

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Highlands County by Mink Associates II, LLC
d/b/a Crystal Lake Club Utilities.

DOCKET NO. 060747-WS
ORDER NO. PSC-07-0668-PAA-WS
ISSUED: August 20, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
MATTHEW M. CARTER II
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

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 the action discussed herein, except for the granting of temporary rates, subject to refund, in the event of a protest, and reducing rates at the end of the four-year amortization period is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

I. Background

Mink Associates II, LLC d/b/a Crystal Lake Club Utilities (Crystal Lake Club or utility) is a Class C water and wastewater utility currently providing service to approximately 520 water and wastewater customers in Highlands County south of Avon Park. Crystal Lake Club is located in the Highlands Ridge Water Use Caution Area in the Southwest Florida Water Management District (SWFWMD). The utility's 2005 annual report shows combined operating revenues of \$137,585, operating expenses of \$217,458, and a net operating loss of \$79,873.

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FPSC-COMMISSION CLERK

The utility was granted Certificate Nos. 454-S¹ and 525-W² in 1989. Crystal Lake has been transferred four times.³ On May 27, 2003, CWS Communities LP (CWS) entered into a Mobile Home Park Purchase and Sale Agreement with Dockside Investors, L.L.C. (Dockside) for \$19 million. Dockside was created as a temporary, intermediate buyer. Upon closing on the transfer on September 3, 2003, all land was conveyed simultaneously and immediately by Dockside to Mink Associates I, LLC (Associates). A second entity was created for the operation of the Crystal Lake Club utility plant, called Mink Associates II, LLC. That same day, Dockside then transferred all of the utility facilities to Mink Associates II, LLC d/b/a Crystal Lake Club Utilities (Crystal Lake Club or buyer).

On December 14, 2004, Dockside and Crystal Lake Club submitted a joint application for transfer to Crystal Lake Club. No deficiencies were found in this application. On November 15, 2006, the utility filed an application for a staff-assisted rate case (SARC) and paid the appropriate filing fee. The official date of filing was established as January 12, 2007.

The utility's records have been audited for compliance with our rules and orders and to determine the components necessary for rate setting. Our staff engineer also conducted a field investigation of the utility's plant and service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating costs. A historical test year ending September 30, 2006, has been selected for this rate case.

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

¹ Wastewater certificate issued pursuant to Order No. 21515, issued July 7, 1989, in Docket No. 881002-SU, In re: Application of Century Group, Inc. for a sewer certificate in Highlands County.

² Water certificate issued pursuant to Order No. 22300, issued December 12, 1989, in Docket No. 891011-WU, In re: Application of Century Group, Inc. for original water certificate in Highlands County.

³ Century Group transferred the utility pursuant to Order No. 23974, issued January 9, 1991, in Docket No. 900527-WS, In re: Application for transfer of Certificates Nos. 525-W and 454-S from Century Group, Inc. to Crystal Lake Community, Limited Partnership, Diamond Valley Associates, Ltd., Friendly Village Lancaster Associates, Ltd. d/b/a Crystal Lake Club in Highlands County. The second transfer was approved pursuant to Order No. PSC-01-0428-PAA-WS, issued February 22, 2001, in Docket No. 991889-WS, In re: Application for transfer of Certificates Nos. 525-W and 454-S in Highlands County from Crystal Lake Club to CWS Communities LP d/b/a Crystal Lake Club. The third transfer was approved pursuant to Order No. PSC-02-1027-FOF-WS, issued July 29, 2002, in Docket No. 020101-WS, In re: Request for approval of transfer of majority organizational control of CWS Communities LP d/b/a Crystal Lake Club, holder of Certificate Nos. 525-W and 454-S in Highlands County, from CWS Communities Trust to CP Limited Partnership, known in Florida as Chateau Communities Limited Partnership. The fourth transfer was approved pursuant to Order No. PSC-05-0428-FOF-WS, issued April 20, 2005, in Docket No. 041394-WS, In re: Request for approval of transfer of CWS Communities LP d/b/a Crystal Lake Club, holder of Certificate Nos. 525-W and 454-S in Highlands County, to Mink Associates II, LLC d/b/a Crystal Lake Club Utilities.

II. Quality of Service

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

Quality of Service

Crystal Lake Club is a Class C utility, which provides both water and wastewater service to approximately 513 residential and 7 commercial connections in Highlands County. The utility's service area is located at Crystal Lake Club Estate, in Avon Park, Florida. The raw water source is ground water which is obtained from one well in the service area and treated. Wastewater service is provided to existing customers by the Crystal Lake Club's wastewater treatment plant.

Quality of Utility's Product

According to DEP's last sanitary survey report, the utility's water quality complies with DEP standards. In Highlands County, both the potable water and the wastewater programs are regulated by DEP's south district office, which is located in Ft. Myers, Florida. In addition, this utility is located within the Southwest Florida Water Management District. The wastewater treatment plant's last inspection was December 12, 2006, at which time the inspector noticed several deficiencies. However, the utility indicated it has made all of the necessary corrections, and on June 7, 2007, DEP confirmed the utility's compliance status. Therefore, the quality of the finished water and the treated wastewater products is satisfactory.

Operating Condition of the Water and Wastewater Treatment Facilities

Based on the DEP's inspection and staff's field inspection, the operating condition of the water treatment facility complies with DEP's regulatory standards. In addition, the wastewater treatment facilities comply with regulatory standards. Presently, the utility has no outstanding violations, citations, or corrective orders. Based on the above, the operating condition of the water and wastewater treatment facilities is satisfactory.

The Utility's Attempt to Address Customer Satisfaction

According to a review of our complaint records, there were no customer complaints recorded during the test year. In addition, DEP's records did not contain any customer

complaints on file. On May 23, 2007, our staff conducted a customer meeting near the utility's service territory. This meeting gave the customers an opportunity to present specific concerns regarding the utility's attitude and responsiveness to quality of service issues. Of the utility's 513 residential customers, only one customer attended the meeting, and no customers signed up to speak. In response to whether he had any items of concern, the customer stated he was pleased with the utility's service and its product. Therefore, it appears the utility is attempting to satisfy its customers.

Summary

Based on a review of the water and wastewater treatment systems, it appears the systems are operating properly and comply with DEP standards. In addition, we believe the utility is actively attempting to address the concerns of the customers. Therefore, the quality of service provided by Crystal Lake Club is satisfactory.

III. Used & Useful Percentages

Water Treatment Plant

The water treatment plant has a permitted maximum day capacity of 0.500 million gallons per day (mgd). This plant has only one well. Therefore, consistent with our past practice⁴ for water treatment plants with one well, we find the used and useful (U&U) percentage for the water treatment plant is 100% U&U.

Wastewater Treatment Plant

The wastewater treatment plant has an actual treatment design capacity of 0.140 mgd. Pursuant to Rule 25-30.432, F.A.C.:

The flow data to be used in the numerator of the equation for calculating the used and useful percentage of a wastewater treatment plant shall be the same period or basis (such as annual average daily flow, three-month average daily flow, maximum month average daily flow) as the period or basis stated for the permitted capacity on the most recent operating permit issued by the Florida Department of Environmental (DEP). The DEP permitted capacity shall be used in the denominator of the equation. In determining the used and useful amount, the Commission will also consider other factors such as the allowance for growth pursuant to Section 367.081(2)(a)2., F.S., infiltration and inflow, the extent to which the area served by the plant is built out, whether the permitted capacity differs from the design capacity, whether there are differences between the actual capacities of the individual components of the wastewater treatment plant and the

⁴ See Order No. PSC-03-1440-FOF-WS, issued December 22, 2003 in Docket No. 020071-WS, In Re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities Inc. of Florida, and Order No. PSC-00-0807-PAA-WU, issued April 25, 2000, in Docket No. 991290-WU, In Re: Application for staff-assisted rate case in Lake County by Brendenwood Water System.

permitted capacity of the plant, and whether flows have decreased due to conservation or a reduction in the number of customers.

The DEP designated units of permitted capacity is usually used to calculate the U&U percentage. For Crystal Lake Club, the DEP permitted capacity is 0.090 mgd based on Three Month Average Daily Flow (TMADF). For this utility, the permitted capacity was reduced since the percolation ponds are a limiting factor; therefore, we find that the permitted rather than the design capacity should be used to recognize this limiting factor. This is consistent with the methodology we approved in Crystal Lake Club's last rate case.⁵ The TMADF, per the utility's records, is 58,000 gallons per day (gpd). Pursuant to Section 367.0871(2)(a)2b, F.S., customer growth for the previous five years was calculated to be approximately 8.3 equivalent residential connections (ERCs) per year, which equates to 4,738 gpd. In accordance with the formula method for calculating U&U, we find the wastewater plant to be 69.71% U&U (see Attachment A, page 1 of 2). This is calculated by taking the TMADF, adding the growth allowance and subtracting the excess infiltration, and then dividing by the plant capacity. We note the utility's U&U percentage approved in its last rate case in 1994 was 68% U&U.

Water Distribution and Wastewater Collection Systems

Crystal Lake Club's customer base is primarily residential and, for this case, lots are equivalent to ERCs. In addition, the utility has 7 commercial customers. The water distribution and wastewater collection systems have the potential to serve an estimated 589 connections without the construction of additional distribution or collection mains. The average number of connections served during the test year was 508. Growth over the previous five years was calculated to be 8.3 ERCs per year. In accordance with the formula and the method of calculating U&U, we find the distribution and collection systems to be 93.29% U&U. This is calculated by taking the average test year number of lots plus the growth allowance, then dividing that total by the estimated capacity in lots (see Attachment A, page 2 of 2).

IV. Rate Base

By Order No. PSC-01-0428-PAA-WS, issued in the utility's last rate case, we established the utility's rate base. A historical test year ended September 30, 2006, was selected for this rate case. Using information obtained from our staff's audit and engineering reports, we have updated the rate base components established in Order No. PSC-01-0428-PAA-WS through September 30, 2006. A summary of each component and the adjustments follows:

Utility Plant in Service (UPIS): As stated previously, the utility has been transferred four times. The most recent transfer was approved in 2005. According to Audit Finding No. 2, the utility has not recorded the rate base we approved with adjustments, as required in Order No. PSC-05-0428-FOF-WS, issued April 20, 2005, in Docket No. 041394-WS. That order states:

⁵ See Order No. PSC-94-0243-FOF-WS, issued March 4, 1994, in Docket No. 930572-WS, In re: Application for Staff-Assisted Rate Case in Highlands County by Crystal Lake Club.

Rate base was last set for the utility as of August 30, 1999.⁶ Pursuant to section 367.071, Florida Statutes, we may set rate base in transfer dockets. Although rate base is typically set in transfer proceedings, no audit was performed in this docket. According to the contract in this transfer, the buyer and seller agreed that the portion of the purchase price allocable or attributable to the utility property is to be the net book value of the utility assets as established by this Commission. In the absence of this Commission setting rate base in this docket, the buyer will rely on the rate base established by the Commission in 1999 and subsequent adjustments made by the seller. In addition, because the purchase price is an allocated amount equal to rate base, there will be no resulting acquisition adjustment pursuant to Rule 25-30.0371, Florida Administrative Code.

Our audit staff therefore relied on the utility's 2005 Annual Report. According to the utility's books and records, UPIS is recorded at \$411,336 for water and \$706,901 for wastewater for the test year ending September 30, 2006. According to Audit Finding No. 3, the utility did not record retirements appropriately when it added plant to replace existing plant. We decreased UPIS for water by \$4,499 and wastewater by \$17,498 for retirements. In addition, Audit Finding No. 3 identified plant for which the utility was unable to provide supporting documentation. We decreased water plant by \$4,554 for unsupported plant. Audit Finding No. 3 also identified plant additions which were not recorded by the utility. We increased water plant by \$4,951 and wastewater plant by \$14,223 for unrecorded plant additions. The utility recorded \$6,295 in capitalized expenses for wastewater. Per Audit Finding No. 3 we decreased wastewater plant by \$6,295 to remove these expense items.

The utility provided the auditor with invoices for wastewater plant placed into service after the historic test year. These wastewater items total \$10,585 and we have included these items as pro forma plant additions. In addition, subsequent to the customer meeting, the utility provided a signed proposal for replacing the top portion of the water storage tank. This storage tank is in poor condition and is in need of repair. We find this to be a prudent item which shall therefore be included as part of water plant in service. An adjustment has been made to increase water plant by \$55,063, net of retirement.

Finally, UPIS was decreased by \$743 for water and \$6,009 for wastewater for an averaging adjustment. We find a UPIS balance of \$461,554 for water and \$701,907 for wastewater.

Land: In Order No. PSC-94-0243-FOF-WS, issued in Docket No. 930572-WS,⁷ which was the utility's last rate case, we approved land in the amount of \$3,403 for water and \$7,914 for wastewater. In Order No. PSC-01-0428-PAA-WS, supra, we once again approved these

⁶ Rate base was last set for the utility pursuant to Order No. PSC-01-0428-PAA-WS, issued February 22, 2001, in Docket No. 991889-WS, In Re: Application for transfer of Certificates Nos. 525-W and 454-S in Highlands County from Crystal Lake Club to CWS Communities LP d/b/a Crystal Lake Club.

⁷ Order No. PSC-94-0243-FOF-WS, issued March 4, 1994 in Docket No. 930572-WS, In re: Application for Staff-Assisted Rate Case in Highlands County by Crystal Lake Club.

amounts when establishing the appropriate rate base for that transfer. Pursuant to Order No. PSC-05-0428-FOF-WS, supra, we did not establish rate base. That order specifically states:

The application contained a copy of an executed 99-year lease between the association and Mink giving Mink long-term use of the land for its water and wastewater facilities. Mink shall file a recorded copy of the 99-year lease for the land for the water and wastewater facilities within 30 days of the issuance date of this Order. It is noted that Crystal Lake owned the land during the 1993 staff assisted rate case; therefore, land was included in the utility's rate base. The prudence of the annual land rental will be addressed in the utility's next rate proceeding.

The utility submitted a 99-year lease agreement for water and wastewater treatment facilities to the staff auditors. This lease was entered into between Mink Associates I, LLC a Florida limited liability company and Mink Associates II, LLC, d/b/a Crystal Lake Utilities, and is signed by the same managing partner for both parties. The lease agreement for the land is a related party transaction. By Order No. PSC-00-1513-TRF-WS,⁸ we found as follows:

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

Further, it is our practice that the appropriate rent amount for land, previously approved in rate base, shall be the annual rate of return, based on the utility's current capital structure, times the original cost of the land in service.⁹ In this case, we find that it is appropriate to reflect the approved amount of land in Crystal Lake Club's rate base. According to the lease agreement submitted, it is the lessees responsibility to pay monthly rent in the amount of \$6,240 for water and \$31,200 for wastewater. This amount is increased annually based on the Consumer Price Index. In addition, Crystal Lake Club is required to pay real estate taxes and personal property taxes. We find these amounts to be unreasonable. Accordingly, we have included land in the amount of \$3,403 for water and \$7,914 for wastewater.

⁸ Order No. PSC-00-1513-TRF-WS, issued August 21, 2000, in Docket No. 991835-WS, In Re: Application for allowance for funds prudently invested (AFPI) charge for additional water improvements and for additional lines associated with wastewater extension into George Mayo subdivision in Marion County, by Tradewinds Utilities, Inc.

⁹ See Order No. PSC-04-1264-PAA-SU, issued December 21, 2004, in Docket No. 040300-SU, In Re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities; Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS, In Re: Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.; Order No. PSC-00-0807-PAA-WU, issued April 25, 2000 in Docket No. 991290-WU, In Re: Application for staff-assisted rate case in Lake County by Brendenwood Water System.

Non-used and Useful Plant: As discussed above, the utility's water treatment plant shall be considered 100% used and useful. The wastewater treatment plant shall be considered 69.71% used and useful. Further, the water distribution and wastewater collection systems shall be considered 93.29% used and useful. We made adjustments to reduce water plant by \$12,522 and wastewater plant by \$15,744, to reflect the appropriate used and useful amount.

Contributions-in-Aid-of-Construction (CIAC): The utility's records indicate CIAC balances of \$189,675 for water and \$210,025 for wastewater. Pursuant to Audit Finding No. 6, these balances are understated. We have made adjustments to increase water CIAC by \$9,500 and wastewater by \$14,000. Further, we decreased CIAC by \$2,138 for water and \$3,150 for wastewater for averaging adjustments.

Accumulated Depreciation: The utility's records indicate accumulated depreciation balances of \$195,291 for water and \$373,916 for wastewater for the test year. Accumulated depreciation was calculated using the prescribed rates in Rule 25-30.140, F.A.C. The calculated accumulated depreciation on September 30, 2006, was \$202,993 for water and \$416,246 for wastewater. Therefore, we increased water accumulated depreciation by \$7,702 and wastewater by \$22,330 to reflect calculated depreciation. Corresponding adjustments were also made to include accumulated depreciation on the pro forma plant items. These adjustments result in a decrease in the amount \$33,297 for water, due to a retirement, and an increase in the amount of \$706 for wastewater. Further, we decreased accumulated depreciation by \$6,543 for water and \$15,350 for wastewater for averaging adjustments. These adjustments result in accumulated depreciation balances of \$196,449 for water and \$380,895 for wastewater.

Accumulated Amortization of CIAC: The utility's records indicate accumulated amortization of CIAC balances of \$83,536 for water and \$96,819 for wastewater for the test year. We recalculated amortization of CIAC using composite rates prescribed in Rule 25-30.140, F.A.C. for the CIAC. Based on this recalculation, we increased accumulated amortization of CIAC by \$6,526 for water and by \$20,955 for wastewater. In addition, we decreased this account by \$3,166 for water and by \$4,793 for wastewater to reflect averaging adjustments. Thus, the accumulated amortization of CIAC is \$86,893 for water and \$112,980 for wastewater.

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 calculated a working capital allowance of \$9,489 for water (based on O&M of \$75,909), and \$5,916 for wastewater (based on O&M of \$47,329). Working capital has been increased by these amounts to reflect one-eighth of the approved O&M expenses.

Rate Base Summary: Based on the forgoing, we find that the appropriate test year rate base is \$182,851 for water and \$208,203 for wastewater. A calculation of rate base is shown on Schedule Nos. 1-A, 1-B and 1-C.

V. Rate of Return

The utility's records indicate a negative retained earnings in the amount of \$311,135, and debt to parent in the amount of \$382,113. The debt to parent is an amount owed to Mink Associates for past expenses. However, there was no debt instrument presented, and no payments have been made. Consistent with our past practice, we included this amount as common equity and have made an adjustment in the amount of \$382,113.

The utility's capital structure has been reconciled with the approved rate base. Using the leverage formula approved by Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-WS, In Re: Water and Wastewater industry annual establishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S., the appropriate rate of return on equity is 9.06%.

Accordingly, we approve a return on equity of 9.06% with a range of 8.06% - 10.06% and an overall rate of return of 9.06%. The approved return on equity and overall rate of return are shown on Schedule No. 2

VI. Test Year Revenues

The utility recorded revenues of \$104,195 for water and \$49,938 for wastewater for the test year. Pursuant to Audit Finding No. 7, the utility's revenues are overstated for water and understated for wastewater. We calculated annualized revenue for the test period using the current rates multiplied by the number of bills and consumption provided in the billing analysis. Test year revenues were decreased by \$13,289 for water and increased by \$20,141 for wastewater to reflect annualized revenue based on the existing rates. We approve a test year revenue of \$90,906 for water and \$70,079 for wastewater.

Test year revenue is shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

VII. Operating Expenses

The utility's books reflected operating expenses of \$94,094 for water and \$115,522 for wastewater for the test year ending September 30, 2006. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. We have made several adjustments to the utility's operating expenses. A summary of adjustments to operating expenses is as follows:

Operation and Maintenance Expenses (O&M)

Sludge Removal – (711) – Pursuant to Audit Finding No. 9, the utility incorrectly recorded sludge removal expense in the amount of \$10,450 in Account 736. This amount should have been recorded in Account 711. An adjustment shall be made to reclassify sludge removal expense from Account 736 to 711.

Purchased Power – (615/715) – Pursuant to Audit Finding No. 8, the water operating expenses were understated and the wastewater operating expenses were overstated. The utility recorded \$13,147 for water and wastewater in this account for the test year. In accordance with Audit Finding No. 8, this account shall be increased by \$5,903 for water and decreased wastewater by \$6,023 for a total purchased power of \$19,050 for water and \$7,124 for wastewater.

Chemicals – (618/718) – Pursuant to Audit Finding No. 8, the water operating expenses were understated and the wastewater operating expenses were overstated. The utility recorded \$6,338 for water and wastewater in this account for the test year. In accordance with Audit Finding No. 8, this account shall be decreased by \$979 for water and increased wastewater by \$63. Accordingly, the appropriate chemical expense shall be \$5,359 for water and \$6,401 for wastewater.

Materials and Supplies – (620/720) – Pursuant to Audit Finding No. 8, the water operating expenses were understated and the wastewater operating expenses were overstated. The utility recorded \$1,400 for water and wastewater in this account for the test year. In accordance with Audit Finding No. 8, this account shall be increased by \$144 for water and decreased by \$39 for wastewater. We find the appropriate materials and supplies expense shall be \$763 for water and \$1,362 for wastewater.

Contractual Services – Professional (631/731) – The utility recorded \$475 for water and wastewater in these accounts for the test year. Pursuant to Audit Finding No. 8, the water operating expenses were understated and the wastewater operating expenses were overstated. In accordance with this finding, this account shall be increased by \$3,508 for water and \$3,188 for wastewater. We find the appropriate Contractual Services - Professional expense shall be \$3,983 for water and \$3,663 for wastewater.

Contractual Services – Testing – (635/735) – The utility recorded \$0 for water and \$0 for wastewater in this account for the test year. In accordance with Audit Finding No. 9, this account shall be increased by \$5,796 for water and \$9,154 for wastewater to reclassify testing expenses from Accounts 636 and 736, Contractual Services - Other.

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

Water

Description	Frequency
Total Coliform	5/month
TDS	2/ month
Chloride	2/quarter
Spec. Cond.	2/year
Ph	2/year
TDS	2/year

Turbidity	2/year
Sulfate	2/year
Chloride	2/year
Sodium	2/year
Gross Alpha	1/quarter
Radium 226/228	1/quarter
Uranium	1/quarter
Nitrate	1/year
Nitrite	1/year
TDS	1/year
Lead/Copper	Every 3 years
HAA3	1/year
TTHM	1/year
Primary Inorganics	Every 3 years
Secondary Inorganics	Every 3 years
SOC	Every 3 years
VOC	Every 3 years

Wastewater

Description	Frequency
TSS	3/week
Fecal	3/week
Nitrite	1/month
CBOD	2/month
Ph	4/year
TDS	4/year
Nitrate	4/year
Sulfate	4/year
Chloride	4/year
Fecal	4/year
Arsenic	4/year
Cadmium	4/year
Chromium	4/year
Lead	4/year

We find the appropriate amount for Contractual Services – Testing expense to be \$5,796 for water and \$9,154 for wastewater.

Contractual Services – Other (636/736) – The utility recorded \$56,426 for water and wastewater in these accounts for the test year. In accordance with Audit Finding No. 8, this account was increased by \$3,953 for water and decreased by \$1,167 for wastewater. In accordance with Audit Finding No. 9, we also decreased this account by \$1,096 for water and \$11,048 for wastewater to recognize plant items that should have been capitalized. As stated earlier, we

made adjustments of \$5,796 for water and \$9,154 for wastewater to reclassify testing expenses to Accounts 635 and 735. In addition, we also reclassified \$10,450 in wastewater expenses to sludge removal.

According to a letter from the property manager to our staff auditors, Mink Associates I, LLC purchased the 176 acre mobile home park in 2003. This included the utility facilities. A second entity was created for the operation of the Crystal Lake Club utility plant, called Mink Associates II, LLC. This entity is billed each month for the use of Mink Associates I employees, as well as for indirect expenses. A schedule of these non-direct expenses were as follows:

Mink Associates I, LLC Cost of Allocated Operations				
	Total Cost	Utility Allocated	Water	Wastewater
Manager's Salary	\$40,000	\$1,500	\$750	\$750
Office Salaries	\$28,000	\$1,390	\$695	\$695
Park Maintenance	\$28,000	\$1,000	\$500	\$500
Payroll Tax at 10%	\$9,600	\$390	\$195	\$195
Health Insurance	\$12,000	\$600	\$300	\$300
Property Insurance	\$60,000	\$900	\$450	\$450
Real Estate Tax	\$155,000	\$6,000	\$3,000	\$3,000
Mortgage Interest (\$15,300,000)	\$863,000	\$30,000	\$15,000	\$15,000
Total	\$1,213,600	\$41,780	\$20,890	\$20,890

In addition, the utility was charged a total management fee of \$7,537 from GDR Management. This is a management firm owned by Mr. Gerald D. Ross (GDR), who is also the property manager for Mink Associates I, LLC. We find this to be a reasonable amount of management fee for a utility this size. This fee is based on 5% of gross revenues. However, we do not believe there should also be a management fee charged by Mink Associates I. This appears to be duplicative in nature; therefore, we made an adjustment to reduce this account by \$750 for water and wastewater. In addition, it is not appropriate to include the mortgage interest amount for the purchase of the mobile home park. Interest expense is accounted for by including any utility related long-term debt in the capital structure. This amount is related to the purchase of the mobile home park, as well as the utility. However, there is no debt instrument associated with this amount, and no payments have been made to the parent company. There was an amount allowed in the capital structure, as discussed above. Accordingly, we find it appropriate to make an adjustment in the amount of \$15,000 for water and wastewater to remove the interest expense related to a mortgage.

We also find it appropriate to make an adjustment in the amount of \$500 for water and wastewater to remove the allocation of the park maintenance personnel. This Mink Associates I employee appears to be non-utility related. An adjustment in the amount of \$3,000 for water and wastewater shall also be made to reclassify the property tax allocation to taxes other than income. In summary, we find the appropriate Contractual Services – Other expense to be \$34,237 for water and \$5,357 for wastewater.

Rents – (640/740) – As discussed above, the utility recorded \$6,240 for water and \$31,200 for wastewater related to rent on the land the water and wastewater treatment facilities are located. As discussed above, we did not find this related party transaction to be appropriate. We have included the previously approved amount for land in rate base. Thus, we decreased these accounts by \$6,240 for water and \$31,200 for wastewater.

However, the utility submitted information related to the rental of office space for the utility. The utility's consultant submitted data obtained from three separate third party real estate agencies. Based on this information, we find an increase to rent expense by \$1,620 for water and wastewater to be appropriate.

Regulatory Commission Expense – 665/765 - The utility recorded \$0 for water and \$1,000 for wastewater in these accounts for the test year. The utility paid a \$1,000 filing fee for water and \$1,000 for wastewater in this rate case. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period. This results in an increase to water of \$250 and a decrease to wastewater of \$750 to recognize the annual amortization of the filing fee.

The utility submitted a request for rate case expense in the amount of \$10,664. The requested amount is as follows:

	Actual	Estimate to Complete	Total
Ruden McClosky	\$2,784	\$3,155	\$5,939
Excel Engineering	\$3,975	\$750	\$4,725
Total	\$6,759	\$3,905	\$10,664

Rule 25-30.455(1), F.A.C., specifies:

If a utility that chooses to utilize the staff assistance option employs outside experts to assist in developing information for staff or to assist in evaluating staff's schedules and conclusions, the reasonable and prudent expense will be recoverable through the rates developed by staff.

The utility's attorney included \$2,125 related to finalizing the rate case expense document, reviewing our staff's recommendation, preparing for agenda, reviewing our order, and preparing tariffs and notices. There was also an amount of \$80 for copying and postage. The utility filed for a staff assisted rate case, which pursuant to Section 367.0814(6), F.S., cannot be protested by the utility if it receives an increase. Our staff prepares the final notice and tariffs for the utility and submits them for their distribution. Further, as addressed below, we are approving an amount for copying and noticing for the utility. We do not find the requested amount to be reasonable or required; therefore, we have decreased rate case expense by \$2,205. The total approved rate case expense for the utility's attorney and engineer shall be \$8,459.

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 \$1,061 is a reasonable amount to be recovered, based on the number of customers, for additional mailing and copying expenses associated with this rate case. We find the appropriate total rate case expense to be \$11,520, or \$5,760 for water and wastewater. Amortized over four years the annual amount shall be \$1,440 each for water and wastewater. As a result, the total adjustment shall be to increase rate case expense by \$1,440 for water and \$440 for wastewater.

Miscellaneous Expense (675/775) – The utility recorded \$3,567 for water and \$2,768 for wastewater in these accounts for the test year. Pursuant to Audit Finding No. 8, the water operating expenses were understated and the wastewater operating expenses were overstated. In accordance with this finding, we approve an increase to this account by \$94 for water and \$758 for wastewater. In accordance with Audit Finding No. 9, we decreased wastewater by \$2,768 to reclassify taxes other than income.

Operation and Maintenance Expense (O&M) Summary – The total O&M adjustment is a decrease of \$11,684 for water and \$65,425 for wastewater. We find O&M expenses of \$75,909 for water and \$47,329 for wastewater. O&M expenses are shown on Schedules 3-D and 3-E.

Depreciation Expense (Net of Amortization of CIAC) – The utility's records indicate depreciation expense of \$2,934 for water and \$0 for wastewater for the test year. Depreciation was calculated by using the prescribed rates in Rule 25-30.140, F.A.C. We increased water by \$10,153 and wastewater by \$30,701 to reflect the calculated depreciation of \$13,087 for water and \$30,701 for wastewater. We calculated amortization of CIAC based on rates prescribed in Rule 25-30.140, F.A.C., for the CIAC that can be specifically identified by account and composite rates for the remainder. We further decreased these accounts by \$6,332 for water and \$9,587 for wastewater to reflect the calculated amortization of CIAC. Amortization of CIAC has a negative impact on depreciation expense. We also made adjustments to decrease water by \$608 and wastewater by \$6,706 to reflect the non-used and useful portion of depreciation expense. Adjustments were also made to increase depreciation expense by \$2,789 for water and \$706 for wastewater to reflect the appropriate pro forma plant items we are approving. Therefore, we find annual net depreciation expense of \$8,936 for water and \$15,114 for wastewater to be appropriate.

Taxes Other Than Income – The utility recorded taxes other than income of \$3,567 for water and \$2,768 for wastewater for the test year. These amounts include regulatory assessment fees (RAFs) of \$3,542 for water and \$2,743 for wastewater. We increased this account by \$549 for water and \$411 for wastewater to include the appropriate RAFs on the annualized revenue adjustment. Pursuant to Audit Finding No. 10, the amount reflected by the utility included penalty amounts for late payment of \$52 for water and \$40 for wastewater for RAFs. Consistent with our previous practice, we removed these penalty amounts as imprudent. As discussed previously, we also increased this account by \$3,000 for water and wastewater to reflect property taxes. Further, we made an adjustment to reflect the non used and useful portion of property tax. Thus, we find it appropriate to reduce property taxes by \$179 for water and \$147 for wastewater.

Income Tax – The utility is a limited liability partnership. Since the partners are assessed income taxes based on their income, no income taxes have been included.

Operating Revenues – Revenues have been increased by \$18,210 for water and increased by \$18,029 for wastewater to reflect the change in revenue required to cover expenses and allow the approved return on investment.

Taxes Other Than Income – Taxes other than income has been increased by \$819 for water and \$811 for wastewater to reflect RAFs of 4.5% on the change in revenues.

Operating Expenses Summary – The application of the approved adjustments to the audited test year operating expenses results in a calculated pre-repression operating expenses of \$92,550 for water and \$69,245 for wastewater. Operating expenses are shown on Schedules 3-A through 3E.

VIII. Revenue Requirement

Based on the calculated revenue requirement below, the utility earned below its approved rate of return on its water and wastewater systems. According to our calculations, the appropriate annual revenue increase is \$18,210 (20.03%) for water and an annual increase of \$18,029 (25.73%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 9.06 percent return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$182,851	\$208,203
Rate of Return	x .0906	x .0906
Return on Rate Base	\$16,566	\$18,863
Adjusted O & M expense	\$75,909	\$47,329
Depreciation expense (Net)	\$ 8,936	\$15,114
Amortization	\$0	\$0
Taxes Other Than Income	\$ 7,705	\$ 6,803
Income Taxes	\$0	\$0
Revenue Requirement	<u>\$109,116</u>	<u>\$88,109</u>
Adjusted Test Year Revenues	<u>\$90,906</u>	<u>\$70,079</u>
Percent Increase/(Decrease)	<u>20.03%</u>	<u>25.73%</u>

Based on the foregoing, we find the appropriate annual revenue increase to be \$18,210 (20.03%) for water and an annual increase of \$18,029 (25.73%) for wastewater. Revenue requirements are shown on Schedule Nos. 3-A and 3-B.

IX. Rates and Charges

The utility currently has a base facility charge (BFC)/uniform gallonage charge rate structure for its water system. Prior to filing for rate relief, the BFC for 5/8" x 3/4" meter customers was \$2.90 per month. The usage charge prior to filing for rate relief was \$1.35 per kgal.

Crystal Lake Utilities is located in Highlands County within the Southwest Florida Water Management District (SWFWMD or District) in the Southern Water Use Caution Area. Our preferred rate structure had traditionally been the BFC/uniform gallonage charge rate structure. However, over the past several years, the Water Management Districts have requested whenever possible that an inclining block rate structure be implemented. This is also consistent with the recommendations resulting from the Water Conservation Initiative.

Water Rates

A detailed analysis of the utility's billing data was performed 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 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 the Commission's Memorandum of Understanding with the state's Water Management Districts.

Based on our analysis and conversations with a utility representative, it was determined that the customer base is seasonal, and that the average residential consumption during the test year was 8.7 kgal/month. This level of usage indicates a relatively high level of discretionary usage. Based on the consumption pattern above, we attempted to design an inclining block rate structure. However, since the current rates are low, and the approved revenue requirement increase is relatively small, we are unable to design a meaningful inclining block rate structure consistent with how we typically sets water rates. Therefore, we find that the current BFC/uniform gallonage charge rate structure shall be continued for the water system. Furthermore, we find that the 20.03% revenue requirement increase be applied as an across-the-board increase to the water system's BFC and gallonage charges. This results in the BFC cost recovery percentage remaining at 19.7%, and BFC and gallonage charges of \$3.48 and \$1.63, respectively.

Wastewater Rates

The utility's current wastewater system rate structure consists of a BFC/gallage charge rate structure. Prior to filing for rate relief, the BFC for 5/8" x 3/4" meter customers was \$3.91 per month. The corresponding monthly gallage charge for residential service was \$1.53, capped at a monthly usage of 6 kgal. The general service gallage charge rate was 1.2 times greater than the residential charge, at \$1.84 per kgal.

Based on initial accounting allocations and before any rate design adjustments, the wastewater BFC would recover 36.17% of the cost of service. However, due to the capital-intensive nature of wastewater plants, we find that the BFC cost recovery allocation shall be changed to 50%. The residential wastewater gallage cap shall remain at 6 kgal per month.

Based on the foregoing, we find that the appropriate rate structure for the water system is a continuation of the BFC/uniform gallage charge rate structure. The water system's BFC shall continue to recover 19.70% of the cost to provide service. We find the appropriate rate structure for the wastewater system is a continuation of the BFC/gallage charge rate structure with a 6 kgal gallon cap for residential customers. The general service gallage charge shall be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system shall be set at 50%.

Repression Adjustment

Based on our analysis, a repression adjustment is not warranted in this case due to the small magnitude of the approved revenue increase and rate design changes. However, we find it appropriate that monthly reports be prepared to monitor the effects resulting from the changes in revenues to both the water and wastewater systems. These reports should reflect the number of bills rendered, the consumption billed, and the revenues billed. These reports should be provided to our staff. In addition, these reports should 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 shall file a revised monthly report for that month within 30 days of any revision.

The approved rates are designed to produce revenue of \$109,116 for water and \$88,109 for wastewater, excluding miscellaneous service charges. The approved rates have been calculated using test-year number of bills and consumption. The approved rates for wastewater have been calculated based on 80% of the water used by residential customers being returned to the system. The approved rates also include a 6,000 gallon monthly gallage cap for residential wastewater customers.

The utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer

notice and the notice has been received by the customers. 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 and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively.

Temporary Rates in the Event of a Protest

This Proposed Agency Action Order proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the utility, the rates set forth herein shall be approved as temporary rates. The rates collected by the utility shall be subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon the 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 \$25,007. 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 security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Commission Clerk and Administrative Services must be a signatory to the escrow agreement.
- 9) This account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase shall be maintained by the utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

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

The utility shall file revised tariff sheets which are consistent with our approval. Our staff shall be 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 customer deposit shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

Four-Year 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 \$1,508 annually for both water and wastewater. Using the utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule Nos. 4-A and 4-B.

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 also shall 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.

Miscellaneous Service Charges

Miscellaneous service charges were approved for Crystal Lake Club on March 4, 1994, 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. We find it appropriate that these charges be updated to reflect current costs. The utility agrees with this update. We find that Crystal Lake Club shall be allowed to increase its water and wastewater miscellaneous service charges from \$15 to \$22 and to \$44 for after hours, and to modify its Premises Visit (in lieu of disconnection) charge. If both water and wastewater services are provided, a single charge is appropriate unless circumstances beyond the control of the utility requires multiple actions. The current and approved charges are shown below.

Water Miscellaneous Service Charges

	<u>Current Charges</u>		<u>Commission Approved</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

Wastewater Miscellaneous Service Charges

	<u>Current Charges</u>		<u>Commission Approved</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	Actual Cost	N/A	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	\$10	N/A	N/A	N/A
Premises Visit	N/A	N/A	\$22	\$44

As previously stated, the industry-wide 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.,¹⁰ 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 find a \$22 charge to be reasonable and is cost based. By Order No. PSC-06-0684-PAA-WS, issued August 8, 2006,¹¹ and by Order No. PSC-05-0776-TRF-WS, issued July 26, 2005,¹² 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.

Crystal Lake Club’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 Charge.” 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

¹⁰ 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.

¹¹ Docket No. 050587-WS, In re: Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC.

¹² 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.

addition, by Order No. PSC-05-0397-TRF-WS, issued April 18, 2005,¹³ we approved a Premises Visit Charge to be levied when a service representative visits a premises at the customer's request and the problem is found to be the customer's responsibility. Based on the foregoing, the Premises Visit (in lieu of disconnection) shall be eliminated and we find the Premises Visit Charge to be reasonable and shall be approved.

In summary, 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 approved charges. The approved charges shall be effective for service rendered on or after the stamped approval date of the tariff sheets, 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 changes to all customers. The utility shall provide proof the customers have received notice within 10 days after the date the notice was sent.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Mink Associates II, LLC d/b/a Crystal Lake Club Utilities' application for increased rates and charges is hereby approved as set forth in the body of this Order. It is further

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

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

ORDERED that Mink Associates II, LLC d/b/a Crystal Lake Club Utilities is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Mink Associates II, LLC d/b/a Crystal Lake Club Utilities shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. It is further

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

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

¹³ 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.

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

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

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

ORDERED that prior to implementation of any temporary rates, the utility shall provide appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$25,007. Alternatively, the utility could establish an escrow agreement with an independent financial institution. It is further

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

ORDERED that Mink Associates II, LLC d/b/a Crystal Lake Club Utilities shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after any temporary rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with the Commission Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, except for the granting of temporary rates, subject to refund, in the event of a protest, and reducing rates at the end of the four-year amortization period, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the 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" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the order, a Consummating Order will be issued. However, the docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by our staff. When the PAA issues are final and the tariff and notice actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 20th day of August, 2007.



ANN COLE
Commission Clerk

(S E A L)

LAH

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 herein, except for the four-year rate reduction, and proof of adjustment of books and records, 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 September 10, 2007. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Office of 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 Director, 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.

Crystal Lake Club Utilities
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Attachment A page 1 of 2

WASTEWATER TREATMENT PLANT – USED AND USEFUL DATA

1)	Permitted Capacity of Plant (TMADF)	90,000	gallons per day
2)	Average Daily Glow (TMADF)	58,000	gallons per day
3)	Growth		
a)	Average Test Year Customers in ERCs:	508	ERCs
	Customer Growth in ERCs using Regression		
b)	Analysis for most recent 5 years including Test Year	8.3	ERCs
c)	Statutory Growth Period	5	Years
d)	Growth = (3b)x(3c)x[2\ (3a)]	4,738	gallons per day
4)	Excessive Infiltration or Inflow (I&I)	0	gallons per day
a)	Total I & I	0	gallons per day
b)	Percent of Excessive		
c)	Reasonable Amount (500 gpd per inch diameter pipe per mile)		gallons per day
d)	Excessive Amount	0	gallons per day

USED AND USEFUL FORMULA

$$[(2) + (3) - (4)] / (1) =$$

$$(58,000 + 4,738 / 90,000 = (69.71\%) \text{ Used \& Useful}$$

Crystal Lake Club Utilities
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Attachment A, Page 2 of 2

**WATER DISTRIBUTION and WASTEWATER COLLECTION SYSTEMS
 USED AND USEFUL**

1)	Capacity of System (ERCs)	589	ERCs
2)	Average Test Year Connections	508	ERCs
3)	Growth		
a)	Customer growth in connections for last 5 years including test year using Regression Analysis	8.3	ERCs/yr
b)	Statutory Growth Period	5	Years
c)	Growth = (a)x(b) Connections allowed for growth	41.5	ERCs

USED AND USEFUL FORMULA

$[2+3]/(1) = 93.29\%$ Used and Useful

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 1-A	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$411,336	\$50,218	\$461,554
2. LAND & LAND RIGHTS	\$3,403	\$0	\$3,403
3. NON-USED AND USEFUL COMPONENTS	\$0	(\$12,522)	(\$12,522)
4. CIAC	(\$189,675)	(\$7,363)	(\$197,038)
5. ACCUMULATED DEPRECIATION	(\$195,291)	\$32,139	(\$163,152)
6. AMORTIZATION OF CIAC	\$83,536	\$3,360	\$86,896
7. Net Acquisition Adjustment	\$0	\$0	\$0
8. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	\$3,710	<u>\$3,710</u>
WATER RATE BASE	\$113,309	\$69,542	\$182,851

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 1-B	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$706,901	(\$4,994)	\$701,907
2. LAND & LAND RIGHTS	\$7,914	\$0	\$7,914
3. NON-USED AND USEFUL COMPONENTS	\$0	(\$15,744)	(\$15,744)
4. CIAC	(\$210,025)	(\$10,850)	(\$220,875)
5. ACCUMULATED DEPRECIATION	(\$373,916)	(\$7,685)	(\$381,601)
6. AMORTIZATION OF CIAC	\$96,819	\$16,161	\$112,980
7. Net Acquisition Adjustment	\$0	\$0	\$0
8. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	\$3,622	<u>\$3,622</u>
WASTEWATER RATE BASE	\$227,693	(\$19,490)	\$208,203

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 1-C	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
ADJUSTMENTS TO RATE BASE			
		<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>			
1.	To reflect retirements not recorded properly	(\$4,499)	(\$17,498)
2.	To reflect additions with no supported documentations	(\$4,554)	\$0
3.	To reflect additions not recorded	\$4,951	\$14,223
4.	To reflect capitalized expenses	\$0	(\$6,295)
5.	Pro forma items	\$55,063	\$10,585
6.	To reflect averaging adjustment	(\$743)	(\$6,009)
	Total	<u>\$50,218</u>	<u>(\$4,994)</u>
<u>Non-Used and Useful</u>			
1.	To reflect net non-used and useful adjustment	(\$12,522)	(\$15,744)
	Total	<u>(\$12,522)</u>	<u>(\$15,744)</u>
<u>Contributions In Aid of Construction</u>			
1.	To adjust CIAC based on audit	(\$9,500)	(\$14,000)
2.	Averaging Adjustment	\$2,138	\$3,150
	Total	<u>(\$7,363)</u>	<u>(\$10,850)</u>
-			
<u>ACCUMULATED DEPRECIATION</u>			
1.	Depreciation Adjustment Per Rule 25-30.140 FAC	(\$7,702)	(\$22,330)
2.	Pro forma items	\$33,297	(\$706)
3.	Averaging Adjustment	\$6,543	\$15,350
	Total	<u>\$32,139</u>	<u>(\$7,685)</u>
-			
<u>AMORTIZATION OF CIAC</u>			
1.	To adjust Amortization of CIAC based on composite rates	\$6,526	\$20,955
2.	Averaging Adjustment	(\$3,166)	(\$4,793)
	Total	<u>\$3,360</u>	<u>\$16,161</u>
-			
<u>WORKING CAPITAL ALLOWANCE</u>			
1.	To reflect 1/8 of test year O & M expenses.	\$9,489	\$5,916

CRYSTAL LAKE CLUB UTILITIES

TEST YEAR ENDING 09/30/06

SCHEDULE OF CAPITAL STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE		BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS				
1. COMMON STOCK	\$0	\$0	\$0					
2. RETAINED EARNINGS	(146,932)	382,113	235,181					
3. PAID IN CAPITAL	0	0	0					
4. TREASURY STOCK			<u>0</u>					
5. TOTAL COMMON EQUITY	(\$146,932)	\$382,113	235,181	\$155,872	391,053	100.00%	9.06%	9.06%
6. LONG TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
7. LONG TERM DEBT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>		<u>0.00%</u>
TOTAL LONG TERM DEBT	0	0	0	0	0	0.00%		
8. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>		<u>0.00%</u>
9. TOTAL	<u>-\$146,932</u>	<u>\$382,113</u>	<u>\$235,181</u>	<u>\$155,872</u>	<u>\$391,053</u>	<u>100.00%</u>		<u>9.06%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>8.06%</u>	<u>10.06%</u>	
OVERALL RATE OF RETURN						<u>8.06%</u>	<u>10.06%</u>	

CRYSTAL LAKE CLUB UTILITIES
 TEST YEAR ENDING 09/30/06
 SCHEDULE OF WATER OPERATING INCOME

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$104,195</u>	<u>-\$13,289</u>	<u>\$90,906</u>	<u>\$18,210</u> 20.03%	<u>\$109,116</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	87,593	(11,684)	<u>\$75,909</u>	0	75,909
3. DEPRECIATION (NET)	2,934	6,002	8,936	0	8,936
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,567	3,318	6,885	819	7,705
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$94,094</u>	<u>(\$2,364)</u>	<u>\$91,730</u>	<u>\$819</u>	<u>\$92,550</u>
8. OPERATING INCOME/(LOSS)	<u>\$10,101</u>		<u>(\$825)</u>		<u>\$16,566</u>
9. WATER RATE BASE	<u>\$113,309</u>		<u>\$182,851</u>		<u>\$182,851</u>
10. RATE OF RETURN	<u>8.91%</u>		<u>-0.45%</u>		<u>9.06%</u>

CRYSTAL LAKE CLUB UTILITIES			SCHEDULE NO. 3-B		
TEST YEAR ENDING 09/30/06			DOCKET NO. 060747-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$49,938</u>	<u>\$20,141</u>	<u>\$70,079</u>	<u>\$18,029</u> 25.73%	<u>\$88,109</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	112,754	(65,425)	47,329	0	47,329
3. DEPRECIATION (NET)	0	15,114	15,114	0	15,114
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,768	3,224	5,992	811	6,803
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$115,522</u>	<u>-\$47,088</u>	<u>\$68,434</u>	<u>\$811</u>	<u>\$69,245</u>
8. OPERATING INCOME/(LOSS)	<u>(\$65,584)</u>		<u>\$1,645</u>		<u>\$18,863</u>
9. WASTEWATER RATE BASE	<u>\$227,693</u>		<u>\$208,203</u>		<u>\$208,203</u>
10. RATE OF RETURN	<u>-28.80%</u>		<u>0.79%</u>		<u>9.06%</u>

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 3-C	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 2	
		<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES			
1.	a. To reflect the appropriate test year revenue	<u>(13,289)</u>	<u>20,141</u>
	Subtotal	<u>(13,289)</u>	<u>20,141</u>
OPERATION AND MAINTENANCE EXPENSES			
1.	Sludge Removal Expense (711)		
	a. To reclassify from Acct. 736 to 711		10,450
	Total		<u>10,450</u>
2.	Purchased Power (615/ 715)		
	a. To reflect appropriate amount per AF8	<u>5,903</u>	(6,023)
	Subtotal	<u>5,903</u>	<u>(6,023)</u>
3.	Chemicals (618/ 718)		
	a. To reflect appropriate amount per AF8	<u>(979)</u>	63
	Subtotal	<u>(979)</u>	63
4.	Material & Supplies (620/720)		
	a. To reflect appropriate amount per AF8	144	(38)
	b. To remove capitalized plant (AF9)	<u>(781)</u>	0
	Subtotal	<u>(637)</u>	<u>(38)</u>
5.	Contractual Services- Professional (631/731)		
	a. To reflect appropriate amount per AF8	<u>3,508</u>	<u>3,188</u>
	Subtotal	<u>3,508</u>	<u>3,188</u>
6.	Contractual Services - Testing (635/ 735)		
	a. To reflect reclassification from Accts. 636/736 - (AF9)	<u>5,796</u>	<u>9,154</u>
	Subtotal	<u>5,796</u>	<u>9,154</u>
7.	Contractual Services - Other (636/ 736)		
	a. To reflect appropriate amount per AF8	3,953	(1,167)
	b. To remove capitalized plant (AF9)	(1,096)	(11,048)
	c. To reflect reclassification to Accts. 635/735 - (AF9)	(5,796)	(9,154)
	d. To reflect reclassification to Acct. 711 - (AF9)	0	(10,450)
	e. To remove the mortgage interest related to purchase	(15,000)	(15,000)
	f. To remove duplicate management fee	(750)	(750)
	g. To remove non-utility park employee	(500)	(500)
	h. To reclassify property taxes	<u>(3,000)</u>	<u>(3,000)</u>
	Subtotal	<u>(22,189)</u>	<u>(51,069)</u>

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 3-C	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 2	
	<u>WATER</u>	-	<u>WASTEWATER</u>
8. Rents (640/ 740)		-	
a. To remove land rent charged to utility	(6,240)		(31,200)
b. To include office rent	<u>1,620</u>		<u>1,620</u>
Subtotal	<u>(4,620)</u>		<u>(29,580)</u>
9. Regulatory Expense (665/ 765)		-	
a. To reflect staff's recommended rate case expense	1,440		440
Subtotal	<u>1,440</u>		<u>440</u>
10. Miscellaneous Expense (675/ 775)		-	
a. To reflect appropriate amount per AF8	94		758
b. To reclassify taxes other than income (AF9)	0		(2,768)
Subtotal	<u>94</u>		<u>(2,010)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(11,684)</u>	-	<u>(65,425)</u>
DEPRECIATION EXPENSE			
1. To reflect test year depreciation calculated per 25-30.140, FAC	10,153		30,701
2. Non-used and useful depreciation	(608)		(6,706)
3. Pro forma plant	2,789		706
4. To reflect test year CIAC amortization calculated by staff	<u>(6,332)</u>		<u>(9,587)</u>
Total	<u>6,002</u>		<u>15,114</u>
TAXES OTHER THAN INCOME			
1. To reflect rafs	549		411
2. To remove penalties and interest	(52)		(40)
3. To reflect the appropriate property tax	3,000		3,000
4. To remove non u&u property tax	<u>(179)</u>		<u>(147)</u>
Total	<u>3,318</u>		<u>3,224</u>

CRYSTAL LAKE CLUB UTILITIES

SCHEDULE NO. 3-D

TEST YEAR ENDING 09/30/06

DOCKET NO. 060747-WS

WATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER PER UTILITY	COMMISSION PER ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	0	0	\$0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	\$0
(610) PURCHASED WATER	0	0	\$0
(615) PURCHASED POWER	13,147	5,903	\$19,050
(616) FUEL FOR POWER PRODUCTION	0	0	\$0
(618) CHEMICALS	6,338	-979	\$5,359
(620) MATERIALS AND SUPPLIES	1,400	-637	\$763
(630) CONTRACTUAL SERVICES - BILLING	0	0	\$0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	475	3,508	\$3,983
(635) CONTRACTUAL SERVICES - TESTING	0	5,796	\$5,796
(636) CONTRACTUAL SERVICES - OTHER	56,426	-22,189	\$34,237
(640) RENTS	6,240	(4,620)	\$1,620
(650) TRANSPORTATION EXPENSE	0	0	\$0
(655) INSURANCE EXPENSE	0	0	\$0
(665) REGULATORY COMMISSION EXPENSE	0	1,440	\$1,440
(670) BAD DEBT EXPENSE	0	0	\$0
(675) MISCELLANEOUS EXPENSES	<u>3,567</u>	<u>94</u>	<u>\$3,661</u>
Total	87,593	(11,684)	75,909

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 3-E	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENT	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(703) SALARIES AND WAGES - OFFICERS	0	0	\$0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	\$0
(710) PURCHASED SEWAGE TREATMENT	0	0	\$0
(711) SLUDGE REMOVAL EXPENSE	0	10,450	\$10,450
(715) PURCHASED POWER	13,147	(6,023)	\$7,124
(716) FUEL FOR POWER PRODUCTION	0	0	\$0
(718) CHEMICALS	6,338	63	\$6,401
(720) MATERIALS AND SUPPLIES	1,400	-38	\$1,362
(730) CONTRACTUAL SERVICES - BILLING	0	0	\$0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	475	3,188	\$3,663
(735) CONTRACTUAL SERVICES - TESTING	0	9,154	\$9,154
(736) CONTRACTUAL SERVICES - OTHER	56,426	(51,069)	\$5,357
(740) RENTS	31,200	(29,580)	\$1,620
(750) TRANSPORTATION EXPENSE	0	0	\$0
(755) INSURANCE EXPENSE	0	0	\$0
(765) REGULATORY COMMISSION EXPENSES	1,000	440	\$1,440
(770) BAD DEBT EXPENSE	0	0	\$0
(775) MISCELLANEOUS EXPENSES	<u>2,768</u>	<u>-2,010</u>	<u>\$758</u>
Total	<u>112,754</u>	<u>(65,425)</u>	<u>47,329</u>

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 4-A	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
RATES AND RATE REDUCTION AMOUNT			
<u>AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS</u>			
<u>MONTHLY WATER RATES</u>		MONTHLY	MONTHLY
	EXISTING	APPROVED	RATE
Residential, Multi-Family and General Service:	<u>RATES</u>	<u>RATES</u>	<u>REDUCTION</u>
<u>Base Facility Charge:</u>			
Meter Size:			
5/8"X3/4"	\$2.90	\$3.48	\$0.05
3/4"	\$4.34	\$5.22	\$0.07
1"	\$7.24	\$8.70	\$0.12
1-1/2"	\$14.48	\$17.40	\$0.24
2"	\$23.16	\$27.84	\$0.38
3"	\$46.34	\$55.68	\$0.77
4"	\$72.40	\$87.00	\$1.20
6"	\$144.82	\$174.00	\$2.40
<u>Gallonage Charge</u>			
Per 1,000 gallons	\$1.35	\$1.63	\$0.02

CRYSTAL LAKE CLUB UTILITIES		SCHEDULE NO. 4-B	
TEST YEAR ENDING 09/30/06		DOCKET NO. 060747-WS	
RATES AND RATE REDUCTION AMOUNT			
<u>AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS</u>			
<u>MONTHLY WASTEWATER RATES</u>	EXISTING <u>RATES</u>	MONTHLY APPROVED <u>RATES</u>	MONTHLY RATE <u>REDUCTION</u>
<u>Residential Service</u>			
<u>Base Facility Charge</u>			
All Meter Sizes		\$7.22	\$0.12
<u>Gallonge Charge</u>			
Per 1,000 gallons (6,000 gallon cap)		\$1.46	\$0.02
<u>Residential Service</u>			
<u>Base Facility Charge</u>			
Meter Size:			
5/8"X3/4"	\$3.91		
3/4"	\$5.87		
1"	\$9.78		
1-1/2"	\$19.54		
2"	\$31.27		
3"	\$62.53		
4"	\$97.71		
6"	\$195.42		
<u>Gallonge Charge</u>			
Per 1,000 gallons (6,000 gallon cap)	\$1.53		
<u>Multi-Family and General Service</u>			
<u>Base Facility Charge</u>			
Meter Size:			
5/8"X3/4"	\$3.91	\$7.22	\$0.12
3/4"	\$5.87	\$10.83	\$0.19
1"	\$9.78	\$18.05	\$0.31
1-1/2"	\$19.54	\$36.10	\$0.62
2"	\$31.27	\$57.76	\$0.99
3"	\$62.53	\$115.52	\$1.98
4"	\$97.71	\$180.50	\$3.09
6"	\$195.42	\$361.00	\$6.18
<u>Gallonge Charge</u>			
Per 1,000 gallons	\$1.84	\$1.75	\$0.03