



ORIGINAL

215 SOUTH MONROE STREET  
SUITE 815  
TALLAHASSEE, FLORIDA 32301

(850) 412-2000  
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KATHRYN.COWDERY@RUDEN.COM

June 24, 2005

Blanca S. Bayo, Director  
Division of Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Betty Easley Building, Room 110  
Tallahassee, Florida 32399-0850

Via Hand Delivery

RECEIVED  
JUN 24 PM 12:00  
COMMISSION  
CLERK

Re: Docket No. 980876-WS  
Application for Initial Rates and Charges of Ocala Springs Utilities Inc.

Dear Ms. Bayo:

Enclosed for filing in the above-named docket Inc., are thirteen copies of Ocala Springs Utilities Inc.'s response to Staff's letter of May 11, 2005.

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention.

Sincerely,

Kathryn G.W. Cowdery  
Attorney

- CMP \_\_\_\_\_
- COM \_\_\_\_\_
- CTR \_\_\_\_\_ Enclosures
- ECR \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_
- MMS \_\_\_\_\_
- RCA \_\_\_\_\_
- SCR \_\_\_\_\_
- SEC   1
- OTH \_\_\_\_\_

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

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RUDEN, McCLOSKEY, SMITH, SCHUSTER & RUSSELL, P.A.

FPSC-COMMISSION CLERK



215 SOUTH MONROE STREET  
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KATHRYN.COWDERY@RU DEN.COM

June 24, 2005

Patti Daniel  
Supervisor of Certification  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0350

Via Hand-Delivery

Re: Docket No. 980876-WS, Application for certificates to operate a water and wastewater utility in Marion County by Ocala Springs Utilities Inc.

Dear Ms. Daniel:

This letter responds to your letter of May 11, 2005, which requested additional information and/or clarifications for the Application for Initial Rates and Charges for Ocala Springs Utilities Inc. ("Application"). Thirteen copies of this letter and attachments have been filed this same date with the Director of the Division of Commission Clerk and Administrative Services. I have numbered the responses to correspond to the numbering in your letter of May 11, 2005.

Deficiencies

1. Proof of Ownership. Ocala Springs Utilities Inc. ("OSUI") will not have any issue acquiring lands for utility treatment facilities at Ocala Springs, as all of the property encompassed therein is owned by Avatar Properties, Inc. Both OSUI and Avatar Properties Inc. are wholly owned subsidiaries of Avatar Holdings Inc. Proof of ownership will be provided by separate filing.
2. Attached hereto as Attachment "A" is a map showing the location of the proposed water plant and wastewater treatment plant. A detailed system map will be provided by separate filing.

Additional Information/Clarifications:

3. The proposed utility facilities include effluent disposal as a means of reuse. Reuse rate tariff sheets will be provided by separate filing.
4. The proposed water and wastewater service availability policy tariff sheets will be provided by separate filing.
5. Staff is correct that CIAC does not include the costs of hydrants. In this case, the cost of mains and services is expressed on a per unit served basis. The costs of the hydrants is expressed

TAL:52460:1

RU DEN, McCLOSKEY, SMITH, SCHUSTER & RUSSELL, P.A.

06013 JUN 24 2005

on a per hydrant basis. OSUI notes that there is no requirement that hydrants be included in the calculation of the main extension charges. If hydrants were to be included in that calculation, it would add \$200 to the Main Extension Charge.

6. Revenue Proof. See Attachment "B" hereto.

7. OSUI is not requesting guaranteed revenues in its Application. Attached as Attachment "C" hereto are revised proposed tariff sheets deleting previously included guaranteed revenue charges.

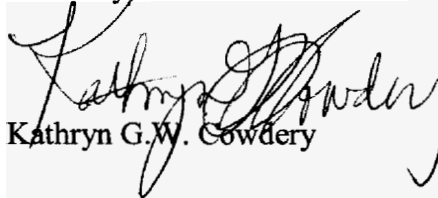
8. The Application included a 7.0% cost of debt. In reviewing information in order to respond to Staff's question regarding cost of debt, it has been determined that the cost of debt in this Application may be as high as 8.0%, which represents, based on the current trend in interest rates, OSUI's projection of its debt cost when funds for construction for this project are required.

9. Income Tax. See Attachment "B" hereto.

10. Parent debt was not considered in the calculation of income tax.

Please let me know if you have any questions.

Sincerely,



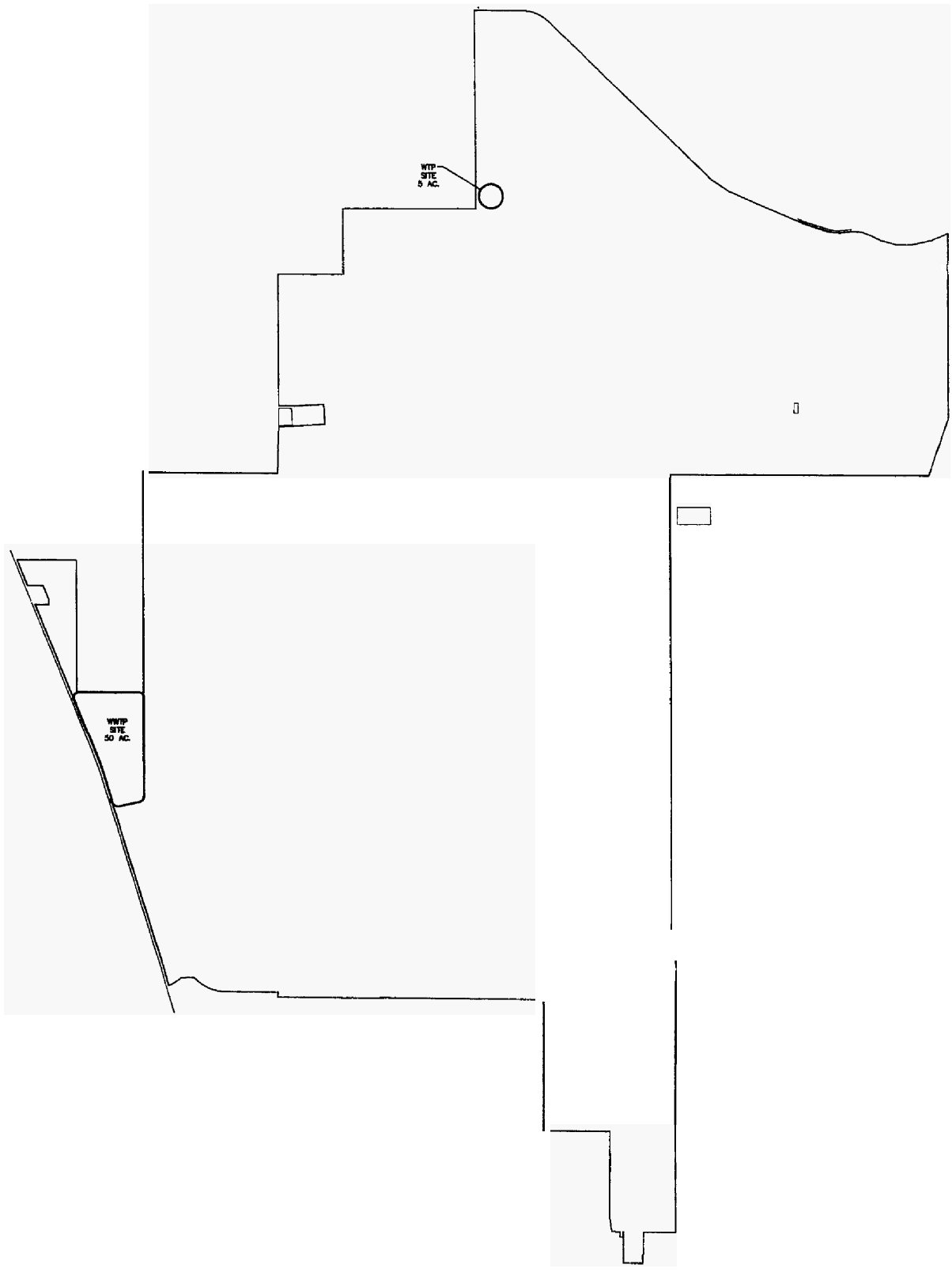
Kathryn G.W. Cowdery

Enclosures

cc (w/enc.): Katherine Fleming, Esq. (hand-delivery)

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# ATTACHMENT A



UNIVERSITY OF CALIFORNIA, RIVERSIDE COUNTY OFFICE OF PLANNING AND DEVELOPMENT, 1999

# ATTACHMENT B

**OCALA SPRINGS UTILITIES, INC.**  
**Basis for Factored ERCs and Factored Gallons**

Factored ERCs are the average ERCs in Year 8 as follows:

	SFR's	Multi-Family	GS	Total
Year 7	6000	600	114	6,714
Year 8	7000	600	235	7,835
Average	6500	600	174.5	7,275
			Annual =	87,294

Factored Gallons = Average ERCs x 350 gpd x 365/1000 = 929,317

**OCALA SPRINGS UTILITIES, INC.**  
**Base Facility Charge and Gallonage Component Cost**  
**At 80% of Design Buildout - Year 8**

**PERCENTAGE A**

**BASE FACILITY CHARGE**  
**COMPONENT CONSTRUCTION**  
**-WATER-**

**TEST YEAR**

**BASE**  
**FACILITY**  
**CHARGE**

**OPERATION & MAINTENANCE EXPENSES:**

601 Salaries and Wages - Employees		50%
603 Salaries and Wages - Officers		100%
604 Employee Pensions and Benefits		50%
610 Purchased Water		----
615-6 Purchased Power & Fuel for Power Production		----
618 Chemicals		----
620 Materials and Supplies		50%
63X Contractual Services	1,758,780	50%
641 Rental of Building / Real Property	-	100%
642 Rental of Equipment		100%
650 Transportation Expense		50%
656-9 Insurance	111,873	100%
660 Advertising Expense		50%
666-7 Regulatory Commission Expense		50%
670 Bad Debt Expense		50%

675 Miscellaneous Expense	174,588	50%
<b>TOTAL OPERATION &amp; MAINTENANCE EXPEN</b>	<b>2,045,241</b>	
<b>DEPRECIATION AND AMORTIZATION:</b>		
403 Depreciation Expense, Net	397,307	100%
407 Amortization Expense		100%
<b>TOTAL DEPRECIATION AND AMORTIZATION</b>	<b>397,307</b>	
<b>TAXES OTHER THAN INCOME TAXES:</b>		
408.10 Utility Regulatory Assessment Fees	161,479	46%
408.11 Property Taxes	96,438	100%
408.12 Payroll Taxes	-	100%
408.13 Other Taxes and Licenses	-	100%
408.20 TOTI, Other Income and Deductions	-	100%
<b>TOTAL TAXES OTHER THAN INCOME TAXES</b>	<b>257,917</b>	
<b>INCOME TAXES:</b>		
409 Federal, State, and Local Income Taxes	212,112	----
<b>TOTAL INCOME TAXES</b>	<b>212,112</b>	
<b>RETURN ON INVESTMENT</b>	<b>675,839</b>	----
<b>TOTAL REVENUE REQUIREMENT</b>	<b>3,588,415</b>	
<b>LESS: MISCELLANEOUS REVENUES</b>	<b>-</b>	<b>100%</b>
<b>TOTAL REVENUES FOR RATE SETTING</b>	<b>3,588,415</b>	



OCALA SPRINGS UTILITIES, INC.  
 Base Facility Charge and Gallonage Component Cost  
 At 80% of Design Buildout - Year 8  
 WATER SERVICE

Schedule No. 4

BASE FACILITY CHARGE

5/8" X 3/4"	\$	18.86
3/4"		28.29
1"		47.15
1 1/2"		94.30
2"		150.88
3"		301.76
4"		471.50
6"		943.00
8"		1,508.80

CHARGE PER 1,000 GALLONS \$ 2.09

RESIDENTIAL BILLS	5/8" X 3/4"
3,000 gallons	\$ 25.13
5,000 gallons	\$ 29.31
10,000 gallons	\$ 39.76
20,000 gallons	\$ 60.66
30,000 gallons	\$ 81.56

OCALA SPRINGS UTILITIES, INC.  
 Base Facility Charge and Gallonage Component Cost  
 At 80% of Design Buildout - Year 8

PERCENTAGE A

BASE FACILITY CHARGE COMPONENT CONSTRUCTION -SEWER-	TEST YEAR	BASE FACILITY CHARGE
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>		
701 Salaries and Wages - Employees		50%
703 Salaries and Wages - Officers		100%
704 Employee Pensions and Benefits		50%
710 Purchased Sewage Treatment		----
711 Sludge Removal		----
715-6 Purchased Power & Fuel for Power Production		----
718 Chemicals		----
720 Materials and Supplies		50%
73X Contractual Services	1,758,780	50%
741 Rental of Building / Real Property	-	100%
742 Rental of Equipment		100%
750 Transportation Expense		50%
756-9 Insurance	154,869	50%
760 Advertising Expense		50%
766-7 Regulatory Commission Expense		50%
770 Bad Debt Expense		50%
775 Miscellaneous Expense	261,882	50%
<b>TOTAL OPERATION &amp; MAINTENANCE EXPEN</b>	<b>2,175,531</b>	
<b>DEPRECIATION AND AMORTIZATION:</b>		
403 Depreciation Expense	882,958	100%

407 Amortization Expense	-	100%
<b>TOTAL DEPRECIATION AND AMORTIZATION</b>	<b>882,958</b>	
<b>TAXES OTHER THAN INCOME TAXES:</b>		
408.10 Utility Regulatory Assessment Fees	210,178	47%
408.11 Property Taxes	137,341	100%
408.12 Payroll Taxes		100%
408.13 Other Taxes and Licenses	-	100%
408.20 TOTI, Other Income and Deductions	-	100%
<b>TOTAL TAXES OTHER THAN INCOME TAXES</b>	<b>347,519</b>	
<b>INCOME TAXES:</b>		
409 Federal, State, and Local Income Taxes	302,136	----
<b>TOTAL INCOME TAXES</b>	<b>302,136</b>	
<b>RETURN ON INVESTMENT</b>	<b>962,483</b>	----
<b>TOTAL REVENUE REQUIREMENT</b>	<b>4,670,628</b>	
<b>LESS: MISCELLANEOUS REVENUES</b>	<b>-</b>	<b>100%</b>
<b>TOTAL REVENUES FOR RATE SETTING</b>	<b>4,670,628</b>	

OCALA SPRINGS UTILITIES, INC.  
Base Facility Charge and Gallonage Component Cost  
At 80% of Design Buildout - Year 8  
WASTEWATER SERVICE

Schedule No. 5

**BASE FACILITY CHARGE**

5/8" X 3/4"	\$	25.29
3/4"		37.94
1"		63.23
1 1/2"		126.45
2"		202.32
3"		404.64
4"		632.25
6"		1,264.50
8"		2,023.20

**CHARGE PER 1,000 GALLONS**

Residential	\$	2.65 *
General Service	\$	2.65

FACTORED ERC'S 87,294  
 FACTORED GALLONS 929,317

ASSIGNMENT	FACTORED ERC'S		FACTORED GALLONS	
	GALLONAGE CHARGE	BASE FACILITY COST	GALLONAGE COST	BASE FACILITY CHARGE
50%	-	-	-	-
----	-	-	-	-
50%	-	-	-	-
100%	-	-	-	-
100%	-	-	-	-
100%	-	-	-	-
50%	-	-	-	-
50%	879,390	10.07	879,390	0.95
----	-	-	-	-
----	-	-	-	-
50%	-	-	-	-
----	111,873	1.28	-	-
50%	-	-	-	-
50%	-	-	-	-
50%	-	-	-	-

50%	87,294	1.00	87,294	0.09
	1,078,557	12.36	966,684	1.04
----	397,307	4.55	-	-
----	-	-	-	-
	397,307	4.55	-	-
54%	74,088	0.85	87,391	0.09
----	96,438	1.10	-	-
----	-	-	-	-
----	-	-	-	-
----	-	-	-	-
	170,526	1.95	87,391	0.09
1	-	-	212,112	0.23
	-	-	212,112	0.23
1	-	-	675,839	0.73
	1,646,389	18.86	1,942,026	2.09
----	-	-	-	-
	1,646,389	18.86	1,942,026	2.09

FACTORED ERC'S 87,294  
 FACTORED GALLONS 929,317

ASSIGNMENT	FACTORED ERC'S		FACTORED GALLONS	
	BASE FACILITY COST	BASE FACILITY CHARGE	GALLONAGE COST	GALLONAGE CHARGE
50%	-	-	-	-
----	-	-	-	-
50%	-	-	-	-
100%	-	-	-	-
100%	-	-	-	-
100%	-	-	-	-
100%	-	-	-	-
50%	-	-	-	-
50%	879,390	10.07	879,390	0.95
----	-	-	-	-
----	-	-	-	-
50%	-	-	-	-
50%	77,435	0.89	77,435	0.08
50%	-	-	-	-
50%	-	-	-	-
50%	-	-	-	-
50%	130,941	1.50	130,941	0.14
	1,087,766	12.46	1,087,766	1.17
----	882,958	10.11	-	-

----	-	-	-	-
	882,958	10.11	-	-
53%	99,333	1.14	110,845	0.12
----	137,341	1.57	-	-
----	-	-	-	-
----	-	-	-	-
----	-	-	-	-
	236,674	2.71	110,845	0.12
100%	-	-	302,136	0.33
	-	-	302,136	0.33
100%	-	-	962,483	1.04
	2,207,398	25.29	2,463,230	2.65
----	-	-	-	-
	2,207,398	25.29	2,463,230	2.65



# ATTACHMENT C

NAME OF COMPANY OCALA SPRINGS UTILITIES INC.  
 WATER TARIFF

**SERVICE AVAILABILITY FEES AND CHARGES**

<u>Description</u>	<u>Amount</u>	<u>Refer to Service Availability Policy Sheet No./Rule No.</u>
<b><u>Back-Flow Preventor Installation Fee</u></b>		
5/8" x 3/4" .....	\$	
1" .....	\$	
1 1/2" .....	\$	
2" .....	\$	
Over 2" .....	\$ <sup>1</sup>	
<b><u>Customer Connection (Tap-in) Charge</u></b>		
5/8" x 3/4" metered service .....	\$	
1" metered service .....	\$	
1 1/2" metered service .....	\$	
2" metered service .....	\$	
Over 2" metered service .....	\$ <sup>1</sup>	
<b><u>Guaranteed Revenue Charge</u></b>		
With Prepayment of Service Availability Charges:		
Residential-per ERC/month (350 GPD) .....	\$	
All others-per gallon/month .....	\$	
Without Prepayment of Service Availability Charges:		
Residential-per ERC/month (350 GPD) .....	\$	
All others-per gallon/month .....	\$	
Inspection Fee .....	\$ <sup>1</sup>	
<b><u>Main Extension Charge</u></b>		
Residential-per ERC ( __ GPD) .....	\$ 1,400	
All others-per gallon .....	\$	
or		
Residential-per lot ( __ foot frontage).....	\$	
All others-per front foot.....	\$	
<b><u>Meter Installation Fee</u></b>		
5/8" x 3/4" .....	\$ 180	
1" .....	\$ actual cost	
1 1/2" .....	\$ actual cost	
2" .....	\$ actual cost	
Over 2" .....	\$ <sup>1</sup> actual cost	
Plan Review Charge.....	\$ <sup>1</sup>	
<b><u>Plant Capacity Charge</u></b>		
Residential-per ERC ( __ GPD) .....	\$	
All others-per gallon .....	\$	
<b><u>System Capacity Charge</u></b>		
Residential-per ERC ( __ GPD) .....	\$	
All others-per gallon .....	\$	

<sup>1</sup>Actual Cost is equal to the total cost incurred for services rendered.

**EFFECTIVE DATE -**

**TYPE OF FILING -**

TAL:51947:1

Dennis Getman  
 ISSUING OFFICER  
 President  
 TITLE

NAME OF COMPANY OCALA SPRINGS UTILITIES INC.  
WASTEWATER TARIFF

SERVICE AVAILABILITY FEES AND CHARGES

<u>DESCRIPTION</u>	<u>REFER TO SERVICE AVAILABILITY POLICY AMOUNT</u>	<u>SHEET NO./RULE NO.</u>
<u>Customer Connection (Tap-in) Charge</u>		
5/8" x 3/4" metered service.....	\$	
1" metered service.....	\$	
1 1/2" metered service.....	\$	
2" metered service .....	\$	
Over 2" metered service .....	\$ <sup>1</sup>	
<u>Guaranteed Revenue Charge</u>		
With Prepayment of Service Availability Charges:		
Residential-per ERC/month (280)GPD.....	\$	
All others-per gallon/month.....	\$	
Without Prepayment of Service Availability Charges:		
Residential-per ERC/month (280)GPD.....	\$	
All others-per gallon/month.....	\$	
<u>Inspection Fee</u> .....	\$ <sup>1</sup>	
<u>Main Extension Charge</u>		
Residential-per ERC (__GPD).....	\$ 2,120	
All others-per gallon .....	\$	
or		
Residential-per lot (__foot frontage) .....	\$	
All others-per front foot .....	\$	
<u>Plan Review Charge</u> .....	\$ <sup>1</sup>	
<u>Plant Capacity Charge</u>		
Residential-per ERC (__GPD).....	\$	
All others-per gallon .....	\$	
<u>System Capacity Charge</u>		
Residential-per ERC (__GPD).....	\$	
All others-per gallon.....	\$	

<sup>1</sup>Actual Cost is equal to the total cost incurred for services rendered.

EFFECTIVE DATE -  
TYPE OF FILING -