

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Pasco County by Orangewood Lakes Services, Inc. | DOCKET NO. 070680-WS  
| ORDER NO. PSC-08-0831-PAA-WS  
| ISSUED: December 23, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
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  
AND DECLINING TO INITIATE SHOW CAUSE PROCEEDINGS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that, except for the statutory four-year rate reduction, temporary rates in the event of a protest, and our decisions declining to initiate show cause proceedings, the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

Orangewood Lakes Services, Inc. (Orangewood or Utility) is a Class C utility serving 223 water and 190 wastewater customers in Pasco County. According to the Utility's 2007 Annual Report, total gross revenue was \$60,586 and \$47,552 for water and wastewater, respectively. The Utility's operating expenses were \$58,690 for water and \$102,540 for wastewater.

Orangewood was granted water and wastewater Certificate Nos. 315-W and 260-S, respectively, in 1979.<sup>1</sup> The Utility had been in existence since 1973 providing service to a

<sup>1</sup> See Order Nos. 8683, issued January 23, 1979, in Docket No. 780660-S, In re: Application of Orangewood Lakes Services, Inc., for a certificate to operate a sewer utility in Pasco County, Florida, Section 367.041, F.S. and 8703, issued February 1, 1979, in Docket No. 780457-W, In re: Application of Orangewood Lakes Services, Inc., for a certificate to operate a water system in Pasco County, Florida.

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mobile home community without compensation, and therefore, was exempt from Commission regulation. Subsequently, developers of property adjacent to the mobile home community contacted Orangewood to obtain water and wastewater service. At that time, the Utility began providing service to those developments for compensation, and therefore, was no longer exempt from Commission regulation. Orangewood requested and was granted a certificate and rates and charges for only the adjacent development areas, and failed to include the original mobile home community. This issue was not discovered until the current rate proceeding. This order addresses the Utility charging unauthorized rates and serving outside of its authorized territory.

This Utility has never had a rate proceeding before this Commission. On November 9, 2007, in the instant docket, Orangewood filed a request for a staff-assisted rate case (SARC). The Utility also requested emergency wastewater rates. By letter dated December 7, 2007, Orangewood withdrew its request for emergency wastewater rates and instead requested interim wastewater rates. By Order No. PSC-08-0063-PCO-SU, issued January 28, 2008, we approved a 63.57 percent interim rate increase, subject to refund with interest. However, to date, the Utility has not implemented these interim rates.

We have the authority to consider these matters pursuant to Sections 367.022, 367.045, 367.081, 367.0814, 367.091, and 367.161, Florida Statutes (F.S.).

### QUALITY OF SERVICE

Pursuant to Rule 25-30.433(1), F.A.C., the overall quality of service provided by a utility is determined by evaluating three separate components of water and wastewater operations, including the quality of the utility's product, the operational condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction.

#### Quality of Utility's Product and Operational Condition of the Plant

The Orangewood water and wastewater facilities are regulated by the Department of Environmental Protection (DEP) and Southwest Florida Water Management District (SWFWMD). The DEP conducted a sanitary survey of the Utility's water facilities on August 23, 2007, and the wastewater facilities were inspected on November 27, 2007. Orangewood has conformed to all testing and chemical analyses required by DEP and the test results have been satisfactory; however, DEP found minor deficiencies in the Utility's reporting and leaks in several locations at the wastewater plant. DEP received a letter from Orangewood dated December 18, 2007, indicating that the reporting requirements had been corrected and the leaks were repaired. Maintenance at the water and wastewater plant-sites appears to have been given adequate attention. Therefore, the Utility's quality of product and operational condition shall be considered satisfactory.

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

A customer meeting was held in Orangewood's service area on May 7, 2008, in order to give the Utility's customers an opportunity to address specific concerns about the quality of the Orangewood's water and wastewater service, as well as to ask questions about the regulatory

process. Approximately 15 customers attended the meeting and six customers offered comments about Orangewood.

Most customers were very concerned about the amount of the potential rate increase and several customers expressed concerns about the safety of the water. It was explained that the Utility has never had a rate case even though it has been in operation since 1978. In addition, Commission staff explained that Orangewood is in compliance with environmental requirements for its water and wastewater facilities and further addressed each of the individual customer concerns expressed.

A review of the Commission's complaint tracking system revealed that no complaints have been filed against the Utility in the past three years. We believe that Orangewood is putting forth a good faith effort to respond to the customer complaints that it has received. Therefore, the Utility's attempts to resolve customer complaints shall be considered satisfactory.

#### Quality of Service Summary

Based on the information above, we find that Orangewood's quality of product, operational condition, and attempt to address customer complaints are satisfactory; therefore, the overall quality of service provided by the Utility shall be considered satisfactory.

#### USED AND USEFUL

Orangewood's water system includes one 8-inch well with a capacity of 500 gallons per minute (gpm) and an emergency interconnection with a neighboring water system for backup supply during emergencies. The raw water is treated with a liquid sodium hypochlorite solution which is injected prior to entry into the 5,000 gallon hydropneumatic tank. The treated water from the tanks is then pumped into the water distribution system which serves the Orangewood Lakes mobile home park (251 mobile homes and a clubhouse), an apartment complex (75 connections), Cypress Knolls (43 homes), and Lakewood Villas' (115 homes) service areas. Pursuant to Rule 25-30.4325, F.A.C., a system with one well is considered 100 percent used and useful. In addition, the Utility's water service area is built out with no apparent potential for development. Therefore, we find that the water treatment and distribution facilities shall be considered 100 percent used and useful.

Orangewood's wastewater treatment plant has the capacity to treat 75,000 gallons per day (gpd) based on three-months of average daily flow (TMADF) utilizing extended aeration. The TMADF for the test year was 43,840 gpd. All of the Utility's water customers are also wastewater customers with the exception of the 43 homes in Cypress Knolls, who receive wastewater treatment from a neighboring wastewater utility. Orangewood's wastewater service area is built out with no apparent potential for development. Therefore, pursuant to Rule 25-30.432, F.A.C., we find that the wastewater treatment and collection facilities be considered 100 percent used and useful.

### RATE BASE

The appropriate components of the Utility's rate base include: utility plant in service (UPIS), contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and a working capital allowance.

A test year that ended December 31, 2007, was selected for this rate case. Rate base for Orangewood has never been established. Pursuant to Audit Finding No. 2, the Utility was unable to provide any original cost records to substantiate its 2006 rate base balances. Records necessary to determine the cost of original construction were not available and are considered lost. Absent these records, the auditor requested that an original cost study be performed by the staff engineer. The original cost study was derived by the use of an available map, DEP records, and a physical inspection of the facilities during the engineer's investigation. Adjustments have been made to match rate base component balances with the engineer's original cost study and to update rate base through December 31, 2007. A summary of each component and the adjustments follows.

#### Utility Plant in Service

Orangewood recorded \$30,629 and \$78,040 of UPIS for the test year ended December 31, 2007, for water and wastewater, respectively. An adjustment has been made to increase UPIS by \$79,164 for water and \$27,931 for wastewater to reflect the appropriate plant balances per the original cost study and the audit review. The Utility owner provided additional invoices in support of plant additions that were not available at the time of the original cost study and audit review. The invoices were reviewed and it was determined that the additions shall be included in UPIS. Thus, UPIS was increased by \$6,217 for water and \$33,153 for wastewater. We decreased UPIS by \$1,383 and \$1,107 to reflect averaging adjustments for water and wastewater, respectively.

The net adjustment to UPIS is an increase of \$83,998 for water and \$59,977 for wastewater. We find that the UPIS balance shall be \$114,627 and \$138,017 for water and wastewater, respectively.

#### Non-used and Useful Plant

As discussed above, the Utility's water treatment plant and water distribution system shall be considered 100 percent used and useful. Also, Orangewood's wastewater treatment plant and wastewater collection systems shall be considered 100 percent used and useful. Therefore, a used and useful adjustment is unnecessary.

#### Contribution in Aid of Construction

The Utility recorded CIAC of \$21,159 and \$39,477 for water and wastewater, respectively, for the test year that ended December 31, 2007. Pursuant to Audit Finding No. 3, Orangewood's tariff includes a meter installation fee of \$50 for the initial commencement of

water service. The Utility, without prior approval, increased its charge as follows: \$125 in 1980; \$200 in 1981; \$275 in 1986; \$375 in 1989; and \$500 in 2007. Based on the connections provided in the audit, CIAC was calculated based on Orangewood's increased charges. We find that the Utility shall keep the additional CIAC on its books. Other than the single charge collected in 2007, we believe that Orangewood would have a difficult time locating the customers who are entitled to a refund due to the time that has past since the charge was originally collected. As explained in the show cause discussion, the increased CIAC will benefit customers by decreasing rate base and thereby the return on investment the Utility will be allowed to earn. Therefore, CIAC has been increased by \$10,416 for water and \$498 for wastewater. Wastewater has been decreased by \$250 to reflect an averaging adjustment. We find that the CIAC shall be \$31,575 for water and \$39,725 for wastewater.

#### Accumulated Depreciation

Orangewood recorded a balance for accumulated depreciation of \$20,335 for water and \$52,867 for wastewater for the test year. Accumulated depreciation has been calculated by using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, we find that this account shall be increased by \$61,684 for water and \$56,824 for wastewater to reflect the calculated depreciation calculated. This account shall be decreased by \$906 and \$1,855 to reflect an averaging adjustment for water and wastewater, respectively. The aforementioned adjustments result in an average accumulated depreciation of \$81,113 for water and \$107,836 for wastewater.

#### Accumulated Amortization of CIAC

The Utility recorded \$11,818 and \$24,805 for amortization of CIAC for water and wastewater, respectively. Amortization of CIAC has been recalculated using composite depreciation rates. In order to reflect amortization of CIAC as calculated, this account has been increased by \$11,009 for water and \$10,631 for wastewater. This account has been decreased by \$514 and \$699 for water and wastewater, respectively, to reflect an averaging adjustment. The net adjustments to this account results in Amortization of CIAC of \$22,313 for water and \$34,737 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., the one-eighth of the operation and maintenance (O&M) expense formula approach was used for calculating working capital allowance. Working capital has been increased by \$8,499 (based on water O&M of \$67,996) and \$21,353 (based on wastewater O&M of \$170,828) to reflect one-eighth of the O&M expenses for water and wastewater, respectively.

### Rate Base Summary

Based on the foregoing, we find that the appropriate test year average rate base shall be \$32,751 for water and \$46,546 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B, and our adjustments are shown on Schedule No. 1-C.

### RATE OF RETURN

The Utility recorded the following items in its capital structure for the test year: common stock of \$112,482, long term debt of \$225,336, and customer deposits of \$13,135. The appropriate rate of return on equity is 12.01 percent using the most recent leverage formula.<sup>2</sup> The Utility's capital structure has been reconciled with our approved rate base. We find that a return on equity of 12.01 percent with a range of 11.01 percent - 13.01 percent, and an overall rate of return of 7.67 percent is appropriate. The return on equity and overall rate of return are shown on Schedule No. 2.

### BILLING DETERMINANTS

The customer base is comprised of four subdivisions consisting of single-family homes and a mobile home park. It was discovered that the customers of the mobile home park were not individually metered and had not been billed for their water and wastewater services. Mr. Heiler is the owner of the utility and has indicated in his response to Staff Audit Finding No. 4, dated January 16, 2008, that the lease documents, dated March 1, 1999, specify that in exchange for services provided by Orangewood Lakes Mobile Home Community, Orangewood Lakes Mobile Home Community receives water and wastewater service from Orangewood Lakes Services.

There are approximately 224 metered residential customers for the water system and approximately 181 metered customers for the wastewater system. However, the mobile home park is neither individually billed nor is it master metered. Therefore, the water and wastewater customers shall be classified as residential bulk rate customers with usage billed to the owner of the park. This issue will be discussed subsequently in more detail. The mobile home park has a clubhouse, plus 251 small mobile homes occupied by retirees. The mobile homes are approximately 700 square feet in size. To calculate the appropriate number of equivalent residential connections (ERCs), we assigned one ERC per single-family home, 0.6 ERC per mobile home, and one ERC to the clubhouse. Based on these assigned values, we find that the appropriate number of ERCs served by the utility for the residential class is 4,495 ERCs for water and 3,979 ERCs for the wastewater system. Furthermore, we find that the appropriate number of ERCs served by the utility for the general service class is 12 ERCs for both the water and wastewater systems.

The appropriate kgals for the residential water system and wastewater system is 14,843 and 8,510, respectively. Also, the appropriate total kgals for the mobile home park is 12,973

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<sup>2</sup> See Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-WS, In Re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

(12,884 for the residents and 89 for the clubhouse). This number was calculated based on the total number of gallons taken from the 2007 Monthly Operating Reports less 10 percent unaccounted-for-water, minus the gallons billed for the residential class.

Based on the foregoing, the appropriate pre-repression billing determinants for ratesetting are 4,507 ERCs and 27,816.3 kgals for the water system, and 3,991 ERCs and 21,483 kgals for the wastewater system.

### TEST YEAR REVENUES

Orangewood was not charging the Orangewood Lakes mobile home park for water and wastewater service. As discussed above, we are including the mobile home park in its billing determinants for ratesetting purposes. For the test year, we are imputing the revenues associated with the mobile home park. The Utility's tariffed rates have been applied to our approved billing determinants, resulting in test year revenues of \$110,623 for water and \$89,676 for wastewater. Test year revenues are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-B.

### OPERATING EXPENSES

Pursuant to Audit Finding No. 5, Orangewood does not separate its water expenses from its wastewater expenses. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. As discussed previously, the Utility does not charge the mobile home park, a related party, for water and wastewater service in exchange for the mobile home park not charging for services it provides to Orangewood. In order to appropriately establish the expenses related to the Utility operations, we are including the expenses for services provided by the mobile home park. We made several adjustments to the Orangewood's operating expenses, as summarized below:

#### Salaries and Wages – Employees – (601/701)

The Utility has one employee, an office manager, who works 40 hours per week. To determine the proper amount of salary expense to allocate between water and wastewater, we evaluated the responsibilities and determined that 60 percent of time was dedicated to water service and 40 percent for wastewater. The Utility pays the employee an annual salary of \$25,175, which we find to be reasonable. Based on this salary, we find that salary expense shall be \$15,105 for water and \$10,070 for wastewater.

#### Salaries and Wages – Officers – (603/703)

Orangewood president's salary is \$10,400. We believe that this salary is reasonable. To determine the proper amount of salary expense to allocate between water and wastewater, we evaluated the responsibilities of the president and determined that 60 percent of time was dedicated to water service and 40 percent for wastewater. Based on this salary, we find that salary expense for water shall be \$6,240 and \$4,160 for wastewater.

Purchased Water – (610)

The Utility paid \$2,256 for purchased water from the City of New Port Richey. We find that this amount is reasonable. Thus, purchased water expense shall be \$2,256.

Sludge Removal Expense – (711)

Orangewood provided invoices that indicated sludge removal for the test year was \$33,056 for wastewater. The Utility uses Arthur Price Septic Service (Arthur Price) for sludge removal. Arthur Price disposes of the sludge at Pasco County Utilities (Pasco). Arthur Price provided the Utility a letter indicating that Pasco would be increasing its sludge disposal rates. During the test year, the price per thousand gallons for sludge disposal to Pasco was \$29.00. Pasco will begin charging a rate of \$106.50 per thousand gallons effective October 1, 2008, and the accuracy of this rate was verified with Pasco. As a result of the increase in the sludge disposal rate, the Utility's sludge removal expense would increase by \$34,619. Therefore, we have increased this account by \$34,619 to reflect a pro forma increase in sludge removal expense. Our net adjustment to this account is \$67,675 (\$33,056 + \$34,619). We approve sludge removal expense of \$67,675 for wastewater.

Purchased Power – (615/715)

Orangewood provided invoices that indicated the purchased power for the test year was \$5,666 for water and \$6,536 for wastewater. We believe that the purchased power amounts are reasonable and we have made an adjustment to include these amounts in the test year expense.

Chemicals – (618/718)

The Utility provided invoices that indicated the chemicals for the test year were \$2,742 for water and \$11,035 for wastewater. We believe that the chemical amounts are reasonable and we have made an adjustment to include these expenses.

Materials and Supplies – (620/720)

Orangewood provided invoices that indicate material and supplies for the test year was \$76 for wastewater. We believe that this amount is reasonable and we have an adjustment to include this expense.

Contractual Services – Billing – (630/730)

The Utility provided invoices indicating its total billing expenses for the test year were \$13,846 for water and wastewater. We believe that these amounts are reasonable. To determine the proper amount of billing expense to allocate between water and wastewater, we evaluated the billing process. Based on this evaluation, we approve contractual services – billing for water of \$11,366 and \$2,480 for wastewater.



Contractual Services - Professional – (631/731)

The Utility provided invoices indicating its accounting services for the test year were \$2,100. The accounting services consisted of the year-end closing of the books and the preparation of Orangewood's annual report and tax return. We believe that this amount is reasonable. We have increased this account by \$1,050 each for water and wastewater. The Utility provided an invoice indicating engineering expense of \$2,800 for its wastewater permit renewal. We believe that this amount is reasonable. Pursuant to Rule 25-30.433(8), F.A.C., we amortized the permit renewal cost over five years resulting in a \$560 increase to wastewater. Our approved contractual services – professional is \$1,050 for water and \$1,610 for wastewater.

Contractual Services – Testing – (635/735)

Each utility must adhere to specific testing conditions prescribed within its operating permit. These testing requirements are tailored to each utility as required by Chapter 62-550, F.A.C., for water and Chapter 62-600, F.A.C., for wastewater and enforced by DEP. We made an adjustment to increase water by \$1,799 and wastewater by \$1,667 to reflect all DEP required testing.

Contractual Services – Other – (636/736)

The Utility recorded \$0 in this account during the test year. Orangewood provided invoices from Gator Water and Wastewater Management, Inc. (Gator) indicating it spent \$9,180 or \$765 monthly for operator services during the test year. For 2008, the Utility indicated the operator expense increased to \$1,150 per month. We believe that the amount spent for operator services is reasonable. To determine the proper amount of operator expense to allocate between water and wastewater, we evaluated the duties and determined that the expense shall be allocated equally. Therefore, we have increased this account by \$6,900 each for both water and wastewater. During the test year, Orangewood paid \$1,951 and \$1,274 for normal contracted repairs for water and wastewater, respectively. We believe that these amounts are reasonable and we have increased this account accordingly. The Utility spent \$1,450 for cleaning of the lift stations. We believe that this amount is reasonable and we have increased this account accordingly. Orangewood indicated its yearly contracted engineering expense will be \$500. The Utility indicated the engineer expense is due to changes in DEP rules that require periodic engineering certification of the hydro-pneumatic water tank and certification as to the interior cleanliness and condition of the interior tank coating. We believe that this amount is reasonable and we have increased this account accordingly. We have included expenses incurred by the mobile home community on behalf of Orangewood. We have reviewed the documentation provided by the Utility and included the expenses that we believe are reasonable. Thus, we have increased this account as follows: maintenance of the percolation pond at \$16,680 annually for wastewater; the drain field piping at \$22,765 annually for wastewater; and the plants at \$7,020 for water and \$10,920 for wastewater. Based on the above, we find that contractual services – other shall be \$15,871 for water and \$60,489 for wastewater.

Rents – (640/740)

The Utility recorded \$0 in this account during the test year. Orangewood is located in a building owned by Heiler Trust, a related party. The Utility leases the office space for \$3,600, which includes water, electricity, and the use of the copy room. Orangewood allocated 30 percent of the rent to water and 70 percent to wastewater. We find that the rent amount is reasonable. However, the allocation shall be divided 60 percent for water and 40 percent for wastewater based on the allocation of employee time to each system. Therefore, the account shall be increased by \$2,160 for water and \$1,440 for wastewater.

Rule 25-30.433(10), F.A.C., specifies that a utility is required to own the land on which the utility treatment facilities are located, or possess the right to continued use of the land, such as by holding a 99-year lease. The Utility has a 99-year lease agreement with the mobile home park for the use of the land at \$0 annually.

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

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.

In exchange for water and wastewater services, the mobile home community is leasing the land to Orangewood at \$0. As discussed previously, the expenses incurred by the mobile home community on behalf of the Utility are to be reflected on Orangewood's books. Thus, a rental amount shall be included on the Utility's books for the lease of the land. Orangewood has chosen not to purchase the land but to lease or rent it from a related party. We have found that the appropriate rent amount for the land between related parties shall be the annual rate of return, based on the Utility's current capital structure, times the original cost of the land in service.<sup>3</sup> In order to determine the original cost of land, we used the Pasco County property appraiser database to find sales of land occurring in the vicinity of the mobile home park during the period in which mobile home park came into existence. Through the use of this database, it was

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<sup>3</sup> See Order Nos. PSC-04-1464-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; see also PSC-05-0621-PAA-WU, issued June 6, 2005, in Docket No. 041145-WU, In Re: Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

determined that comparable land was sold for approximately \$8,611 an acre at that time. The water plant is located on .51 acres of the property and the wastewater plant is located on 1.58 acres. We find that the value of the land for the water plant shall be \$4,392 and the value of land for the wastewater plant shall be \$13,605. Our approved rate of return is 7.67 percent. Therefore, we find that the rent for the land shall be \$337 ( $\$4,392 \times 7.67$  percent) for water and \$1,044 ( $\$13,605 \times 7.67$  percent) for wastewater. We have increased this account accordingly for the land rent.

Orangewood leases a generator from the mobile home community as a back-up for any power losses. The lease amount is \$2,200 a year. We believe this amount to be reasonable and we have increased this account accordingly. Thus, contractual services – rents shall be \$4,697 for water and \$2,484 for wastewater.

Insurance Expense – (655/755)

The Utility provided documentation that indicated insurance expense for the test year was \$69 for water and \$1,107 for wastewater. We believe these amounts are reasonable and we have made adjustments to include these expenses.

Regulatory Commission Expense – (665/765)

Orangewood recorded \$0 in this account during the test year. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. The Utility is required by Rule 25-22.0407, F.A.C, to mail notices of customer meetings and notices of final rates in this case to its customers. For these notices, we have estimated \$191 for postage expense, \$163 printing expense, and \$23 for envelopes. The above results in a total rate case expense for noticing of \$377. Orangewood paid a \$2,000 rate case filing fee for water and wastewater. Thus, the total rate case expense is \$2,377 ( $\$2,000 + \$377$ ), which amortized over four years is \$594, allocating \$297 each for water and wastewater.

Miscellaneous Expense – (675/775)

During the test year, the Utility spent the following on miscellaneous expenses: \$348 for computer upgrades; \$523 for bank charges; \$150 for State of Florida Annual Report filing fee; and \$100 on collection fees. We find these amounts to be reasonable. The expenses totaled \$610 and were allocated equally between water and wastewater. Orangewood paid telephone expenses of \$228 for water and \$532 for wastewater. We believe this amount to be reasonable and we have increased this account accordingly. We therefore, approve miscellaneous expense of \$838 for water and \$1,142 for wastewater.

Operation and Maintenance Expense (O&M Summary)

The total O&M adjustment is an increase of \$67,996 for water and \$170,828 for wastewater. Our approved O&M expenses are \$67,996 for water and \$170,828 for wastewater. O&M expenses are shown on Schedule 3-D and 3-E.

Depreciation Expense (Net of Amortization of CIAC)

We calculated a test year depreciation of \$3,335 for water and \$4,855 for wastewater using the rates prescribed in Rule 25-30.140, F.A.C. We have calculated amortization of CIAC of \$919 for water and \$1,397 for wastewater based on composite rates. Our approved net depreciation expense is \$2,416 for water and \$3,458 for wastewater.

Taxes Other Than Income (TOTI)

The Utility recorded taxes other than income of \$3,624 for water and \$4,161 for wastewater. The amounts included in this account for payroll taxes are \$769 for water and \$2,081 for wastewater. The calculated payroll taxes are \$1,633 ( $\$21,345 \times .0765$ ) for water and \$1,089 ( $\$14,230 \times .0765$ ) for wastewater. We have increased this account by \$864 ( $\$1,633 - \$769$ ) for water and decreased this account by \$993 ( $\$2,081 - \$1,089$ ) to reflect payroll taxes on salary. As discussed previously, we have increased test year revenues to reflect the imputation of revenues for the mobile home park. Based on our approved test year revenues, Orangewood's regulatory assessment fees (RAFs) are \$4,978 for water and \$4,035 for wastewater. The amounts included in this account for RAFs are \$2,855 for water and \$2,080 for wastewater. We have made adjustments to increase RAFs by \$2,123 ( $\$4,978 - \$2,855$ ) for water and by \$1,956 ( $\$4,035 - \$2,080$ ) for wastewater. The mobile home park paid \$62,159 of property taxes for the park. In order to determine the Utility's portion of the property taxes, we have determined that the Orangewood's facilities occupy 1.28 percent of the property for water and 3.95 percent for wastewater. Based on these percentages, we have determined property taxes for the Utility to be \$793 for water and \$2,455 for wastewater. Our net adjustment to this account is an increase of \$3,780 for water and \$3,418 for wastewater.

Income Tax

The Utility recorded income tax of \$0 water and wastewater. The Utility is an 1120 S corporation. As such, the tax liability is passed on to the owner's personal tax returns. Therefore, we did not make an adjustment to this account.

Operating Expenses Summary

The application of our adjustments to the audited test year operating expenses results in staff's calculated operating expenses of \$77,815 for water and \$181,865 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule 3-C.

REVENUE REQUIREMENTS

Based on the calculated revenue requirement below, the Utility earned more than the approved rate of return for its water system. Orangewood is overearning on its water system and a revenue decrease is normally the appropriate action undertaken under these circumstances. According to our calculations, the appropriate revenue change is a decrease of \$31,723 (or 28.68

percent) for the water system and an annual increase of \$100,271 (or 111.82 percent) for the wastewater system. This would allow the Utility the opportunity to recover its expenses and earn a 7.67 percent return on its investment. Our approved revenue requirement is as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$32,751	\$46,546
Rate of Return	7.67%	7.67%
Return on Rate Base	\$2,512	\$3,570
Adjusted O&M Expense	67,996	170,828
Depreciation expense (Net)	2,416	3,458
Taxes Other Than Income	5,976	12,091
Income Taxes	0	0
Revenue Requirement	\$78,900	\$189,947
Less Adjusted Test Year Revenues	110,623	89,676
Annual Increase/(Decrease)	-\$31,723	\$100,271
Percent Increase/(Decrease)	-28.68%	111.82%

The calculation above results in a 28.68 percent annual decrease (or \$31,723) for water and a 111.82 percent annual increase (or \$100,271) for wastewater.

Orangewood serves approximately 475 water customers and 432 wastewater customers. Forty-three water customers receive wastewater services from another entity. In prior cases when the customer bases are similar for water and wastewater, we have found that the water system overearnings shall be netted against the wastewater system underearnings, resulting in net utility underearnings. In this case, the customer bases are dissimilar, and netting would result in the water system subsidizing the wastewater system. Therefore, the water system revenues shall be reduced.

Reducing the water rates can lure customers into using an excessive amount of water and it also undercuts SWFWMD's efforts to promote conservation. However, our only option was to reduce rates since the Utility's water system is overearning. As mentioned earlier, in this case, we could have netted the water system overearnings against the wastewater system to avoid the reduction in rates, however the two customer bases are dissimilar. We have been in contact with SWFWMD, and SWFWMD's staff has stated that Orangewood has not exceeded their per capita limit. Furthermore, due to low per capita water use, no conservation requirements have been adopted for this utility. Based on the above, we find that reducing the water rates is appropriate

in this case. The approved revenue requirements are shown on Schedule Nos. 3-A and 3-B for water and wastewater, respectively.

### RATE STRUCTURE

The Utility's current rate structure for the water system consists of a monthly Base Facility Charge (BFC)/gallage charge rate structure, in which the BFC of \$12.50 includes a 2 kgal allotment in the BFC, and all gallons in excess of 2 kgal used are charged \$2.80 per kgal. In prior cases, it has been our practice to eliminate allotments in the base charge. This type of rate structure is not considered conservation-oriented because it discourages conservation.

#### Water Rates

A detailed analysis was performed regarding Orangewood's billing data in order to evaluate various BFC cost recovery percentages 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 Orangewood's customer; and 3) implement, where appropriate, water conservation rate structures consistent with the Commission's Memorandum of Understanding with the state's five Water Management Districts.

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.

As discussed above, we have decided that the water system's revenue requirement shall be reduced. In prior cases, when a utility is overearning on its water system, if appropriate, the water system overearnings are netted against the wastewater system underearnings. However, in this case, there are dissimilarities in the water and wastewater customer bases. Of the 475 water customers, approximately ten percent (43 customers) do not receive wastewater service from the Utility. If the water system overearnings were netted against the wastewater system underearnings, these 43 customers would be subsidizing the wastewater service of the remaining 432 customers. Therefore, the water system overearnings shall not be netted against the wastewater underearnings.

The traditional BFC/uniform gallonage charge rate structure has been our water rate structure of choice for nonresidential classes. This is consistent with Rule 25-30.437(6), F.A.C. The uniform gallonage charge shall be calculated by dividing the total revenues to be recovered through the gallonage charge by the total of gallons attributable to all rate classes. With this methodology, nonresidential customers would continue to pay their fair share for the cost of service.

We find that the residential BFC allocation shall be set at 50 percent. We typically set BFC cost recovery at no greater than 40 percent. However, in this case, a large portion of the customer base is seasonal. The higher allocation percentage will help insure that the Utility will

have sufficient cash flow to cover fixed costs while seasonal customers are not in residence. In recent cases, we have approved a BFC allocation greater than 40 percent.<sup>4</sup>

Based on the foregoing, we find that a BFC/uniform gallonage charge rate structure shall be implemented. This rate structure is considered a conservation-oriented rate structure because customers' bills increase as their consumption increases. Furthermore, we do not believe it is appropriate to continue the kgal allotment in the BFC because it is a non-conserving rate structure.

As discussed previously, the customers of the Orangewood Lakes Mobile Home Park are neither individually metered nor master metered. The mobile home customers have not been billed for their water and wastewater services because in exchange for utility service, they maintain the utility's water and wastewater transmission, distribution, and collection plant. This indicates characteristics of a bulk rate user for the customers of the mobile home park.

Prior cases were researched to determine the appropriate bulk water and wastewater rate for the customers of the mobile home park. We were unable to find a case where a bulk water rate was set; however, we discovered many cases where bulk wastewater rates were approved in prior cases. To set the bulk water rate for the mobile home customers, we used the same methodology that was used in the past for setting bulk wastewater rates.

In 1984, in a case involving Martin Down Utilities, Inc. and Martin County (County), the County was responsible for all water distribution beyond the point of delivery. We approved a BFC based on 80 percent of the number of ERCs, plus the tariff approved usage charge. The Order states, "[t]he 20% reduction in the base facility charge reflects the savings to the maintenance responsibility for the mains on the discharged side of the meter."<sup>5</sup> Also, in a case involving Lake Placid Utilities, Inc., we recognized that the utility owned its own lift station. However, it was decided in that docket that since the customers, not the utility, were paying for the electrical pumping power and maintenance of the lift station, the appropriate wastewater rate structure for the residents was a bulk rate BFC/gallonage charge rate structure. The BFC was based on 80 percent of the ERCs connected to the system, while the gallonage charge was set at 20 percent less than the general service wastewater gallonage charge to reflect the fact that the customer paid for all costs associated with its lift station.<sup>6</sup>

We find that the circumstances in the instant case are similar to those from the prior cases referenced above. As previously discussed, the Orangewood Lakes Mobile Home Community maintains all water and wastewater transmission, distribution, and collection plant. Therefore,

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<sup>4</sup> See Order Nos. PSC-07-0609-PAA-WS, issued July 30, 2007, in Docket No. 060246-WS, In Re: Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.; and PSC-08-0262-PAA-WS, issued in April 28, 2008, in Docket No. 070414-WS, In Re: Application for staff-assisted rate case in Polk County by Hidden Cove, Ltd.

<sup>5</sup> See Order No. 17269, issued March 10, 1987 in Docket No. 840315-WS, In re: Application of Martin Downs Utilities, Inc., for increase in water and sewer rates in Martin County, Florida, p.3

<sup>6</sup> See Order No. PSC-07-0287-PAA-WS, issued April 3, 2007 in Docket No. 060260-WS, In re: Application for increase in water and wastewater rates in Highlands County by Lake Placid Utilities, Inc.

we find that it is appropriate for the water and wastewater customers of the mobile home park to be served by a bulk rate for the BFC only. Furthermore, the BFC shall be based on 80 percent of the ERCs.

Our approved rate design for the water system is shown on the table below. The approved rate structure results in price decreases at all levels of consumption.

<b>ORANGWOOD LAKE SERVICES, INC. COMMISSION APPROVED WATER RATE STRUCTURES AND RATES</b>			
<b>Current Rate Structure and Rates</b>		<b>Approved Rate Structure and Rates</b>	
BFC/uniform kgal charge For water service, with 2 kgal allotment in BFC		BFC/uniform kgal charge BFC = 50%	
BFC (incl 2 kgals)	\$12.50	BFC	\$8.52
2+ kgals	\$2.80	All kgals	\$1.38
<b>Typical Monthly Bills (1)</b>		<b>Typical Monthly Bills</b>	
<b>Cons (kgal)</b>		<b>Cons (kgal)</b>	
0	\$12.50	0	\$8.52
1	\$12.50	1	\$9.90
3	\$15.30	3	\$12.66
5	\$20.90	5	\$15.42
10	\$34.90	10	\$22.32
20	\$62.90	20	\$36.12

Based on the foregoing, we find that the current water system rate structure, which includes a 2 kgal water allotment in the BFC, shall be changed to a traditional BFC/uniform gallonage charge rate structure with no usage allotments. The unmetered residential customers of the mobile home park shall be charged a bulk water rate wherein the BFC shall be based on 80 percent of the ERCs. The BFC cost recovery percentage for the water system shall be set at 50 percent.

Wastewater Rates

Orangewood’s current rate structure for the wastewater systems’ residential and non-residential classes consists of a flat rate charge of \$24.07.

The initial allocation for the wastewater BFC cost recovery percentage was 66 percent. Typically, we find that the BFC cost recovery allocation shall be changed to at least 50 percent due to the capital-intensive nature of wastewater plants. In this case, we approve an allocation of



50 percent in order to increase the gallonage charge and send a greater price signal to help offset the effects of the lower water gallonage charge.

As discussed above, the mobile home park shall be classified in the future as residential bulk rate customers. Therefore, a bulk wastewater rate has been calculated for the mobile home park. Our initial review of the billing data suggests setting the wastewater cap at 8 kgal. However, the mobile home park is excluded from the billing data. The park represents half of the customer base and the average water consumption per park resident is 4.3 kgal. Therefore, we find that it is appropriate to set the cap at 6 kgal. The total cap for the mobile home park residents is 1,506 kgal. Furthermore, we find that the general service gallonage charge shall be 1.2 times greater than the residential charge.

The rate design for the wastewater system is shown on the table below. The approved rate structure results in price increases at all levels of consumption.

<b>ORANGEWOOD LAKE SERVICES, INC. COMMISSION APPROVED WASTEWATER RATE STRUCTURES AND RATES</b>			
<b>Current Rate Structure and Rates</b>		<b>Approved Rate Structure and Rates</b>	
Flat rate structure No gallonage Charge		BFC/uniform kgal charge BFC = 50%	
BFC	\$24.07	BFC	\$23.72
All kgals	\$0.00	All kgals	\$4.51
<b>Typical Monthly Bills (1)</b>		<b>Typical Monthly Bills</b>	
<b>Cons (kgal)</b>		<b>Cons (kgal)</b>	
0	\$24.07	0	\$23.72
1	\$24.07	1	\$28.23
3	\$24.07	3	\$37.25
5	\$24.07	5	\$46.27
6	\$24.07	6	\$50.78
5	\$46.39	5	\$46.14
6	\$50.06	6	\$51.60

Based on the foregoing, we find that the appropriate rate structure for the wastewater systems' residential and non-residential class shall be a BFC/uniform charge rate structure. The unmetered residential customers of the mobile home park shall be charged a bulk wastewater rate wherein the BFC shall be based on 80 percent of the ERCs. The residential wastewater gallonage cap shall be set at 6 kgal per month. The general service gallonage charge shall be 1.2

times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system shall be set at 50 percent.

### REPRESSION ADJUSTMENT

As discussed previously, we find that a decrease to the water system revenue requirement is appropriate, resulting in price decreases at all levels of consumption. Consistent with our decisions in similar prior cases,<sup>7</sup> monthly reports shall be prepared to monitor the effects of the changes in revenues to both the water and wastewater systems. These reports shall reflect the number of bills rendered, the consumption billed, and the revenues billed. These reports shall be provided to staff. In addition, 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.

### RATES

We find that the rates shall be designed to produce revenue of \$78,900 for the water system and \$189,947 for the wastewater system. Excluding miscellaneous service revenues of \$2,119 for the water system and \$2,398 for the wastewater system results in revenues from monthly service of \$76,781 for the water system and \$187,549 for the wastewater system.

The appropriate rate structure for the water and wastewater systems' residential and non-residential class is a BFC/uniform gallonage charge rate structure. The unmetered residential customers of the mobile home park shall be charged a bulk water rate wherein the BFC shall be based on 80 percent of the ERCs. The water system's 2 kgals allotment shall be removed from the BFC, and the BFC cost recovery shall be set at 50 percent. The appropriate rate structure for Orangewood's wastewater system shall be changed to a BFC/gallonage charge rate structure. The unmetered residential customers of the mobile home park shall be charged a bulk wastewater rate wherein the BFC shall be based on 80 percent of the ERCs. The residential wastewater cap monthly gallon age cap shall be set at 6,000 gallons (6 kgal). The non-residential gallonage 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 percent.

These 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 Commission staff has approved the proposed

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<sup>7</sup> See Order Nos. PSC-99-0513-FOF-WS, issued March 12, 1999 in Docket No. 980214-WS, In re: Application for rate increase in Duval, St. Johns and Nassau Counties by United Water Florida Inc., p. 58-59; PSC-03-1250-PAA-WU, issued November 6, 2003 in Docket no. 030250-WU, In re: Application for staff-assisted rate case in Pasco County, by Floral no Properties, Inc., p. 31; PSC-04-0356-PAA-WU, issued April 5, 2004 in Docket No. 030423-WU, In re: Investigation into 2002 earnings of Residential Water Systems, Inc., in Marion County, p. 34; PSC-06-0170-PAA-WS, issued March 1, 2006 in Docket No. 050281-WS, In re: Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company, p. 50; and PSC-06-0378-PAA-WU, issued May 8, 2006 in Docket No. 050449-WU, In re: Application for staff-assisted rate case in Pasco County by Dixie Groves Utility Company, p. 13.

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.

Based on the foregoing, the appropriate rates for monthly service for the water and wastewater systems are shown on Schedules 4-A and 4-B.

#### INTERIM REFUND

In Order No. PSC-08-0063-PCO-WS, issued on August 4, 2006, interim wastewater rates were approved subject to refund, pursuant to Section 367.0814(4), F.S. The approved interim revenue from rates is shown below:

Wastewater	<u>Revenues</u>	<u>Increase</u>	<u>Percentage</u>
	\$89,765	\$34,880	63.57%

Orangewood did not implement our approved interim rates. Therefore, no refund is necessary.

#### MISCELLANEOUS SERVICE CHARGES

Orangewood's billing is contracted to an unrelated third party. The third party is responsible for all aspects of the Utility's billing such as processing the bill, collecting the payment, setting up new accounts as well as making premise visits. Orangewood provided invoices which document that the third party invoices the Utility and bills the customers as follows: miscellaneous service charges of \$30 for new accounts; \$15 for premise visits; and \$25 for non-sufficient fund (NSF) check returns. We find that these charges are reasonable. However, the NSF charge shall be tariffed as an actual cost in the event that the financial institution changes its fees, thereby eliminating the need for frequent tariff revisions.

Based on the above, Orangewood shall be authorized to collect miscellaneous service charges. The Utility shall file a proposed customer notice to reflect our 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 that the notice has been approved by Commission staff. Within 10 days of the date the order is final, Orangewood 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 that the notice was sent.

### FOUR YEAR RATE REDUCTION

Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs which is \$311 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 No. 4.

Orangewood 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 Orangewood 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.

### TEMPORARY RATES

This order approves 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 Orangewood, we find that the approved rates shall be approved as temporary rates. The approved rates collected by the Utility shall be subject to the refund provisions discussed below.

Orangewood shall be authorized to collect the temporary rates upon 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 \$67,939. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If Orangewood 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 Orangewood 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 Orangewood;
- 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; and
- 8) The Commission Clerk must be a signatory to the escrow agreement.
- 9) The 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 Orangewood, 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.

Orangewood 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.

#### SHOW CAUSE FOR UNAUTHORIZED CHARGES

Section 367.081(1), F.S., provides that a utility may only charge rates and charges that we have approved. 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, the Utility increased its meter installation charge. Orangewood’s current approved tariff allows for the collection of a \$50 meter installation charge. Over a 29-year period, the Utility periodically increased its meter installation charge to \$500 (\$125 in 1980; \$200 in 1981; \$275 in 1986; \$375 in 1989; and \$500 in 2007).

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 us 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, F.S., or any lawful order. By increasing its meter installation charge without obtaining prior Commission approval, 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 our rules and statutes, we do not believe that the Utility’s apparent violation of Sections 367.081(1) and 367.091(3), F.S., rises, in these circumstances, to the level which warrants the initiation of a show cause proceeding. The additional meter installation charge increased CIAC, which benefitted customers by decreasing rate base and thereby the return on investment that Orangewood would be allowed to earn. Therefore, the Utility’s current customers would not be harmed by the increase in the meter installation charge. For the foregoing reasons, we find that Orangewood’s apparent violation of Sections 367.081(1) and 367.091(3), F.S., does not warrant a show cause proceeding in these circumstances. However, the Utility is hereby put on notice that it may only charge rates and charges that have been approved by the Commission.

#### SHOW CAUSE FOR SERVING OUTSIDE TERRITORY

Prior to 1978, the Utility provided water and wastewater service to its residents within Orangewood Lakes Mobile Home Community without specific compensation for its service. Section 367.022(5), F.S., contains an exception from Commission regulation for “[l]andlords

providing service to their tenants without specific compensation for the service.” Therefore, Orangewood was exempt from our regulation pursuant to Section 367.022(5), F.S. In 1979, Orangewood was granted water and wastewater Certificate Nos. 315-W and 260-S which authorized the Utility to provide service only to the area immediately adjacent to the Orangewood Lakes Mobile Home Community.<sup>8</sup> Orangewood did not realize that, as a result of serving the adjacent developments, all service provided by the Utility became subject to regulation. This places Orangewood in the position of serving a customer outside of its certificated area, which is in fact the Utility’s original customer that was previously exempt pursuant to Section 367.022(5), F.S.

Pursuant to Section 367.045(2), F.S., a utility may not delete or extend its service area outside the area described in its certificate of authorization until it has obtained an amended certificate of authorization. Section 367.161(1), F.S., authorizes us 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, F.S.

We first became aware that Orangewood was serving outside of its certificated area through the filing of this application. Utilities are charged with the knowledge of the 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). The Utility's failure to obtain antecedent Commission approval to extend its service area outside the area described in its certificate of authorization appears to be willful in the sense intended by Section 367.161, F.S. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, entitled 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., having found that the company had not intended to violate the rule, we 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.

In the instant case, the failure of Orangewood to identify the mobile home park in its certificated area appears to be the result of an inadvertent oversight of the Utility. In addition, Orangewood has never charged the customers in the mobile home community for water or wastewater service. Instead, the cost of water and wastewater service is included in the customers’ lot rent. Moreover, the Utility only gained knowledge of the error when it prepared a territorial map for this application. Upon learning of the discrepancy in the Utility’s territory, Orangewood put forth a good faith effort to correct the error. The Utility has been provided with the information needed to complete an amendment application.

In consideration of the foregoing, we find that this Utility’s violation of Section 367.045(2), F.S., does not rise to the level of warranting that a show cause order be issued. Therefore, we decline to order Orangewood to show cause why it should not be fined for failing

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<sup>8</sup> See Order Nos. 8683, issued January 23, 1979, in Docket No. 780660-S, In re: Application of Orangewood Lakes Services, Inc., for a certificate to operate a sewer utility in Pasco County, Florida. Section 367.041, F.S. and 8703, issued February 1, 1979, in Docket No. 780457-W, In re: Application of Orangewood Lakes Services, Inc., for a certificate to operate a water system in Pasco County, Florida.

to obtain approval for extending its service area prior to serving that area. However, the Utility is hereby given until January 5, 2009, to file an amendment application to include the mobile home community in the Utility's authorized territory.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Orangewood Lakes Services, Inc. for a staff-assisted rate case is hereby approved as set forth in the body of this Order. It is further

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

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

ORDERED that Orangewood Lakes Services, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order and the attachments and schedules attached hereto. It is further

ORDERED that Orangewood Lakes Services, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. It is further

ORDERED that the approved rates shall 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 rates shall not be implemented until our staff has approved the proposed customer notice. It is further

ORDERED that the Utility shall provide proof of the date the notice was given no less than 10 days after the date of the notice. It is further

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

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

ORDERED that the security shall be in the form of a bond or letter of credit in the amount of \$67,939. Alternatively, the Utility could establish an escrow agreement with an independent financial institution. It is further



ORDERED that 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. It is further

ORDERED that in no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Irrespective of the form of security chosen by Orangewood Lakes Services, Inc., 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 the Utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. It is further

ORDERED that after 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. It is further

ORDERED that the water and wastewater rates shall be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and 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. It is further

ORDERED that the Utility shall file revised tariff sheets 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 the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that a show cause proceeding shall not be initiated against the Utility for its apparent violations of Sections 367.081(1) and 367.091(3), F.S., for assessing additional meter installation charges without an authorized tariff. It is further

ORDERED that a show cause proceeding shall not be initiated against the Utility for its apparent violations of Section 367.045(2), F.S., for providing service outside of the Utility's certificated area. It is further

ORDERED that the Utility is hereby given until January 5, 2009, to file an amendment application to include the mobile home community in the Utility's authorized territory.

ORDERED that except for the provision for temporary rates, the statutory four-year rate reduction, and our decisions declining to initiate show cause proceedings, which are issued as final agency action, the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the 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 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 staff. It is further

ORDERED that when the tariff and notice actions are complete, this docket may be closed administratively when this Order becomes final.

By ORDER of the Florida Public Service Commission this 23rd day of December, 2008.



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ANN COLE  
Commission Clerk

( S E A L )

CMK

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, except for temporary rates in the event of a protest, the statutory four-year rate reduction, and our decisions declining to initiate show cause proceedings, which are final agency action, our action proposing a rate increase is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on **January 13, 2009**. 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 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 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.

ORANGEWOOD LAKES SERVICES, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDING 12/31/07		DOCKET NO. 070680-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE
1. UTILITY PLANT IN SERVICE	\$30,629	\$83,998	\$114,627
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(21,159)	(10,416)	(31,575)
5. ACCUMULATED DEPRECIATION	(20,335)	(60,778)	(81,113)
6. AMORTIZATION OF CIAC	11,818	10,495	22,313
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>8,499</u>	<u>8,499</u>
8. WATER RATE BASE	<u>\$953</u>	<u>\$31,798</u>	<u>\$32,751</u>

**ORANGEWOOD LAKES SERVICES, INC.**  
**TEST YEAR ENDING 12/31/07**  
**SCHEDULE OF WASTEWATER RATE BASE**

**SCHEDULE NO. 1-B**  
**DOCKET NO. 070680-WS**

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE
1. UTILITY PLANT IN SERVICE	\$78,040	\$59,977	\$138,017
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(39,477)	(248)	(39,725)
5. ACCUMULATED DEPRECIATION	(52,867)	(54,969)	(107,836)
6. AMORTIZATION OF CIAC	24,805	9,932	34,737
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>21,353</u>	<u>21,353</u>
8. WASTEWATER RATE BASE	<u>\$10,501</u>	<u>\$36,045</u>	<u>\$46,546</u>

<b>ORANGEWOOD LAKES SERVICES, INC.</b>		<b>SCHEDULE NO. 1-C</b>	
<b>TEST YEAR ENDING 12/31/07</b>		<b>DOCKET NO. 070680-WS</b>	
<b>ADJUSTMENTS TO RATE BASE</b>			
	<b><u>WATER</u></b>	<b><u>WASTEWATER</u></b>	
<b><u>UTILITY PLANT IN SERVICE</u></b>			
1. To reflect plant per original cost study.	\$79,164	\$27,931	
2. To reflect additional plant.	6,217	33,153	
3. To reflect averaging adjustment.	<u>(1,383)</u>	<u>(1,107)</u>	
Total	<u>\$83,998</u>	<u>\$59,977</u>	
<b><u>CIAC</u></b>			
1. To reflect the appropriate CIAC balance.	(\$10,416)	(\$498)	
2. To reflect averaging adjustment.	<u>0</u>	<u>250</u>	
Total	<u>(\$10,416)</u>	<u>(\$248)</u>	
<b><u>ACCUMULATED DEPRECIATION</u></b>			
1. To reflect accumulated depreciation per Rule 25-30.0140.	(\$61,684)	(\$56,824)	
2. To reflect an averaging adjustment.	<u>906</u>	<u>1,855</u>	
Total	<u>(\$60,778)</u>	<u>(\$54,969)</u>	
<b><u>AMORTIZATION OF CIAC</u></b>			
1. To reflect the appropriate amort of CIAC	11,009	\$10,631	
2. To reflect an averaging adjustment	<u>(514)</u>	<u>(699)</u>	
Total	<u>10,495</u>	<u>\$9,932</u>	
<b><u>WORKING CAPITAL ALLOWANCE</u></b>			
To reflect 1/8 of test year O & M expenses.	<u>\$8,499</u>	<u>\$21,353</u>	

ORANGEWOOD LAKES SERVICES, INC.  
 TEST YEAR ENDING 12/31/07  
 SCHEDULE OF CAPITAL STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$112,482	\$0	\$112,482	(\$90,452)	\$22,030	27.78%	12.01%	3.34%
2. LONG TERM DEBT	225,336	\$0	225,336	(181,203)	44,133	55.65%	6.00%	3.34%
3. CUSTOMER DEPOSITS	<u>13,135</u>	<u>\$0</u>	<u>13,135</u>	<u>0</u>	<u>13,135</u>	<u>16.56%</u>	6.00%	<u>0.99%</u>
4. TOTAL	<u>\$350,953</u>	<u>\$0</u>	<u>\$350,953</u>	<u>(\$271,655)</u>	<u>\$79,298</u>	<u>100.00%</u>		<u>7.67%</u>
<b>RANGE OF REASONABLENESS</b>						<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY						<u>11.01%</u>	<u>13.01%</u>	
OVERALL RATE OF RETURN						<u>7.39%</u>	<u>7.95%</u>	

ORANGEWOOD LAKES SERVICES, INC. TEST YEAR ENDING 12/31/07 SCHEDULE OF WATER OPERATING INCOME				SCHEDULE NO. 3-A DOCKET NO. 070680-WS	
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$63,522</u>	<u>\$47,101</u>	<u>\$110,623</u>	<u>(\$31,723)</u> -28.68%	<u>\$78,900</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$0	\$67,996	\$67,996	\$0	\$67,996
3. DEPRECIATION (NET)	0	2,416	2,416	0	2,416
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,624	3,780	7,404	(1,428)	5,976
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0
7. TOTAL OPERATING EXPENSES	<u>\$3,624</u>	<u>\$74,191</u>	<u>\$77,815</u>	<u>(\$1,428)</u>	<u>\$76,388</u>
8. OPERATING INCOME/(LOSS)	<u>\$59,898</u>		<u>\$32,808</u>		<u>\$2,512</u>
9. WATER RATE BASE	<u>\$953</u>		<u>\$32,751</u>		<u>\$32,751</u>
10. RATE OF RETURN	<u>6285.20%</u>		<u>100.17%</u>		<u>7.67%</u>



<b>ORANGEWOOD LAKES SERVICES, INC.</b>				<b>SCHEDULE NO. 3-B</b>	
<b>TEST YEAR ENDING 12/31/07</b>				<b>DOCKET NO. 070680-WS</b>	
<b>SCHEDULE OF WASTEWATER OPERATING INCOME</b>					
	<b>TEST YEAR PER UTILITY</b>	<b>COMMISSION ADJUSTMENTS</b>	<b>ADJUSTED TEST YEAR</b>	<b>ADJUST. FOR INCREASE</b>	<b>REVENUE REQUIREMENT</b>
1. <b>OPERATING REVENUES</b>	<u>\$49,011</u>	<u>\$40,665</u>	<u>\$89,676</u>	<u>\$100,271</u> 111.82%	<u>\$189,947</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$0	\$170,828	\$170,828	0	\$170,828
3. DEPRECIATION (NET)	0	3,458	3,458	0	3,458
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,161	3,418	7,579	4,512	12,091
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. <b>TOTAL OPERATING EXPENSES</b>	<u>\$4,161</u>	<u>\$177,704</u>	<u>\$181,865</u>	<u>\$4,512</u>	<u>\$186,377</u>
8. <b>OPERATING INCOME/(LOSS)</b>	<u>\$44,850</u>		<u>(\$92,189)</u>		<u>\$3,570</u>
9. <b>WASTEWATER RATE BASE</b>	<u>\$10,501</u>		<u>\$46,546</u>		<u>\$46,546</u>
10. <b>RATE OF RETURN</b>	<u>427.10%</u>		<u>-198.06%</u>		<u>7.67%</u>

**ORANGEWOOD LAKES SERVICES, INC.**  
**TEST YEAR ENDING 12/31/07**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 070680-WS**  
**PAGE 1 OF 2**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>OPERATING REVENUES</b>		
1. To reflect the appropriate test year revenues.	\$44,982	\$38,267
2. To include test year miscellaneous revenues per audit	2,119	2,398
Subtotal	<u>\$47,101</u>	<u>\$40,665</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1. Salaries and Wages - Employees (601,701)		
a. To reflect the appropriate employee salary.	<u>\$15,105</u>	<u>\$10,070</u>
2. Salaries and Wages - Officers (603,703)		
a. To reflect the appropriate officer's salary.	<u>\$6,240</u>	<u>\$4,160</u>
3. Purchased Water (610)		
a. To reflect the appropriate purchased water expense.	<u>\$2,256</u>	<u>\$0</u>
4. Sludge Removal Expense (711)		
a. To reflect the appropriate sludge removal expense.	<u>\$0</u>	<u>\$67,675</u>
5. Purchased Power (615,715)		
a. To reflect the appropriate purchased power expense.	<u>\$5,666</u>	<u>\$6,536</u>
6. Chemicals (618, 718)		
a. To reflect the appropriate chemical expense.	<u>\$2,742</u>	<u>\$11,035</u>
7. Materials and Supplies (620,720)		
a. To reflect the appropriate material and supplies expense.	<u>\$0</u>	<u>\$76</u>
8. Contractual Services - Billing (630, 730)		
a. To reflect the appropriate billing cost.	<u>\$11,366</u>	<u>\$2,480</u>
9. Contractual Services - Professional (631, 731)		
a. To reflect the appropriate accounting services.	\$1,050	\$1,050
b. To reflect the appropriate engineering services.	0	560
Subtotal	<u>\$1,050</u>	<u>\$1,610</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)

**ORANGEWOOD LAKES SERVICES, INC.**  
**TEST YEAR ENDING 12/31/07**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 070680-WS**  
**PAGE 2 OF 2**

(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>
10. Contractual Services - Testing (635, 735)		
a. To reflect the appropriate test expense per engineer.	<u>\$1,799</u>	<u>\$1,667</u>
11. Contractual Services - Other (636,736)		
a. To reflect the appropriate operator expense.	\$6,900	\$6,900
b. To reflect expenses for repairs.	1,951	1,274
c. To reflect expenses for cleaning.	0	1,450
d. To include pro forma engineering expense.	0	500
e. To reflect the appropriate expense for percolation pond maintenance.	0	16,680
f. To reflect the appropriate expense for drain field piping maintenance.	0	22,765
g. To reflect the appropriate expense for plant maintenance.	<u>7,020</u>	<u>10,920</u>
	<u>\$15,871</u>	<u>\$60,489</u>
12. Rents (640,740)		
a. To reflect the appropriate rent expense for office	\$2,160	\$1,440
b. To reflect land rent for plant facilities.	337	1,044
c. To reflect rent for generator.	<u>2,200</u>	<u>0</u>
Subtotal	<u>\$4,697</u>	<u>\$2,484</u>
13. Insurance Expense (655/755)		
a. To reflect insurance expense for plant facilities.	<u>\$69</u>	<u>\$1,107</u>
14. Regulatory Commission Expense (665)		
a. To reflect the 4 year amortization of rate case expense.	<u>\$297</u>	<u>\$297</u>
15. Miscellaneous Expense (675,775)		
a. To reflect miscellaneous expense.	\$610	\$610
b. To include telephone expense.	<u>228</u>	<u>532</u>
Subtotal	<u>\$838</u>	<u>\$1,142</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<b>\$67,996</b>	<b>\$170,828</b>
<b>1 DEPRECIATION EXPENSE</b>		
a. To reflect the depreciation expense.	\$3,335	\$4,855
b. To reflect CIAC Amortization.	<u>(919)</u>	<u>(1,397)</u>
Subtotal	<u>\$2,416</u>	<u>\$3,458</u>
<b>2 TAXES OTHER THAN INCOME</b>		
a. To reflect payroll taxes on Comm. approved salaries.	\$864	(\$993)
b. To reflect appropriate RAFs.	2,123	1,956
c. To reflect the appropriate property taxes.	<u>793</u>	<u>2,455</u>
	<u>\$3,780</u>	<u>\$3,418</u>

**ORANGEWOOD LAKES SERVICES, INC.**  
**TEST YEAR ENDING 12/31/07**  
**ANALYSIS OF WATER OPERATION AND**  
**MAINTENANCE EXPENSE**

**SCHEDULE NO. 3-D**  
**DOCKET NO. 070680-WS**

	TOTAL PER UTILITY	COMMISSION ADJUSTMENT	TOTAL
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$15,105	\$15,105
(603) SALARIES AND WAGES - OFFICERS	0	6,240	6,240
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	2,256	2,256
(615) PURCHASED POWER	0	5,666	5,666
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	2,742	2,742
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	11,366	11,366
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	1,050	1,050
(635) CONTRACTUAL SERVICES - TESTING	0	1,799	1,799
(636) CONTRACTUAL SERVICES - OTHER	0	15,871	15,871
(640) RENTS	0	4,697	4,697
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	69	69
(665) REGULATORY COMMISSION EXPENSE	0	297	297
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>0</u>	<u>838</u>	<u>838</u>
	<u>\$0</u>	<u>\$67,996</u>	<u>\$67,996</u>

**ORANGEWOOD LAKES SERVICES, INC.**  
**TEST YEAR ENDING 12/31/07**  
**ANALYSIS OF WASTEWATER OPERATION AND**  
**MAINTENANCE EXPENSE**

**SCHEDULE NO. 3-E**  
**DOCKET NO. 070680-WS**

	<b>TOTAL</b>		
	<b>PER</b>	<b>COMMISSION</b>	
	<b>UTILITY</b>	<b>ADJUSTMENT</b>	<b>TOTAL</b>
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$10,070	\$10,070
(703) SALARIES AND WAGES - OFFICERS	0	4,160	4,160
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	67,675	67,675
(715) PURCHASED POWER	0	6,536	6,536
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	11,035	11,035
(720) MATERIALS AND SUPPLIES	0	76	76
(730) CONTRACTUAL SERVICES - BILLING	0	2,480	2,480
(731) CONTRACTUAL SERVICES - PROFESSIONAL	0	1,610	1,610
(735) CONTRACTUAL SERVICES - TESTING	0	1,667	1,667
(736) CONTRACTUAL SERVICES - OTHER	0	60,489	60,489
(740) RENTS	0	2,484	2,484
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	0	1,107	1,107
(765) REGULATORY COMMISSION EXPENSES	0	297	297
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	<u>0</u>	<u>1,142</u>	<u>1,142</u>
	<u>\$0</u>	<u>\$170,828</u>	<u>\$170,828</u>

ORANGEWOOD LAKES SERVICES, INC.		SCHEDULE NO. 4-A	
TEST YEAR ENDING 12/31/07		DOCKET NO. 070680-WS	
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	FOUR-YEAR RATE REDUCTION
<b>Residential and General Service</b>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$12.50	\$8.52	\$0.03
3/4"		\$12.78	\$0.05
1"		\$21.30	\$0.08
1-1/2"		\$42.60	\$0.17
2"		\$68.16	\$0.27
3"		\$136.32	\$0.54
4"		\$213.00	\$0.84
6"		\$426.00	\$1.68
BFC Bulk Rate (Orangewood Lakes Mobile Home Park)		\$4.09	\$0.02
<u>Residential Service Gallonage Charge</u>			
* Base Facility Charge includes 2,000 Gallons	\$0.00	\$0.00	\$0.00
2,000+ Gallons	\$2.80	\$0.00	\$0.00
Per 1,000 Gallons (Residential and Bulk Customers)		\$1.38	\$0.01
<u>General Service Gallonage Charge</u>			
Per 1,000 Gallons	\$2.80	\$1.38	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$15.30	\$12.66	
5,000 Gallons	\$20.90	\$15.42	
10,000 Gallons	\$34.90	\$22.32	

ORANGWOOD LAKES SERVICES, INC. TEST YEAR ENDING 12/31/07 MONTHLY WASTEWATER RATES		SCHEDULE NO. 4-B DOCKET NO. 070680-WS		
	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM	COMMISSION APPROVED RATES	FOUR -YEAR RATE REDUCTION
<b><u>Residential Service</u></b>				
All Meter Sizes (Flat Rate)	\$24.07	\$39.37	\$0.00	\$0.00
All Meter Sizes	\$0.00	\$0.00	\$23.72	\$0.04
BFC Bulk Rate (Orangewood Lakes Mobile Home Park)			\$11.38	\$0.02
Per 1,000 Gallons (Residential and Bulk Customers)	\$0.00	\$0.00	\$4.51	\$0.01
Residential Gallonage Cap – 6,000 Gallons				
Bulk Gallonage Cap – 1,506,000 Gallons				
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size:				
All Meter Sizes	\$24.07	\$39.37	\$0.00	\$0.00
5/8"X3/4"	\$0.00	\$0.00	\$23.72	\$0.04
3/4"	\$0.00	\$0.00	\$35.58	\$0.06
1"	\$0.00	\$0.00	\$59.30	\$0.10
1-1/2"	\$0.00	\$0.00	\$118.60	\$0.19
2"	\$0.00	\$0.00	\$189.76	\$0.31
3"	\$0.00	\$0.00	\$379.52	\$0.62
4"	\$0.00	\$0.00	\$593.00	\$0.97
6"	\$0.00	\$0.00	\$1,186.00	\$1.94
Gallonage Charge per 1,000 gallons	\$0.00		\$5.41	\$0.01
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$24.70	\$39.37	\$37.25	
5,000 Gallons	\$24.70	\$39.37	\$46.27	
10,000 Gallons	\$24.70	\$39.37	\$50.78	