

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificates to provide water and wastewater service in Sumter County by Central Sumter Utility Company, L.L.C.

DOCKET NO. 050192-WS
ORDER NO. PSC-11-0113-PAA-WS
ISSUED: February 11, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INITIAL RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that 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.

BACKGROUND

Central Sumter Utility Company, L.L.C. (CSU or Utility) is a water and wastewater utility formed on November 6, 2003, by The Villages of Lake-Sumter, Inc. (Developer) to serve a portion of The Villages, a 13,075-acre planned unit development in Sumter County. The service area is in the Southwest Florida Water Management District (District) and is under the District's Phase I Water Shortage Restrictions and The Villages' water restrictions. The Utility anticipates serving approximately 10,775 residential and 578 commercial connections when it reaches build-out in 2017. Based on this number of connections and the Utility's projected revenues, CSU will be a Class A water and wastewater utility at build-out.

On March 22, 2005, CSU filed its application for original water and wastewater certificates along with a petition for temporary rule waiver, pertaining to the requirements set out in Rule 25-30.033(1)(k), (r), (t), (u), (v), and (w), Florida Administrative Code (F.A.C.) regarding initial rates and charges. We granted CSU its petition for temporary rule waiver while simultaneously granting the Utility Certificate Nos. 631-W and 540-S to provide water and

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wastewater service to its requested service area.¹ As required by our Order, CSU filed annual status reports with us regarding the development of the Utility. On August 31, 2010, CSU filed its Supplemental Petition to Establish Rates and Charges for water and wastewater service in this docket.²

We have jurisdiction over this matter pursuant to Sections 367.045, 367.081, 367.0817, 367.091, and 367.101, Florida Statutes (F.S.).

DECISION

INITIAL RATES AND RETURN ON INVESTMENT

Rules 25-30.033(1)(t), (u), (v), and (w), F.A.C., specify the requirements for establishing rates and charges for original certificates, including submission of a cost study, growth projections, and data related to the projected plant, capital structure, and operating expenses. The requested rates and charges in CSU's application are based on the system operating at 80 percent of its designed capacity, which is consistent with our policy for setting initial rates and charges. According to the application, the Villages of Sumter Development (Development) is expected to reach the 80 percent level of operation in 2015.

As explained in detail below, we find that the initial water and wastewater rates, as shown on Schedule Nos. 1 and 2, are reasonable and we approve them. The rates shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. CSU shall charge the approved rates and charges until authorized to change them in a subsequent Commission proceeding. We also approve a return on equity of 10.85 percent plus or minus 100 basis points for the Utility.

Utility Facilities

CSU's service area covers 6,106 acres of the Development. This service area will consist of single family homes, general and retail office space, and medical, lodging, and recreational facilities. At build-out, CSU expects to serve approximately 10,775 dwelling units with an estimated population of 20,473 people, based on historical data from the Development of 1.9 people per dwelling unit, and 578 commercial connections. These connections represent a total of 12,579 water and wastewater equivalent residential connections (ERCs).

Construction of the Utility's facilities is expected to begin in April 2011 and become operational by February 2013. The water treatment facilities will include wells and treatment

¹ Order No. PSC-05-0844-PAA-WS, issued August 18, 2005, in Docket No. 050192-WS, In re: Application for certificates to provide water and wastewater service in Sumter County by Central Sumter Utility Company, L.L.C.

² North Sumter Utility Company, L.L.C. (NSU), another of the Developer's Commission-regulated utilities, has an active docket that involves CSU. Docket No. 100456-WS, filed December 10, 2010, addresses NSU's application for transfer of its water and wastewater facilities to North Sumter County Utility Dependent District. We approved the transfer at our February 8, 2011, Agenda Conference.

plant, as well as ground and elevated storage tanks. The plant is planned for a designed capacity of 4.32 million gallons per day (MGD) and will consist of two 16-inch water supply wells, each equipped with a 1,500 gallon per minute (GPM) pump for a combined pumping capacity of 3,000 GPM. Treatment will consist of a gas chlorination system, a forced draft aeration system, and an odor control facility to remove the anticipated hydrogen sulfide contents of the raw water. A 500,000 gallon elevated storage tank will be constructed, as well as a 500,000 gallon ground storage tank, which will provide water during peak hours.

The wastewater treatment facilities will be designed and permitted for a capacity of 1.6 MGD annual average daily flow (AADF), which is sufficient to accommodate the anticipated build-out wastewater flows of 1.28 MGD AADF. The Utility anticipates having 28 lift stations. Processing will consist of screening and odor control, denitrification, oxidation, clarification, filtration, disinfection, sludge holding and dewatering, and effluent disposal by means of golf course irrigation.

CSU will share existing effluent holding ponds, effluent pumping station, and onsite rapid infiltration basins (RIBs) with the NSU wastewater treatment facilities. Reuse force mains will be constructed, operated, and maintained by the Sumter Water Conservation Authority. The Utility has entered into an agreement with NSU for effluent discharge from its facility to NSU's holding ponds. Treated effluent will be applied to the Development's golf courses. That portion of treated effluent which does not comply with public access reuse standards will be diverted to one of the three existing RIBs.

The CSU wastewater treatment facilities will be located within NSU's service area. CSU will share the existing operations and control building, maintenance building, and laboratory, located at NSU's wastewater treatment facilities. As previously noted, NSU sold its water and wastewater treatment facilities to North Sumter Utility Dependent District (NSUDD) on December 7, 2010. We have reviewed the agreement between CSU and NSUDD with respect to the shared facilities. As described below, no costs associated with these facilities were included in CSU's proposed water and wastewater rates.

Projected Rate Base

In setting initial rates and charges for a new utility, our practice has been to set rates so that the utility will have an opportunity to earn a fair return on its investment when approximately 80 percent of its projected customers are being served. Typically, in the early years of development, the customer base of a utility is not sufficient to allow the utility to recover its operating and maintenance (O&M) expenses and earn a fair return on its investment. However, as growth reaches 80 percent of a utility's projected designed capacity, the initial rates become compensatory. Schedule Nos. 1 and 2 contain CSU's projected rate base and revenue requirement at 80 percent of designed capacity and the resulting proposed rates and charges.

The Utility's projected costs for Utility Plant in Service (UPIS) at 80 percent of designed capacity is \$19,098,290 and \$40,173,024 for water and wastewater facilities, respectively. The projected contributions-in-aid-of-construction (CIAC) balances of (\$13,165,246) for water and (\$23,053,984) for wastewater are based on its proposed main extension charges of \$1,119 per

ERC for water and \$2,336 per ERC for wastewater. The Utility's projected CIAC balances are consistent with the guidelines set forth in Rule 25-30.580, F.A.C.

The Utility's projected accumulated depreciation and accumulated amortization of CIAC balances are based on the average service lives guidelines for Class A utilities, as set forth in Rule 25-30.140, F.A.C. Based on the guidelines, the water and wastewater balances are (\$1,331,622) and (\$2,517,707), respectively, for accumulated depreciation, and \$772,465 and \$1,171,570, respectively, for accumulated amortization of CIAC. Projected working capital allowances of \$120,680 and \$169,644 for water and wastewater, respectively, are based on one-eighth of the estimated water and wastewater O&M expenses.

We find that CSU's projected rate base of \$5,494,567 for water and \$15,942,546 for wastewater, as shown on Schedule Nos. 1 and 2, are reasonable for the proposed Development. Projected rate base is established only as a tool to aid us in setting initial rates and is not intended to formally establish rate base. This is consistent with our practice in considering applications for original certificates.³

Cost of Capital

As required by Rule 25-30.033(1)(w), F.A.C., CSU's application contained a schedule of its projected capital structure, including a statement of the methods of financing the construction and operation of the Utility. The Utility's projected capital structure, as shown below, consists of 40 percent equity and 60 percent debt. Equity contributions will be made by the stockholders as needed to finance and support the operations of the Utility in the initial years of development. Debt financing will be in the form of revenue bonds, a special type of municipal bond that holds a guarantee of repayment solely from revenues.

The Utility's proposed cost of equity of 10.85 percent is consistent with our current leverage formula.⁴ The Utility's proposed cost of debt of 7.50 percent is based on an estimate from the Utility's underwriter.

We approve an overall cost of capital of 8.84 percent for CSU based on a capital structure consisting of 40 percent equity and 60 percent debt, a cost of equity of 10.85 percent, and a cost of debt of 7.50 percent. This is a reasonable overall cost of capital for calculating the revenue requirement for this original certificate case. We authorize the return on equity at 10.85 percent with a range of plus or minus 100 basis points.

³ Order No. PSC-08-0540-PAA-WS, issued August 18, 2008, in Docket No. 080103-WS, In re: Application for certificates to provide water and wastewater service in Hardee and Polk Counties by TBBT Utility LLC. Order No. PSC-08-0228-PAA-WS, issued April 7, 2008, in Docket No. 060602-WS, In re: Application for certificate to provide water and wastewater service in Lee and Charlotte Counties by Town and Country Utilities Company.

⁴ Order No. PSC-10-0401-PAA-WS, issued June 18, 2010, in Docket No. 100006-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), F.S. Also, see Rules 25-30.415 and 25-30.033(1)(w)(3), F.A.C.

Cost of Capital

<u>Capital Structure</u>	Balance per Filing	Percent Ratio	Approved Cost Rate	Approved Weighted Cost
Common Equity	\$ 8,574,845	40 %	10.85%	4.34%
Long- and Short-Term Debt	\$12,862,268	60 %	7.50%	4.50%
Total	\$21,437,113	100%	--	8.84%

Return on Equity

	High	Low
Range of Reasonableness	11.85%	9.85%

Net Operating Income

The projected net operating income for water and wastewater services are shown on Schedule Nos. 1 and 2, respectively, and are based on the projected rate base for each system and the overall projected cost of capital of 8.84 percent, as discussed above. The resulting net operating income figures for water and wastewater service are \$485,720 and \$1,409,321, respectively.

Revenue Requirement

CSU's proposed revenue requirements are based on O&M expenses, depreciation and amortization of CIAC expenses, taxes, customer growth, and net operating income, as described above. Included in O&M expenses are salaries and benefits, chemicals, purchased power, plant maintenance, laboratory testing, transportation, insurance, and contractual services. Taxes other than income include projected regulatory assessment fees of 4.50 percent of gross revenues, real estate taxes, and personal property taxes. As previously described, the proposed revenue requirements do not include costs associated with the NSUDD shared facilities.

The Utility's proposed revenue requirement for the water system of \$1,996,155 includes \$965,438 for O&M expenses, \$568,972 for depreciation expense, (\$363,403) for CIAC amortization expense, and \$339,428 for taxes other than income. We find that the proposed revenue requirement for the water system of \$1,996,155 is reasonable and shall be used to set initial rates for water service.

The Utility's proposed revenue requirement for the wastewater system of \$4,205,211 includes \$1,357,155 for O&M expenses, \$1,231,717 for depreciation expense, (\$511,798) for CIAC amortization expense, and \$718,816 for taxes other than income. We find that the proposed revenue requirement for the wastewater system of \$4,205,211 is reasonable and shall be used to set initial rates for wastewater service.

Rates

The Utility's proposed residential and general service rates are based on revenue requirements of \$1,996,155 and \$4,205,211 for water and wastewater, respectively. As shown on Schedule Nos. 1 and 2, the Utility's requested rates include a monthly base facility charge (BFC) for water and wastewater and a two-tiered gallonage charge for residential water customers.

For water service, CSU proposed a residential and general service BFC of \$8.18 for 5/8" x 3/4" meters. For residential water usage, CSU proposed a gallonage charge of \$1.93 per 1,000 gallons for the first 3,000 gallons, and a charge of \$3.86 per 1,000 gallons for usage in excess of 3,000 gallons. For general service water usage, the gallonage charge is \$1.93 for all levels of usage. For wastewater service, CSU proposed a BFC of \$14.90 for all residential customers and all general service customers with a 5/8" x 3/4" meter. For residential wastewater usage, CSU proposed a gallonage charge of \$4.75 per 1,000 gallons, capped at 10,000 gallons. For general service wastewater usage, CSU proposed a gallonage charge of \$5.58 per 1,000 gallons. We find that the Utility's proposed rates and rate structure are reasonable, consistent with our practice for setting initial water and wastewater rates, and we approve them.

Reuse

Pursuant to Section 367.0817, F.S., we have jurisdiction to consider the proposed costs and rates to recover costs associated with reuse projects. Due to growing concerns over water conservation, effluent is increasingly viewed as an alternative source of water for golf course irrigation. Although there are costs associated with the provision of effluent, there are cases in which the "avoided costs" outweigh the actual cost of the service, and thus not charging for the effluent is justified. In this case, wastewater effluent will be reused as irrigation water for golf courses within the Development, which will delay or eliminate CSU's need to purchase additional land for spray fields or percolation ponds. The three existing lined holding ponds owned by NSUDD will be used to store effluent for reuse. CSU did not request that a rate be established for reuse.

The use of reclaimed water in lieu of potable water for irrigation is consistent with the standards of the District, and it is a cost effective effluent disposal method. Therefore, we will set a reuse rate of zero for the Development's golf courses. Should CSU propose to provide reuse to others in addition to the golf courses in the future, CSU shall seek our approval to do so.

Conclusion

The water and wastewater rates, as discussed above, and as shown on Schedule Nos. 1 and 2, are reasonable and shall be approved. CSU shall charge the approved rates and charges until authorized to change them by us in a subsequent proceeding. The rates shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. A return on equity of 10.85 percent plus or minus 100 basis points is approved.

SERVICE AVAILABILITY POLICY AND CHARGES

Rule 25-30.580(1)(a), F.A.C., provides that the maximum amount of CIAC, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of a utility's facilities and plant when the facilities and plant are at their designed capacity. Rule 25-30.580(1)(b), F.A.C., provides that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and wastewater collection systems.

CSU'S proposed service availability policy states that it will construct all on-site, off-site, and treatment facilities, and it will assess meter installation and main extension charges to new customers. CSU is requesting approval of a meter installation charge of \$215 for 5/8" x 3/4" meters for new connections. All other meter sizes will be installed at the Utility's actual cost. In addition, the Utility proposed main extension charges of \$1,119 and \$2,336 for water and wastewater, respectively. CSU did not request that a plant capacity charge be approved for water or wastewater, and it did not propose a guaranteed revenue charge for wastewater service. The requested policy and charges are consistent with the guidelines in Rule 25-30.580, F.A.C., which require that at a minimum the cost of the lines should be contributed. Schedule No. 3 contains the proposed service availability charges. These charges will result in CIAC levels of 69.75 percent for water and 58.11 percent for wastewater at designed capacity.

Conclusion

We find that the service availability policy and charges proposed by CSU and shown on Schedule No. 3 are reasonable, result in contribution levels which are consistent with the guidelines contained in Rule 25-30.580, F.A.C., and we approve them. The approved service availability policy and charges shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. CSU shall charge the approved charges until authorized to change them by us in a subsequent proceeding.

CUSTOMER DEPOSITS AND MISCELLANEOUS SERVICE CHARGES

Initial Customer Deposits

CSU requested authority to collect initial customer deposits and to apply certain miscellaneous service charges pursuant to Section 367.091, F.S. Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. Historically, we have set initial customer deposits equal to the amount of two months' bills based on estimated average consumption for the customer class.⁵

⁵ Order No. PSC-03-1342-PAA-WS, issued November 24, 2003, in Docket No. 021228-WS, In re: Application for staff-assisted rate case in Brevard County by Service Management Systems, Inc. Order No. PSC-03-0845-PAA-

Consumption-based charges are based on the prior month's meter readings. It generally takes five to seven days from the meter reading date until customers are billed. Pursuant to Rule 25-30.335(4), F.A.C., payment may not be considered delinquent until 21 days after the bill is mailed or presented. Pursuant to Rule 25-30.320(2)(g), F.A.C., a utility may discontinue service for nonpayment of bills, provided there has been a diligent attempt to have the customer comply and the customer has been provided at least five working days' written notice. It is likely that the service would not be disconnected until well after two months subsequent to the service being rendered. Not only is collecting a customer deposit to recover this two-month period of service consistent with our past practice, it is also consistent with one of the fundamental principles of rate making – ensuring that the cost of providing service is recovered from the cost causer.⁶

The Utility requested initial customer deposits of \$26 and \$54 for 5/8" x 3/4" meters for water and wastewater, respectively; \$65 and \$108 for 1" meters for water and wastewater, respectively; and two times the average estimated monthly bill for meters over 1" for both water and wastewater. These amounts are reflected on Schedule No. 3 and were calculated in compliance with Rule 25-30.311(7), F.A.C. These charges are consistent with our rules and we approve them.

Miscellaneous Service Charges

Pursuant to Rule 25-30.460, F.A.C., utilities may apply for miscellaneous service charges, including initial connection, normal reconnection, violation reconnection, and premises visit charges. CSU's proposed miscellaneous service charges are shown on Schedule No. 3. Since the Utility has not started charging for service, the miscellaneous service charges are based on estimated expenses. The Utility's justification for the miscellaneous service charges refers to prior Orders in which we approved similar charges.⁷ Also, as noted above, our practice has been to place the burden of such charges on the cost causer rather than the general body of ratepayers.

CSU's proposed connection and disconnection charges are based on its hourly contract rate for labor required to perform the services plus the cost of transportation. For services provided after hours, an additional 0.60 hour (36 minutes) of labor is proposed, which represents the additional time that it takes for an employee to arrive at the customer's property after hours. A time-and-a-half wage is reflected for services provided during this time. The Utility proposed a violation reconnection charge equal to the actual cost incurred for providing that service. It has

WS, issued July 21, 2003, in Docket No. 021192-WS, In re: Application for staff-assisted rate case in Highlands County by Damon Utilities, Inc.

⁶ Order No. PSC-03-1119-PAA-SU, issued October 7, 2003, in Docket No. 030106-SU, In re: Application for staff-assisted rate case in Lee County by Environmental Protection Systems of Pine Island, Inc. Order No. PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, In Re: Application for transfer of Certificate No. 123-W in Lake County from Theodore S. Jansen d/b/a Ravenswood Water System to Crystal River Utilities, Inc.

⁷ Order No. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS, In re: Application for increase in water and wastewater rates in Orange County by Wedgefield Utilities, Inc. Order No. PSC-06-0331-PAA-WS, issued April 24, 2006, in Docket No. 050902-WS, In re: Application to transfer assets and Certificate Nos. 590-W and 508-S in Polk County from Lake Haven Utility Associates, Ltd., d/b/a Lake Wales Utility Company to Gold Coast Utility Corp.

been our practice, however, to set this charge equal to the normal reconnection charge.⁸ Therefore, we will set the violation reconnection charge at \$21 during business hours and \$42 during after hours.

The Utility's proposed late payment charge, which is based on the estimated cost to research, prepare, and mail a late payment letter, is consistent with our prior decisions.⁹ The proposed nonsufficient funds (NSF) check fee is a service fee authorized by Sections 68.065 and 832.08(5), F.S., based on the amount of a check that is returned for nonpayment. The statute currently indicates the fees as follows: \$25 if the face value of the check does not exceed \$50; \$30 if the face value is more than \$50 but does not exceed \$300; and \$40 if the face value is more than \$300.

The Utility's proposed miscellaneous service charges, with the exception of its violation reconnection charge, appear to be reasonable based on the estimated costs to provide those services and are consistent with miscellaneous service charges recently approved for other similarly situated utilities. Therefore, we approve the Utility's remaining proposed miscellaneous service charges, and we approve a violation reconnection charge as described above.

Conclusion

We find that CSU's request for authority to collect initial customer deposits and to apply certain miscellaneous service charges as reflected on Schedule No. 3 are reasonable and should be approved. The initial customer deposits and miscellaneous service charges shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. CSU shall collect the approved deposits and charges until authorized to change them by us in a subsequent proceeding.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Rule 25-30.033(4), F.A.C., provides that utilities obtaining initial certificates pursuant to this rule are authorized to accrue an Allowance for Funds Used During Construction (AFUDC) for projects found eligible in accordance with conditions stated in Rule 25-30.116(1), F.A.C. AFUDC represents the rate at which interest may be capitalized in new utility construction. The rule states that the applicable AFUDC rate shall be determined as the Utility's projected weighted cost of capital as demonstrated in its application for original certificates and initial rates and charges. Further, Rule 25-30.033(4)(b), F.A.C., states that a discounted monthly AFUDC rate calculated in accordance with Rule 25-30.116(3), F.A.C., shall be used to insure that the annual

⁸ Order No. PSC-10-0552-PAA-WU, issued September 3, 2010, in Docket No. 090366-WU, In re: Application for certificate to operate water utility in Marion County by ARMA WATER SERVICE, LLC. Order No. PSC-07-0983-PAA-WS, issued December 10, 2007, in Docket No. 060726-WS, In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities, Inc.

⁹ Order No. PSC-02-0382-PAA-SU, issued March 21, 2002, in Docket No. 010828-SU, In re: Application for staff-assisted rate case in Highlands County by Harder Hall - Howard, Inc. Order No. PSC-06-0775-PAA-WU, issued September 18, 2006, in Docket No. 060139-WU, In Re: Application for certificate to operate water utility in Lake County by Colina Bay Water Company, LLC.

AFUDC charged does not exceed authorized levels. In its application, CSU proposed an annual AFUDC rate of 8.84 percent, discounted to a monthly rate of 0.708403 percent, based on the cost of capital projected in its application.

Conclusion

We find that an AFUDC rate of 8.84 percent, discounted to a monthly rate of 0.708403 percent, is appropriate and we approve it. Pursuant to Rule 25-30.033(4)(c), F.A.C., the date that the Utility begins to charge the AFUDC rate shall be the date that the certificate of authorization is issued to the Utility so that such rate can apply to the initial construction of the Utility facilities. As previously noted, CSU's water and wastewater certificates were issued by order dated August 18, 2005.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Central Sumter Utility Company, L.L.C.'s Supplemental Petition to Establish Rates and Charges is approved as set out in the body of this Order. It is further

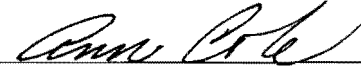
ORDERED that the Utility's initial rates and return on investment as approved in the body of this Order are set out in Schedules 1, 2, and 3, which are attached to this Order and incorporated by reference herein, It is further

ORDERED that the approved rates and charges shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that 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 in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 11th day of February, 2011.



ANN COLE
Commission Clerk

(S E A L)

MCB

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

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.

The action proposed herein 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 4, 2011.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

**CENTRAL SUMTER UTILITY COMPANY, L.L.C.
 WATER SYSTEM**

Water Rate Base

Utility Plant in Service	\$19,098,290
Accumulated Depreciation	(1,331,622)
Contributions-in-Aid-of-Construction (CIAC)	(13,165,246)
Accumulated Amortization of CIAC	772,465
Working Capital Allowance (1/8 O&M)	120,680
Water Rate Base	<u>\$5,494,567</u>

Water Revenue Requirement

Operating Revenues	<u>\$1,996,155</u>
Operating and Maintenance (O&M)	965,438
Net Depreciation Expense	568,972
CIAC Amortization	(363,403)
Taxes Other Than Income	339,428
Net Operating Income	<u>\$485,720</u>
Water Rate Base	\$5,494,567
Rate of Return	8.84%

Monthly Water Service Rates – Residential and General Service

Base Facility Charge	
5/8" x 3/4"	\$ 8.18
Full 3/4"	12.27
1"	20.45
2"	65.44
3"	130.88
4"	204.50
6"	409.00
8"	654.40
10"	940.70
Charge per 1,000 gallons – Residential	
First 3,000 gallons	\$ 1.93
Over 3,000 gallons	\$ 3.86
Charge per 1,000 gallons – General Service	\$ 1.93

Comparison of Residential Water Service Bills

3,000 gallons	\$ 13.97
5,000 gallons	\$ 21.69
10,000 gallons	\$ 40.99

**CENTRAL SUMTER UTILITY COMPANY, L.L.C.
 WASTEWATER SYSTEM**

Wastewater Rate Base

Utility Plant in Service	\$40,173,024
Accumulated Depreciation	(2,517,707)
Contributions-in-Aid-of-Construction (CIAC)	(23,053,984)
Accumulated Amortization of CIAC	1,171,570
Working Capital Allowance (1/8 O&M)	<u>169,644</u>
Wastewater Rate Base	<u>\$15,942,546</u>

Wastewater Revenue Requirement

Operating Revenues	<u>\$4,205,211</u>
Operating and Maintenance (O&M)	1,357,155
Net Depreciation Expense	1,231,717
CIAC Amortization	(511,798)
Taxes Other Than Income	<u>718,816</u>
Net Operating Income	<u>\$1,409,321</u>
Wastewater Rate Base	\$15,942,546
Rate of Return	8.84%

Monthly Wastewater Service Rates – Residential Service

Base Facility Charge	
5/8" x 3/4"	\$ 14.90
Charge per 1,000 gallons	\$ 4.75
(10,000 gallons maximum)	

Monthly Wastewater Service Rates – General Service

Base Facility Charge	
5/8" x 3/4"	\$ 14.90
Full 3/4"	22.35
1"	37.25
1.5"	119.20
2"	238.40
3"	372.50
4"	745.00
6"	1,192.00
8"	1,713.50
Charge per 1,000 gallons	\$ 5.58

Comparison of Residential Wastewater Service Bills

3,000 gallons	\$ 31.64
5,000 gallons	\$ 42.80
10,000 gallons	\$ 70.70

CENTRAL SUMTER UTILITY COMPANY, L.L.C.

Water Service Availability Charges

Meter Installation Charge	
5/8" x 3/4"	\$ 215.00
All other meter sizes	Actual Cost
Main Extension Charge	
Residential – per ERC (86) GPD	\$1,119.00
All others – per gallon	\$ 13.01
Guaranteed Revenue Charge	Applicable Base Facility Charge

Wastewater Service Availability Charges

Main Extension Charge	
Residential – per ERC (86) GPD	\$2,336.00
All others – per gallon	\$ 27.17

Initial Customer Deposits

Description	Water Service	Wastewater Service
5/8" x 3/4" meter	\$26.00	\$ 54.00
1" meter	\$65.00	\$108.00
Over 1" meter	Two times estimated average monthly bill	

Miscellaneous Service Charges

Description	Business Hours Charges	After Hours Charges
Initial Connection Charge	\$ 21.00	
Normal Reconnection Charge	\$ 21.00	\$ 42.00
Violation Reconnection Charge	\$ 21.00	\$ 42.00
Premises Visit in Lieu of Disconnection Charge	\$ 21.00	\$ 42.00
Late Payment Charge	\$ 5.00	
NSF Check Fee		Per Statute

*Actual Cost is equal to total cost incurred for services.