an abandoned hydro tank - \$250
- 2) removal of an abandoned mobile home - \$250
- 3) tank inspections required by DEP - \$5,000
- 4) repair of the well houses - \$8,000
- 5) painting the hydro tanks - \$636.

These items are nonrecurring and shall be amortized pursuant to Rule 25-30.433(8), F.A.C. Tank inspections of \$5,000 shall be amortized over three years, the length of time between inspections, and the other items should be amortized over five years. We increased this account by \$4,003 to include these amortized costs in expenses. Therefore, we find that the appropriate amount is \$95,114 for contractual services – other expense. The utility shall complete the pro forma repairs within nine months of the issuance date of the Consummating Order.



We were initially concerned that the owner's management fee plus the USWSC operations fee was 70 percent of total O&M expenses (\$94,772/\$135,496). We note, however, that there are few other components of Pasco's O&M and the amount in these accounts is minimal. In addition, we compared Pasco's total O&M to the total O&M, indexed to 2006, of similarly sized utilities. Pasco's total O&M of \$135,496 fell within the range of the other utilities (\$117,810 to \$140,984).

f. Transportation Expense – (650/750) – The utility recorded \$3,755 in this account for the test year. Consistent with Audit Finding 7, we decreased this account by \$1,000 for unsupported expenses. We further decreased this account by \$2,755 to remove transportation expense included in the management fee. We find the appropriate amount for transportation expense is \$0.

g. Regulatory Commission Expense – 665/765 - The utility recorded \$0 in this account for the test year. The utility paid a \$1,000 filing fee in this rate case. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period. Therefore, we increased this account by \$250 (\$1,000/4).

Further, 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 by Rule 25-30.475(1)(a), F.A.C., to mail notices of any rate increase to its customers. We find that \$1,335 is a reasonable amount to be recovered, based on the number of customers, for additional mailing and copying expenses associated with this rate case (674 customers x \$0.39 postage + 6 pages x 674 customers x \$0.10 paper and envelopes = \$667 x 2 mailings = \$1,335). We increased this account by \$334 to amortize the notice expenses over four years. We find that total rate case expense is \$2,335 (\$1,000 + \$1,335), which amortized over four years results in regulatory commission expense of \$584.

h. Miscellaneous Expense – 675/775 – The utility recorded \$2,816 in this account for the test year. Consistent with Audit Finding No. 7, we decreased this account by \$1,670 to reclassify office equipment to plant Account 340 and further decreased this account by \$1,136 to remove unsupported expenses. We find miscellaneous expense is \$10.

## 2. Operation and Maintenance Expense (O&M) Summary

The total O&M adjustment is an increase of \$17,899. We find O&M expenses are \$135,496. O&M expenses are shown on Schedules 3-B and 3-C.

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

The utility recorded depreciation expense of \$8,459 and CIAC amortization of \$8,544 for the test year. Amortization of CIAC has a negative impact on depreciation expense. Therefore, the utility recorded net depreciation expense of negative \$85.

We calculated depreciation by using the prescribed rates in Rule 25-30.140, F.A.C. We increased this account by \$6,850 to reflect calculated depreciation of \$15,309. In addition, this account was decreased by \$1,763 for depreciation on non-used and useful plant and increased by

\$1,632 to include depreciation expense on pro forma plant less depreciation expense on pro forma retirements (\$2,122 - \$490).

CIAC amortization was calculated based on rates prescribed in Rule 25-30.140, F.A.C. We increased this account by \$3,626 to reflect amortization of CIAC of \$12,170. Amortization of CIAC has a negative impact on depreciation expense. Therefore, we find the annual net depreciation expense is \$3,008.

4. Taxes Other Than Income

The utility recorded taxes other than income of \$8,558 for the test year. This amount includes property taxes of \$3,550, other taxes of \$25, and regulatory assessment fees (RAFs) of \$4,983. We find that this account is increased by \$542 to include the appropriate RAFs on our annualized revenue adjustment.

5. Income Tax

The utility is an 1120 corporation. Because of continuing net operating losses, no income taxes have been paid by the utility and no income tax liability is anticipated in the future. Therefore, we find that no income taxes are to be included.

6. Operating Revenues – Revenues have been increased by \$19,101 to reflect the change in revenue required to cover expenses and allow the recommended return on investment.

7. Taxes Other Than Income – Taxes other than income have been increased by \$860 to reflect RAF of 4.5% on the change in revenues.

8. Operating Expenses Summary – The application of our adjustments to the audited test year operating expenses results in calculated pre-repression operating expenses of \$148,464. Our calculation of operating expenses is shown on Schedules 3-A through 3-C.

VII. Revenue Requirement

The utility shall be allowed an annual increase of \$19,101 (14.08%). This will allow the utility the opportunity to recover its expenses and earn an 8.64 percent return on its investment. The calculations are as follows:

|                            |              |
|----------------------------|--------------|
|                            | <u>Water</u> |
| Adjusted Rate Base         | \$72,556     |
| Rate of Return             | x .0864      |
| Return on Rate Base        | \$6,266      |
| Adjusted O & M expense     | \$135,496    |
| Depreciation expense (Net) | \$3,008      |
| Amortization               | \$0          |

|                             |                  |
|-----------------------------|------------------|
| Taxes Other Than Income     | \$9,959          |
| Income Taxes                | \$0              |
| Revenue Requirement         | <u>\$154,729</u> |
| Adjusted Test Year Revenues | <u>\$135,629</u> |
| Percent Increase/(Decrease) | <u>14.08%</u>    |

Based on the foregoing, the appropriate pre-repression revenue requirement is \$154,729. Revenue requirements are shown on Schedule No. 3-A.

### VIII. Rates and Charges

#### A. Water Rate Structure

The utility's current water system rate structure consists of a base facility charge (BFC)/gallage charge rate structure, with a 3000 gallon (3 kgal) usage allotment included in the BFC. Prior to filing for rate relief, the BFC for 5/8" x 3/4" meter customers was \$8.00 per month. The consumption charge for usage in excess of 3 kgal was a uniform charge of \$1.80 per kgal.

We performed a detailed analysis of the utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: 1) allow the utility to recover its revenue requirement; 2) equitably distribute cost recovery among the utility's customers; and 3) implement, where appropriate, water conserving rate structures consistent with our Memorandum of Understanding with the state's Water Management Districts.

On January 9, 2007, a public hearing was held at the headquarters of the Southwest Florida Water Management District (SWFWMD or District). Specific data presented at the hearing included but was not limited to: 1) rainfall data indicating that several counties, including Pasco County, were experiencing rainfall deficits categorized as critically abnormal; 2) the U.S. Drought Monitor indicates that all sixteen counties within the District were experiencing drought or drought-like conditions; 3) the Standard Precipitation Index indicates that Pasco County is among the most affected, generally experiencing critically abnormal conditions (the most pronounced level of abnormality defined in the District's water shortage plan); and 4) the Long Term Palmer Index indicates that Pasco County was experiencing extremely abnormal conditions. Based upon the testimony, data, District staff recommendations and public comments, the Executive Director of the SWFWMD ordered that a Phase II Severe Water Shortage be declared for all ground and surface waters within the District's 16 county area.

Based on the District's declared severe water shortage, and consistent with the results of the statewide Water Conservation Initiative and Water Management Districts' desire to eliminate

nonconserving water rate structures, we do not believe it is appropriate to continue the kgal allotment in the BFC. Based on our analysis of the utility's billing data, the customers' average monthly consumption of 6.5 kgal would suggest that implementing an inclining-block rate structure might be appropriate. However, inspection of the consumption patterns in the utility's service area suggests a greater number of families versus retirees, which would result in more modest amounts of discretionary usage. Therefore, we find that implementation of the traditional BFC/uniform gallonage charge rate structure is appropriate for Pasco.

Due to the severe water shortage in the SWFWMD, we find it appropriate to design rates such that the gallonage charge is increased to induce the greatest amount of conservation. BFC cost recovery allocation of 30% would increase the gallonage charge from \$1.80 to \$2.05. Although our rate structure results in a reduction of the current BFC, the reduction is sufficiently offset by the gallonage charge increase to produce anticipated price-induced conservation at monthly consumption of 8 kgal or greater.

Based on the foregoing, we find that the utility's current water system rate structure, which includes a 3,000 (3 kgal) water allotment in the base facility charge (BFC), shall be changed to the traditional BFC/uniform gallonage charge rate structure with no usage allotments. The BFC cost recovery percentage for the water system is set at 30%.

#### B. Repression Adjustment

We conducted a detailed analysis of the consumption patterns of the utility's residential customers as well as the effect of increased revenue requirements on the amount paid by residential customers at varying levels of consumption. This analysis showed that approximately 39% of the residential bills rendered during the test year were for consumption levels at or below 3 kgal per month. This does not indicate a highly seasonal customer base. Our analysis also showed that average residential monthly consumption per customer was 6.5 kgal, indicating that there is some level of discretionary or non-essential consumption, such as outdoor irrigation. Non-essential consumption is relatively responsive to changes in price, and is therefore subject to the effects of repression.

Using our database of utilities that have previously had repression adjustments made, we calculated a repression adjustment for this utility based upon the recommended increase in revenues from monthly service in this case, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that we have approved in prior cases. Based on this methodology, we calculated that test year residential water sold should be reduced by 839 kgals, or 1.6%. Purchased power expense should be reduced by \$115, chemicals expense should be reduced by \$65, and regulatory assessment fees (RAFs) should be reduced by \$9. The final post-repression revenues from monthly service, which excludes miscellaneous revenues of \$2,631, is \$151,910. The final revenue requirement is \$154,541.

In order to monitor the effect of the changes to rate structure and revenues, the utility shall file reports detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. In addition, the reports shall be prepared by customer class and meter size. The reports shall be filed with our staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility

makes adjustments to consumption in any month during the reporting period, the utility must file a revised monthly report for that month within 30 days of any revision.

### C. Water Rates

The appropriate pre-repression revenue requirement, excluding miscellaneous service charges, is \$152,098. As discussed above, the appropriate rate structure for the water system is the traditional BFC/uniform gallonage charge rate structure with the elimination of the current 3 kgal usage allotment in the BFC. The BFC cost recovery percentage is set at 30%. As more specifically discussed above, a repression adjustment of 839 kgal shall be made to the water system. Applying these rate design and repression adjustments to the recommended pre-repression revenues from monthly service results in the final rates contained in Schedule No. 4. These rates are designed to recover post-repression revenues for the water system of \$151,910.

The utility shall file revised water 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. The approved rates shall not be implemented until our staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

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

A comparison of the utility's original rates and the approved water rates is shown on Schedule No. 4.

### D. Miscellaneous Service Charges

The miscellaneous service charges were approved for Pasco on June 18, 1990, and have not changed since that date. The approved charges have been the industry standard charge since at least 1990 – a period of 17 years. Accordingly, these charges should be updated to reflect current costs. We find that Pasco shall be allowed to increase its water miscellaneous service charges from \$15 to \$22 and to \$44 for after hours, and to modify its Premises Visit (in lieu of disconnection) charge. The current and recommended charges are shown below.

#### Water Miscellaneous Service Charges

|   | <u>Current Charges</u> |                  | <u>Approved Charges</u> |                  |
|---|------------------------|------------------|-------------------------|------------------|
|   | <u>Normal Hrs</u>      | <u>After Hrs</u> | <u>Normal Hrs</u>       | <u>After Hrs</u> |
| Initial Connection                        | \$15                   | N/A              | \$22                    | N/A              |
| Normal Reconnection                       | \$15                   | N/A              | \$22                    | \$44             |
| Violation Reconnection                    | \$15                   | N/A              | \$22                    | \$44             |
| Premises Visit (in lieu of disconnection) | \$10                   | N/A              | N/A                     | N/A              |
| Premises Visit                            | N/A                    | N/A              | \$22                    | \$44             |

Miscellaneous service charges have not been updated in over 17 years and costs for fuel and labor have risen substantially since that time. Further, our price index has increased approximately 60% in that period of time. By Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, involving Southern States Utilities Inc.,<sup>4</sup> we expressed “concern that the rates [miscellaneous service charges] are eight years old and cannot possibly cover current costs” and directed our staff to “examine whether miscellaneous service charges should be indexed in the future and included in index applications.” Currently, miscellaneous service charges may be indexed if requested in price index applications pursuant to Rule 25-30.420, F.A.C. However, few utilities request their miscellaneous service charges be indexed. We have applied the approved price indices from 1990 through 2007 to Pasco’s \$15 miscellaneous service charge and the result is a charge of \$22.00. Therefore, we find that a \$22 charge is reasonable and is cost based. By Order No. PSC-06-0684-PAA-WS, issued August 8, 2006,<sup>5</sup> and by Order No. PSC-05-0776-TRF-WS, issued July 26, 2005,<sup>6</sup> we approved a \$20 charge for connection and reconnections during normal hours and a \$40 after hours charge for MSM Utilities, LLC, and for Mad Hatter Utilities, Inc.

Pasco’s current tariff includes a Premises Visit (in lieu of disconnection) charge. This charge is levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service, because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. We find that the “Premises Visit In Lieu of Disconnection” charge shall be replaced with what will be called a “Premises Visit.” In addition to those situations described in the definition of the current Premises Visit In Lieu of Disconnection, the new Premises Visit charge will also be levied when a service representative visits a premises at a customer’s request for a complaint resolution or for other purposes and the problem is found to be the customer’s responsibility. This charge is consistent with Rule 25-30.460(1)(d), F.A.C. In addition, by Order No. PSC-05-0397-TRF-WS, issued April 18, 2005,<sup>7</sup> we approved a Premises Visit Charge to be levied when a service representative visits a premises at the customer’s request for a complaint and the problem is found to be the customer’s responsibility. Based on the foregoing, we direct that the Premises Visit (in lieu of disconnection) be eliminated and the Premises Visit charge established. We approve the Premises Visit charge as reasonable.

In summary, we find that the utility’s miscellaneous service charges of \$22 and after hours charges of \$44 shall be approved, because the increased charges are cost-based, reasonable, and consistent with fees we have approved for other utilities. The utility shall file a proposed customer notice to reflect the Commission-approved charges. The approved charges shall be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by our staff. Within 10 days of the date the order is final, the utility shall be required to provide notice of the tariff

---

<sup>4</sup> Docket No. 950495-WS, In Re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

<sup>5</sup> Docket No. 050587-WS, In re: Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC.

<sup>6</sup> Docket No. 050369-TRF-WS, In re: Request for approval of change in meter installation fees and proposed changes in miscellaneous services charges in Pasco County by Mad Hatter Utility, Inc.

<sup>7</sup> Docket No. 050096-WS, In re: Request for revision of Tariff Sheets 14.0 and 15.1 to change request for meter test by customer and premise visit charge, by Marion Utilities, Inc.

changes to all customers. The utility shall provide proof the customers have received notice within 10 days after the date the notice was sent.

#### E. Service Availability Charge

The utility's existing tariff authorizes a meter installation and tap in charge of \$125. In addition to this charge, we find that a main installation charge of \$250 is appropriate. A main installation charge represents the reimbursement by a developer or a customer to offset the cost of the lines. The utility's current contribution level is 67%. Pasco's water facility can accommodate additional connections. Therefore, we have calculated service availability charges based on existing capacity.

According to Rule 25-30.580, F.A.C., the guidelines for designing a utility's service availability policy are as follows:

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

Our calculated charges will not cause the utility to exceed the 75% maximum contribution level. We have designed service availability charges such that the utility's contribution level will approach the maximum level prescribed in Rule 25-30.580, F.A.C., in ten years. In addition, the ratio of net CIAC to net plant (66.85%) is greater than the ratio of net transmission and distribution plant to net plant (57.03%). Therefore, both rule guidelines have been met. Based on the above, we approve a main installation charge of \$250.

The utility shall file revised tariff sheets which are consistent with our vote. Our staff is given administrative authority to approve the revised tariff sheets upon verification the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

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

This Proposed Agency Action Order proposes 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 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 \$13,180. 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; and
- 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 Office of Commission Clerk and Administrative Services must be a signatory to the escrow agreement; and
- 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 result of the rate increase shall be maintained by the utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility shall file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

The utility shall file revised tariff sheets which are consistent with our decision. Our staff shall have administrative authority to approve the revised tariff sheets upon staff's verification the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the customer deposit shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

#### X. Statutory Four-Year Rate Reduction

Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$584 annually. 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 be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data 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. Other Issues

##### A. Show Cause Proceeding for Apparent Violation of Section 367.081(1) and 367.091(3), Florida Statutes

Section 367.081(1), F.S., provides that a utility may only charge rates and charges that have been approved by the Commission. Section 367.091(3), F.S., provides that "each utility's rates, charges, and customer service policies must be contained in a tariff approved by and on file with the Commission."

As stated previously, Pasco has been collecting a \$900 main extension charge for approximately 20 years. The utility does not have a tariff authorizing this charge. However, the utility recorded these fees as CIAC, which benefited customers by decreasing rate base and

thereby the return on investment the utility was allowed to earn. Therefore, the current customers were not harmed.

Utilities are charged with the knowledge of our rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds, that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Section 367.161(1), F.S., authorizes the Commission to assess a penalty of not more than \$5,000 for each offense if a utility is found to have knowingly refused to comply with, or to have willfully violated, any provision of Chapter 367, Florida Statutes, or any lawful order of the Commission. By failing to comply with the above-noted requirements, the utility's acts were "willful" in the sense intended by Section 367.161, F.S. In Commission Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL titled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., the Commission, having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "willful" implies an intent to do an act, and this is distinct from an intent to violate a statute or rule. Id. at 6.

Although regulated utilities are charged with knowledge of the Commission's rules and statutes, Pasco's apparent violation of Sections 367.081(1) and 367.091(3), F.S., does not rise in these circumstances to a level which warrants the initiation of a show cause proceeding. The CIAC collected is a reduction to the utility's investment and therefore a benefit to its customers. In addition, the utility is not over contributed and we are approving service availability charges. Further, under similar circumstances, we have allowed another utility to keep unauthorized CIAC collections which benefited the customers, similar to that approved in Section IV. D. above. Accordingly, we have allowed Pasco to retain the service availability charges.

For the foregoing reasons, we find that the utility's apparent violation of Sections 367.081(1) and 367.091(3), F.S., does not rise in these circumstances to warrant a show cause proceeding. However, the utility is on notice that it may only charge rates and charges that have been approved by us.

#### B. Proof of Adjustments

To ensure that the utility adjusts its books in accordance with our decision, Pasco shall provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for increased water rates of Pasco Utilities, Inc. is 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 is hereby approved in every respect. It is further

ORDERED that the schedules and attachments to this Order are incorporated by reference herein. It is further

ORDERED that Pasco Utilities, Inc. shall file revised water tariff sheets and a proposed customer notice to reflect the approved water rates shown on Schedule 4. It is further

ORDERED that the tariffs shall be approved upon our staff's verification that the tariffs are consistent with our decision herein. It is further

ORDERED that 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. It is further

ORDERED that the approved water rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as set forth in the body of this order. It is further

ORDERED that Pasco Utilities, Inc. shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that Pasco Utilities, Inc. shall be authorized to revise its miscellaneous service and service availability charges as set forth in the body of this order. It is further

ORDERED that Pasco Utilities, Inc. shall file a proposed customer notice to reflect the approved miscellaneous service and service availability charges. It is further

ORDERED that the approved miscellaneous service and service availability charges shall be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by our staff. It is further

ORDERED that within ten days of the date the order is final, Pasco Utilities, Inc. shall provide notice of the tariff changes regarding its miscellaneous service and service availability charges to all customers. The utility shall provide proof the customers have received notice within ten days after the date the notice was sent. It is further

ORDERED that the water rates shall be reduced as shown on Schedule No. 4 to remove rate case expense, grossed-up for regulatory assessment fees, which is being amortized over a four-year period. It is further

ORDERED that 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. The utility shall file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. It is further

ORDERED that if 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 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 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 \$13,180. Alternatively, the utility may 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), F.A.C. It is further

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

ORDERED that after any temporary rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility shall file reports with the Commission's Division of Economic regulation no later than the 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 Pasco Utilities, Inc. shall prepare monthly reports to monitor the effects of the changes in revenues to water systems. These reports shall reflect the number of bills rendered, the consumption billed, and the revenues billed. These reports shall be provided to our staff. It is further

ORDERED that these reports shall be prepared by customer class and meter size, on a quarterly basis for a period of two years, beginning the first billing period after the approved rates go into effect. It is further

ORDERED that Pasco Utilities, Inc. shall provide proof, within 90 days of the final order issued in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. It is further

ORDERED the provisions of this Order, except for the setting of temporary rates in the event of a protest by a party other than the utility, the statutory four-year rate reduction, the decision not to proceed with a show cause proceeding, and the requirement to adjust primary accounts in accordance with the NARUC USOA, are issued as proposed agency action, and 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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings." It is further

ORDERED that if no person whose substantial interests are affected by the Proposed Agency Action issues files a protest within twenty-one days of the issuance of the Order, a Consummating Order will be issued. It is further

ORDERED that the docket shall remain open for nine months after the Consummating Order for our staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the pro forma upgrades have been completed. It is further

By ORDER of the Florida Public Service Commission this 15th day of May, 2007.



ANN COLE

Commission Clerk

( S E A L )

LCB

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 setting of temporary rates in the event of protest, the statutory four-year rate reduction, the decision not to issue a show cause proceeding, and the requirement to adjust primary accounts in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), 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 Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 5, 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 Commission Clerk, 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 Office of Commission Clerk 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.

The part of the finding no need to initiating a show cause proceeding is preliminary, procedural or intermediate in nature. Any person whose substantial interests are affected by this decision may file a response within 21 days of issuance of this order as set forth herein. This response must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 5, 2007.

Failure to respond within the time set forth above shall constitute an admission of all facts and a waiver of the right to a hearing and a default pursuant to Rule 28-106.111(4), Florida Administrative Code. Such default shall be effective on the day subsequent to the above date.

If an adversely affected person fails to respond to the show cause portion of this order within the time prescribed above, that party may request judicial review by the Florida Supreme Court in the case of any electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, 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 of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure.

| <b>Pasco Utilities, Inc</b>                          |  | <b>Attachment A, Page 1 of 2</b>             |                 |
|--|--|--|-----------------|
| <b>Docket No: 060559-WU</b>                          |  | <b>Historical Test Year July 05- June 06</b> |                 |
| <b>WATER TREATMENT SYSTEM - USED AND USEFUL DATA</b> |  |  |                 |
| 1)   | Capacity of Plant  | 300  | gallons per min |
| 2)   | Single Maximum Day (SMD) in the Test Year  | 180.56                                       | gallons per min |
|  | a) Maximum day @ peak  | 361.12                                       | gallons per min |
| 3)   | Average Daily Flow   | 107.55                                       | gallons per min |
| 4)   | Fire flow Capacity (FF)<br>No fire hydrants within the system  | 0  | gallons per min |
| 5)   | Growth   | 24.25  |                 |
|  | a) Average Test Year Customers in ERCs:<br>Historical Test Year: (July 05- June 06)                    | 670  | ERCs            |
|  | b) Customer Growth in ERCs using<br>Regression Analysis for most recent 5 years<br>including Test Year | 9  | ERCs            |
|  | c) Statutory Growth Period   | 5  | Years           |
|  | d) Growth = (5b)x(5c)X[2a\ (5a)]   | 24.25  | gallons per min |
| 6)   | Excessive Unaccounted for Water (EUW)  | 0  | gallons per min |
|  | a) Percentage of Excessive amount  |  |                 |
|  | b) Total Unaccounted for Water   | 5.95   | gallons per min |
|  | c) Reasonable Amount<br>(10% of average Daily Flow)  | 10.76  | gallons per min |
|  | d) Excessive Amount  | 0  | gallons per min |

**USED AND USEFUL FORMULA**

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

$$[2 \times (180.56 - 0) + 0 + 24.25] / 300 = 100\% \text{ Used \& Useful}$$

|   |    |   |     |       |
|---|----|---|-----|-------|
| <b>Pasco Utility, Inc.</b>                              |    | <b>Attachment A, Page 2 of 2</b>  |     |       |
| <b>Docket No: 060559-WU</b>                             |    | <b>Historical Test Year July 05- June 06</b>  |     |       |
| <b>WATER DISTRIBUTION SYSTEM – USED AND USEFUL DATA</b> |    |   |     |       |
| 1)  |    | Capacity of System (ERCs)   | 882 | ERCs  |
| 2)  |    | Test Year Connections<br>Average Test Year  | 670 | ERCs  |
| 3)  |    | Growth  | 45  |       |
|   | a) | Customer growth in connections for<br>last 5 years including test year using<br>Regression Analysis | 9   | ERCs  |
|   | b) | Statutory Growth Period   | 5   | Years |
|   | c) | Growth = (a)x(b)<br>Connections allowed for growth  | 45  | ERCs  |

**USED AND USEFUL FORMULA**

$[2+3]/(1) = 81.07\%$  Used and Useful



| PASCO UTILITIES, INC.<br>TEST YEAR ENDING 6/30/06<br>SCHEDULE OF WATER RATE BASE |                           | SCHEDULE NO. 1-A<br>DOCKET NO. 060599-WU |                          |
|--|---------------------------|--|--------------------------|
| DESCRIPTION  | BALANCE<br>PER<br>UTILITY | COMM'N<br>ADJUST.<br>TO UTIL. BAL.       | BALANCE<br>PER<br>COMM'N |
| 1. UTILITY PLANT IN SERVICE  | \$553,632                 | (\$8,615)                                | \$545,017                |
| 2. LAND & LAND RIGHTS  | 19,300                    | (16,000)                                 | \$3,300                  |
| 3. NON-USED AND USEFUL COMPONENTS  | 0                         | (27,349)                                 | (\$27,349)               |
| 4. CIAC  | (404,497)                 | 1,013                                    | (\$403,485)              |
| 5. ACQUISITION ADJUSTMENT  | 0                         | 0  | \$0                      |
| 6. ACCUMULATED DEPRECIATION  | (369,892)                 | 65,220                                   | (\$304,672)              |
| 7. AMORTIZATION OF CIAC  | 271,564                   | (28,757)                                 | \$242,807                |
| 8. AMORTIZATION OF ACQUISITION ADJ.  | 0                         | 0  | \$0                      |
| 9. WORKING CAPITAL ALLOWANCE   | <u>0</u>                  | <u>16,937</u>                            | <u>\$16,937</u>          |
| 10. WATER RATE BASE  | \$70,107                  | \$2,449                                  | \$72,556                 |

| PASCO UTILITIES, INC.            |   | SCHEDULE 1-B         |                   |
|----------------------------------|---|----------------------|-------------------|
| TEST YEAR ENDING 6/30/06         |   | DOCKET NO. 060599-WU |                   |
| ADJUSTMENTS TO RATE BASE         |   |                      |                   |
| <u>UTILITY PLANT IN SERVICE</u>  |   | <u>WATER</u>         | <u>WASTEWATER</u> |
| 1                                | Decrease for retirements (AF 2)                                 | (33,756)             |                   |
| 2                                | Decrease for unsupported plant (AF-2)                           | (105,187)            |                   |
| 3                                | Increase for Plant Held for Future from prior Order (AF-2)      | 63,350               |                   |
| 4                                | Increase to reclassify office equip. from Acct. 620 (AF-7)      | 1,670                |                   |
| 5                                | Increase to reclassify meters from Acct. 636 (AF-7)             | 961                  |                   |
| 6                                | Increase to include pro forma plant                             | 80,753               |                   |
| 7                                | Decrease for retirements for pro forma plant                    | (12,565)             |                   |
| 8                                | Averaging adjustment  | <u>(3,842)</u>       |                   |
|                                  | Total   | <u>(\$8,615)</u>     | <u>\$0</u>        |
| <b>LAND AND LAND RIGHTS</b>      |   |                      |                   |
| 1                                | Decrease per prior Order No. 16112 (AF-3)                       | <u>(\$16,000)</u>    | <u>\$0</u>        |
| <b>NON-USED AND USEFUL PLANT</b> |   |                      |                   |
| 1                                | To reflect non-used and useful plant.                           | (\$66,496)           |                   |
| 2                                | To reflect non-used and useful accumulated depreciation.        | 39,668               |                   |
| 3                                | To reflect non-used and useful pro forma plant                  | <u>(520)</u>         |                   |
|                                  | Total   | <u>(\$27,349)</u>    | <u>\$0</u>        |
| <b>CIAC</b>                      |   |                      |                   |
| 2                                | Averaging adjustment  | <u>\$1,013</u>       | <u>\$0</u>        |
| <b>ACCUMULATED DEPRECIATION</b>  |   |                      |                   |
| 1                                | Accumulated depreciation per Rule 25-30.140, FAC                | \$50,682             |                   |
| 2                                | Increase to include accumulated depreciation on pro forma plant | (2,122)              |                   |
| 3                                | Decrease to remove pro forma retirements                        | 12,565               |                   |
| 4                                | Averaging adjustment  | <u>4,096</u>         |                   |
|                                  | Total   | <u>\$65,220</u>      | <u>\$0</u>        |
| <b>AMORTIZATION OF CIAC</b>      |   |                      |                   |
| 1                                | To adjust Amortization of CIAC based on staff's calculation     | (\$22,672)           |                   |
| 2                                | Averaging adjustment  | <u>(6,085)</u>       |                   |
|                                  | Total   | <u>(\$28,757)</u>    | <u>\$0</u>        |
| <b>WORKING CAPITAL ALLOWANCE</b> |   |                      |                   |
| 1                                | To reflect 1/8 of test year O & M expenses.                     | <u>\$16,937</u>      | <u>\$0</u>        |

PASCO UTILITIES, INC.  
 TEST YEAR ENDING 6/30/06  
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2  
 DOCKET NO. 060599-WU

| CAPITAL COMPONENT              | PER UTILITY       | SPECIFIC ADJUSTMENTS | BALANCE BEFORE PRO RATA ADJUSTMENTS | PRO RATA ADJUSTMENTS | BALANCE PER COMM'N | PERCENT OF TOTAL | COST        | WEIGHTED COST |
|--------------------------------|-------------------|----------------------|-------------------------------------|----------------------|--------------------|------------------|-------------|---------------|
| 1 COMMON STOCK                 | \$1,200           | (\$1,200)            | \$0                                 | 0                    |                    |                  |             |               |
| 2 RETAINED EARNINGS            | (485,506)         | 485,506              | 0                                   | 0                    |                    |                  |             |               |
| 3 PAID IN CAPITAL              | 241,016           | (241,016)            | 0                                   | 0                    |                    |                  |             |               |
| 4 OTHER COMMON EQUITY          | <u>0</u>          | <u>0</u>             | <u>0</u>                            | <u>0</u>             |                    |                  |             |               |
| TOTAL COMMON EQUITY            | (\$243,290)       | \$243,290            | \$0                                 | 0                    | 0                  | 0.00%            | 11.54%      | 0.00%         |
| LONG TERM DEBT                 |                   |                      |                                     |                      |                    |                  |             |               |
| 5 Homecoming Financial         | 199,000           |                      | 199,000                             | (140,157)            | 58,843             | 81.10%           | 9.25%       | 7.50%         |
| 6                              |                   |                      | 0                                   | 0                    | 0                  | 0.00%            |             | 0.00%         |
| 7                              | <u>0</u>          |                      | <u>0</u>                            | <u>0</u>             | <u>0</u>           | <u>0.00%</u>     |             | 0.00%         |
| TOTAL LONG TERM DEBT           | 199,000           | 0                    | 199,000                             | (140,157)            | 58,843             | 81.10%           |             |               |
| 8 CUSTOMER DEPOSITS            | <u>13,713</u>     | <u>0</u>             | <u>13,713</u>                       | <u>0</u>             | <u>13,713</u>      | <u>18.90%</u>    | 6.00%       | <u>1.13%</u>  |
| 9 TOTAL                        | <u>(\$30,577)</u> | <u>\$243,290</u>     | <u>\$212,713</u>                    | <u>(\$140,157)</u>   | <u>\$72,556</u>    | 100.00%          |             | <u>8.64%</u>  |
| <b>RANGE OF REASONABLENESS</b> |                   |                      |                                     |                      |                    | <b>LOW</b>       | <b>HIGH</b> |               |
| RETURN ON EQUITY               |                   |                      |                                     |                      |                    | 10.54%           | 12.54%      |               |
| OVERALL RATE OF RETURN         |                   |                      |                                     |                      |                    | 8.64%            | 8.64%       |               |

PASCO UTILITIES, INC.  
 TEST YEAR ENDING 6/30/06  
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE 3-A  
 DOCKET NO. 060599-WU

|                             | TEST YEAR<br>PER UTILITY | COMM'N<br>ADJUSTMENTS | COMM'N<br>ADJUSTED<br>TEST YEAR | ADJUST.<br>FOR<br>INCREASE | REVENUE<br>REQUIREMENT |
|-----------------------------|--------------------------|-----------------------|---------------------------------|----------------------------|------------------------|
| 1. OPERATING REVENUES       | <u>\$123,592</u>         | <u>\$12,037</u>       | <u>\$135,629</u>                | <u>\$19,101</u><br>14.08%  | <u>\$154,729</u>       |
| <b>OPERATING EXPENSES:</b>  |                          |                       |                                 |                            |                        |
| 2. OPERATION & MAINTENANCE  | 117,597                  | 17,899                | 135,496                         | 0                          | 135,496                |
| 3. DEPRECIATION (NET)       | (85)                     | 3,093                 | 3,008                           | 0                          | 3,008                  |
| 4. AMORTIZATION             | 0                        | 0                     | 0                               | 0                          | 0                      |
| 5. TAXES OTHER THAN INCOME  | 8,558                    | 542                   | 9,100                           | 860                        | 9,959                  |
| 6. INCOME TAXES             | 0                        | 0                     | 0                               | 0                          | 0                      |
| 7. TOTAL OPERATING EXPENSES | <u>\$126,070</u>         | <u>\$21,534</u>       | <u>\$147,604</u>                | <u>\$860</u>               | <u>\$148,464</u>       |
| 8. OPERATING INCOME/(LOSS)  | <u>(\$2,478)</u>         |                       | <u>(\$11,975)</u>               |                            | <u>\$6,266</u>         |
| 9. WATER RATE BASE          | <u>\$70,107</u>          |                       | <u>\$72,556</u>                 |                            | <u>\$72,556</u>        |
| 10. RATE OF RETURN          | <u>-3.53%</u>            |                       | <u>-16.50%</u>                  |                            | <u>8.64%</u>           |

**PASCO UTILITIES, INC.**  
**TEST YEAR ENDING 6/30/06**  
**ADJUSTMENTS TO OPERATING INCOME**

Schedule No. 3-B  
 DOCKET NO. 060599-WU  
 Page 1 of 2

|  | <u>WATER</u>      | <u>WASTEWATER</u> |
|--|-------------------|-------------------|
| <b>OPERATING REVENUES</b>  |                   |                   |
| 1 To adjust utility revenues to staff's calculated test year amount. | \$11,435          |                   |
| ·  |                   |                   |
| Increase for miscellaneous service revenue increase                  | <u>602</u>        |                   |
| Subtotal   | <u>\$12,037</u>   | <u>\$0</u>        |
| <b>OPERATION AND MAINTENANCE EXPENSES</b>                            |                   |                   |
| 1 Salaries and Wages – Officers (603/703)                            |                   |                   |
| ·  |                   |                   |
| Increase to include management fees July - September 2005 (AF-7)     | <u>\$4,500</u>    | <u>\$0</u>        |
| 2 Purchased Power (615/ 715)   |                   |                   |
| ·  |                   |                   |
| Increase to reflect unrecorded test period expense (AF-7)            | <u>\$139</u>      | <u>\$0</u>        |
| 3 Chemicals (618/718)  | <u>\$0</u>        | <u>\$0</u>        |
| ·  |                   |                   |
| 4 Materials and Supplies (620/720)                                   | <u>\$0</u>        | <u>\$0</u>        |
| ·  |                   |                   |
| 5 Contractual Services - Billing (630/ 730)                          | <u>\$0</u>        | <u>\$0</u>        |
| ·  |                   |                   |
| 6 Contractual Services - Professional (631/ 731)                     |                   |                   |
| ·  |                   |                   |
| Decrease for out of period expense (AF-7)                            | (\$10,571)        |                   |
| Decrease for nonutility legal expense                                | (994)             |                   |
| Amortize legal expense over 5 years                                  | <u>(3,484)</u>    |                   |
| Subtotal   | <u>(\$15,049)</u> | <u>\$0</u>        |
| 7 Contractual Services - Testing (635/ 735)                          |                   |                   |
| ·  |                   |                   |
| Decrease to remove testing included in management fee                | <u>(\$5,472)</u>  | <u>\$0</u>        |
| 8 Contractual Services - Other (636/ 736)                            |                   |                   |
| ·  |                   |                   |
| Decrease for credit received (AF-7)                                  | (\$1,496)         |                   |
| Decrease for meters capitalized (AF-7)                               | (961)             |                   |
| Decrease to remove unsupported item (AF-7)                           | (1,000)           |                   |
| Increase to reverse Dec. 2005 JE (AF-7)                              | 1,990             |                   |
| Decrease to remove services included in management fee               | (5,553)           |                   |
| Increase to annualize management fee                                 | 42,776            |                   |
| Increase to include and amortize pro forma expenses                  | <u>4,003</u>      |                   |
| Subtotal   | <u>\$39,759</u>   | <u>\$0</u>        |

(O & M EXPENSES CONTINUED ON NEXT PAGE)

PASCO UTILITIES, INC.  
 TEST YEAR ENDING 6/30/06  
 ADJUSTMENTS TO OPERATING INCOME

(O & M EXPENSES CONTINUED)

WATER                      WASTEWATER

|   |                            |                       |
|---|----------------------------|-----------------------|
| 8. Rents (640/740)  | <u>\$0</u>                 | <u>\$0</u>            |
| 9. Transportation Expense (650/750)                                   |                            |                       |
| Decrease to remove unsupported item (AF-7)                            | (\$1,000)                  |                       |
| Decrease to remove expense included in management fee                 | <u>(2,755)</u>             |                       |
| Subtotal  | <u>(\$3,755)</u>           | <u>\$0</u>            |
| 10. Insurance Expenses (655/ 755)                                     | <u>\$0</u>                 | <u>\$0</u>            |
| 11. Regulatory Expense (665/ 765)                                     |                            |                       |
| Amortize Rate Case expense over 4 years (\$1,000/4)                   | \$250                      |                       |
| Amortize notice expenses over 4 years (\$1,335/4)                     | <u>334</u>                 |                       |
| Subtotal  | <u>\$584</u>               | <u>\$0</u>            |
| 12. Miscellaneous Expense (675/ 775)                                  |                            |                       |
| Decrease to reclassify office equipment to 340 (AF-7)                 | (\$1,670)                  |                       |
| Decrease for unsupported expense (AF-7)                               | <u>(1,136)</u>             |                       |
| Subtotal  | <u>(\$2,806)</u>           | <u>\$0</u>            |
| <br><b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>              | <br><b><u>\$17,899</u></b> | <br><b><u>\$0</u></b> |
| <br><b>DEPRECIATION EXPENSE</b>                                       |                            |                       |
| 1. To reflect test year depreciation calculated per 25-30.140, F.A.C. | \$6,850                    | \$0                   |
| 2. Non-used and useful depreciation                                   | (1,763)                    |                       |
| 3. To reflect test year CIAC amortization calculated by staff         | (3,626)                    | 0                     |
| 4. Increase to include pro forma depreciation net retirement dep exp  | <u>1,632</u>               |                       |
| Total   | <u>\$3,093</u>             | <u>\$0</u>            |
| <br><b>TAXES OTHER THAN INCOME</b>                                    |                            |                       |
| 1. To include RAFs on Annualized Revenue                              | <u>\$542</u>               | <u>\$0</u>            |
| <br><b>INCOME TAX</b>   |                            |                       |
|   | <u>\$0</u>                 | <u>\$0</u>            |

| PASCO UTILITIES, INC.<br>TEST YEAR ENDING 6/30/06<br>ANALYSIS OF WATER OPERATION<br>AND MAINTENANCE EXPENSE | SCHEDULE NO. 3-C<br>DOCKET NO. 060599-WU |                           |                        |
|---|--|---------------------------|------------------------|
|   | TOTAL<br>PER<br>UTILITY                  | COMM'N<br>ADJUST-<br>MENT | TOTAL<br>PER<br>COMM'N |
| (601) SALARIES AND WAGES - EMPLOYEES  | \$0                                      | \$0                       | \$0                    |
| (603) SALARIES AND WAGES - OFFICERS   | 19,500                                   | 4,500                     | \$24,000               |
| (604) EMPLOYEE PENSIONS AND BENEFITS  | 0  | 0                         | \$0                    |
| (610) PURCHASED WATER   | 0  | 0                         | \$0                    |
| (615) PURCHASED POWER   | 7,101                                    | 139                       | \$7,240                |
| (616) FUEL FOR POWER PRODUCTION   | 0  | 0                         | \$0                    |
| (618) CHEMICALS   | 4,078                                    | 0                         | \$4,078                |
| (620) MATERIALS AND SUPPLIES  | 0  | 0                         | \$0                    |
| (630) CONTRACTUAL SERVICES - BILLING  |  | 0                         | \$0                    |
| (631) CONTRACTUAL SERVICES - PROFESSIONAL   | 15,920                                   | (15,049)                  | \$871                  |
| (635) CONTRACTUAL SERVICES - TESTING  | 5,472                                    | (5,472)                   | \$0                    |
| (636) CONTRACTUAL SERVICES - OTHER  | 55,355                                   | 39,759                    | \$95,114               |
| (640) RENTS   | 3,600                                    | 0                         | \$3,600                |
| (650) TRANSPORTATION EXPENSE  | 3,755                                    | (3,755)                   | \$0                    |
| (655) INSURANCE EXPENSE   |  | 0                         | \$0                    |
| (665) REGULATORY COMMISSION EXPENSES  |  | 584                       | \$584                  |
| (670) BAD DEBT EXPENSE  | 0  | 0                         | \$0                    |
| (675) MISCELLANEOUS EXPENSES  | <u>2,816</u>                             | <u>(2,806)</u>            | <u>\$10</u>            |
|   | <u>117,597</u>                           | <u>17,899</u>             | <u>135,496</u>         |

| PASCO UTILITIES, INC.<br>TEST YEAR ENDING 6/30/06<br>MONTHLY WATER RATES |                                | SCHEDULE 4<br>DOCKET NO. 050587-WS |                              |
|--|--------------------------------|------------------------------------|------------------------------|
|  | UTILITY'S<br>EXISTING<br>RATES | COMM'N<br>RECOMMENDED<br>RATES     | MONTHLY<br>RATE<br>REDUCTION |
| <b><u>RESIDENTIAL AND GENERAL SERVICE</u></b>                            |                                |                                    |                              |
| <b><u>Base Facility Charge by Meter Size</u></b>                         |                                |                                    |                              |
| All sizes  | \$8.00                         | N/A                                | N/A                          |
| 5/8" X 3/4"  |                                | \$5.62                             | \$0.02                       |
| 3/4"   |                                | \$8.43                             | \$0.03                       |
| 1"   |                                | \$14.05                            | \$0.06                       |
| 1-1/2"   |                                | \$28.10                            | \$0.11                       |
| 2"   |                                | \$44.96                            | \$0.18                       |
| 3"   |                                | \$89.92                            | \$0.36                       |
| 4"   |                                | \$140.50                           | \$0.55                       |
| 6"   |                                | \$281.00                           | \$1.11                       |
| <br><b><u>Gallonage Charge per 1,000 gallons</u></b>                     |                                |                                    |                              |
| 0 - 3,000 gallons  | \$0.00                         |                                    |                              |
| Over 3,000 gallons   | \$1.80                         |                                    |                              |
| All gallons  |                                | \$2.05                             | \$0.01                       |
| <br><b><u>FIRE PROTECTION SERVICE</u></b>                                |                                |                                    |                              |
|  | N/A                            |                                    |                              |
| <br><b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>  |                                |                                    |                              |
| 0 Gallons  | \$8.00                         | \$5.62                             |                              |
| 3,000 Gallons  | \$8.00                         | \$11.77                            |                              |
| 5,000 Gallons  | \$11.60                        | \$15.87                            |                              |
| 10,000 Gallons   | \$20.60                        | \$26.12                            |                              |



| PASCO UTILITIES, INC.      |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | SCHEDULE NO. 5 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| DOCKET NO. 060599-WU       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
| <b>Comm'n Recommended:</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
| Main Installation          | \$250.00        |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
| Charge:                    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
| Meter Installation         | \$125.00        |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
| Plant Capacity             | \$0.00          |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
|                            | <u>2006</u>     | <u>2007</u>     | <u>2008</u>     | <u>2009</u>     | <u>2010</u>     | <u>2011</u>     | <u>2012</u>     | <u>2013</u>     | <u>2014</u>     | <u>2015</u>     | <u>2016</u>     | <u>2017</u>    |
| Capacity                   | 432,000         | 432,000         | 432,000         | 432,000         | 432,000         | 432,000         | 432,000         | 432,000         | 432,000         | 432,000         | 432,000         | 432,000        |
| Demand                     | 154,872         | 154,872         | 158,022         | 161,172         | 164,322         | 167,472         | 170,622         | 173,772         | 176,922         | 180,072         | 183,222         | 186,372        |
| % Used                     | 35.85%          | 35.85%          | 36.58%          | 37.31%          | 38.04%          | 38.77%          | 39.50%          | 40.23%          | 40.95%          | 41.68%          | 42.41%          | 43.14%         |
| Growth (in ERCs)           |                 | 9               | 9               | 9               | 9               | 9               | 9               | 9               | 9               | 9               | 9               | 9              |
| Utility Plant              | 545,017         | 549,442         | 550,567         | 551,692         | 552,817         | 553,942         | 555,067         | 556,192         | 557,317         | 558,442         | 559,567         |                |
| Accumulated                | <u>-304,672</u> | <u>-321,963</u> | <u>-339,253</u> | <u>-356,544</u> | <u>-373,835</u> | <u>-391,126</u> | <u>-408,416</u> | <u>-425,707</u> | <u>-442,998</u> | <u>-442,998</u> | <u>-442,998</u> |                |
| Depreciation               |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
| Net Plant                  | <u>240,345</u>  | <u>227,479</u>  | <u>211,313</u>  | <u>195,148</u>  | <u>178,982</u>  | <u>162,816</u>  | <u>146,650</u>  | <u>130,485</u>  | <u>114,319</u>  | <u>115,444</u>  | <u>116,569</u>  |                |
| CIAC                       | -403,485        | 405,735         | 409,110         | 412,485         | 415,860         | 419,235         | 422,610         | 425,985         | 429,360         | 432,735         | 436,110         |                |
| Accumulated                | <u>242,807</u>  | <u>-255,643</u> | <u>-268,551</u> | <u>-281,530</u> | <u>-294,581</u> | <u>-307,702</u> | <u>-320,896</u> | <u>-334,160</u> | <u>-347,496</u> | <u>-347,532</u> | <u>-347,568</u> |                |
| Amortization               |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |
| Net CIAC                   | <u>-160,677</u> | <u>150,091</u>  | <u>140,558</u>  | <u>130,954</u>  | <u>121,279</u>  | <u>111,532</u>  | <u>101,714</u>  | <u>91,824</u>   | <u>81,863</u>   | <u>85,203</u>   | <u>88,542</u>   |                |
| Net Investment             | <u>401,022</u>  | <u>77,388</u>   | <u>70,755</u>   | <u>64,193</u>   | <u>57,703</u>   | <u>51,284</u>   | <u>44,937</u>   | <u>38,660</u>   | <u>32,456</u>   | <u>30,241</u>   | <u>28,027</u>   |                |
| CIAC Ratio:                | -66.85%         | 65.98%          | 66.52%          | 67.11%          | 67.76%          | 68.50%          | 69.36%          | 70.37%          | 71.61%          | 73.80%          | 75.96%          |                |