

ORIGINAL

STATE OF FLORIDA

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KATRINA J. TEW



GENERAL COUNSEL
MICHAEL G. COOKE
(850) 413-6248

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COMMISSION
CLERK

Public Service Commission

October 16, 2006

Kenneth Knowlton
Crooked Lake Park Sewerage Company
227 Caloosa Lake Circle N
Lake Wales, FL 33859-8605

Re: Docket No. 060406-SU - Staff Assisted Rate Case for Crooked Lake Park Sewerage Company

Dear Mr. Knowlton:

This will confirm that Commission Staff will hold a customer meeting at Webber International University on November 16, 2006 from 2:00 p.m. to 5:00 p.m. We ask that, if at all possible, you or another knowledgeable representative of the utility attend the meeting in order to answer customer questions. The location of the meeting will be the:

Webber International University
1201 N. Scenic Highway
Babson, FL 33827

- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
- JPC _____
- RCA _____
- SCR _____
- SGA _____
- SEC _____
- JTH _____

The original customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. The customers must have at least 14 calendar days' notice of the meeting, calculated from the day that they receive the notice as required by Rule 25-22.0407(9)(b), Florida Administrative Code (F.A.C.). Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers.

Two copies of the staff report are also enclosed. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407 (9)(b), F.A.C., by all interested persons at the following location:

DOCUMENT NUMBER - DATE

09556 OCT 16 2006

FPSC-COMMISSION CLERK

Kenneth Knowlton
Page 2
October 16, 2006

Crooked Lake Park Sewerage Company
227 Caloosa Lake Circle, N
Lake Wales, FL 33859-8605

For your convenience, I have also enclosed a copy of Rule 25-22.407(9), F.A.C.

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6234. In addition, you may contact Shannon Hudson at (850) 413-7021, with any questions.

Sincerely,



Ralph Jaeger
Senior Attorney

Enclosures

RJ:sh

cc: Division of Economic Regulation (Bulecza-Banks, Rendell, Hudson, Edwards)
Division of Commission Clerk and Administrative Services (Docket No. 060406-SU)
Office of Public Counsel

Rule 25-22.0407(9), Florida Administrative Code

(9) When a utility applies for a staff-assisted rate case in accordance with Section 367.0814, Florida Statutes, and Rule 25-30.455, F.A.C., and staff-assistance is granted, the requirements of subsections (2), (3), (4), and (5) of this rule shall not apply.

(a) Upon receipt of the staff reports, the utility shall place two copies of its application for staff-assistance and the staff reports at any business offices it has in its service area. Such copies shall be available for public inspection during the utility's regular business hours. If the utility does not have a business office in its service area, the utility shall place two copies of its application and the staff reports at the main county library, the local community center or other appropriate location that is within or most convenient to the service area and that is willing to accept and provide public access to the copies.

(b) No less than 14 days and no more than 30 days prior to the date of a customer meeting conducted by the Commission staff, the utility shall provide, in writing, a customer meeting notice to all customers within its service area and to all persons in the same service areas who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the petition is filed.

(c) The customer meeting notice shall be approved by the Commission staff prior to distribution and shall include the following:

1. The date the notice was issued;
2. The time, date, location, and purpose of the customer meeting;
3. A statement that the utility has applied for a staff-assisted rate case and the general reasons for doing so;
4. A statement of the location where copies of the application and the staff reports are available for public inspection and the times during which inspection may be made;
5. A comparison of current rates and charges and the proposed new rates and charges;
6. The utility's address, telephone number, and business hours;
7. A statement that written comments regarding utility service or the proposed rates and charges should be addressed to the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, and that such comments should identify the docket number assigned to the proceeding;
8. A statement that complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following toll-free number: 1(800)342-3552.
9. A statement that the Commission will be reviewing the utility's service availability charges in the pending case and that the Commission may adjust those charges.
10. The docket number assigned by the Commission's Division of the Commission Clerk and Administrative Services.

(d) The customer meeting notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(e) If the proposed agency action order issued in the case is protested and any hearings are subsequently held, the utility shall give notice in accordance with subsections (6) and (7) above.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
NOTICE OF CUSTOMER MEETINGS
TO THE CUSTOMERS OF CROOKED LAKE SEWERAGE COMPANY
AND
ALL OTHER INTERESTED PERSONS
DOCKET NO. 060406-SU
APPLICATION OF CROOKED LAKE PARK SEWERAGE COMPANY
FOR A STAFF-ASSISTED RATE CASE IN
POLK COUNTY

Issued:

Notice is hereby given that the Staff of the Florida Public Service Commission will conduct a customer meeting to discuss the application of Crooked Lake Park Sewerage Company (Crooked Lake or utility) for a staff-assisted rate case (SARC) in Polk County. The meeting will be held at the following time and place:

Thursday, November 16, 2006
2:00 p.m. – 5:00 p.m.
Webber International University
1201 N. Scenic Highway
Babson, Florida 33827

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more of the Commissioners of the Florida Public Service Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all the customers have been heard.

Any person requiring some accommodation at the customer meeting(s) because of a physical impairment should call the Division of Commission Clerk and Administrative Services at (850)413-6770 at least five calendar days prior to the meeting(s). Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to the Public Service Commission Staff regarding the quality of service the utility provides, the proposed rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Crooked Lake's proposed filing, the preliminary work accomplished, and answer questions to the extent possible. A representative from the utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. The Public Service Commission Staff will have sign-up sheets, and customers will be called to speak in the order that they sign-up. Public Service Commission Staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meetings, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Public Service Commission's toll-free facsimile line at 1-800-511-0809.

BACKGROUND

Crooked Lake Park Sewerage Company is a Class C wastewater utility serving 423 wastewater customers in Polk County. According to the utility's 2005 Annual Report, total gross revenue was \$104,313 and total operating expenses were \$167,266. The utility previously filed for a staff-assisted rate case (SARC) on September 6, 2005. However, due to the health of the utility owner, the utility's books and records had not been updated through the end of the test year. Therefore, the books could not be audited by Commission staff. By Order No. PSC-06-0337-PAA-SU, issued April 24, 2006, in Docket No. 050586-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company, the docket was closed. The order also indicated that once the utility owner is prepared to assist staff with the processing of subsequent rate case requests, he may resubmit an application for a new staff assisted rate case.

On May 19, 2006, the Commission received Crooked Lake's new application for a SARC. In this application, the utility requested interim rates. By Order No. PSC-06-0654-PCO-SU, issued August 4, 2006, in this docket, the Commission approved a 50.18% interim rate increase, subject to refund with interest, for Crooked Lake. However, to date, the utility has not implemented the interim rates due to problems with obtaining security.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final decision by the Commissioners. The utility's current and staff's preliminary rates and charges are as follows:

	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM	STAFF'S PRELIMINARY RECOMMENDED RATES
<u>Residential Service</u>			
Base Facility Charge All Meter Sizes	\$11.10	\$16.67	\$17.97
<u>Gallorage Charge</u>			
Per 1,000 Gallons (8,000 gallon cap)	\$2.56	\$3.84	\$3.23
<u>General Service</u>			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$11.10	\$16.67	\$17.97
3/4"	\$16.65	\$25.00	\$26.96
1"	\$27.75	\$41.67	\$44.94
1-1/2"	\$55.49	\$83.33	\$89.87
2"	\$88.79	\$133.34	\$143.79
3"	\$177.57	\$266.67	\$287.59
4"	\$277.46	\$416.69	\$449.36
6"	\$554.94	\$833.41	\$898.72
Gallorage Charge per 1,000 gallons	\$3.07	\$4.61	\$3.88
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$18.78	\$28.19	\$27.66
5,000 Gallons	\$23.90	\$35.87	\$34.12
8,000 Gallons	\$31.58	\$47.39	\$43.81

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated October 16, 2006. Copies of the report may be examined by interested members of the public from 8:00 a.m. to 4:00 p.m., Monday through Friday at the following location:

Crooked Lake Park Sewerage Company
227 Caloosa Lake Circle, N
Lake Wales, FL 33859-8605

PROCEDURES AFTER CUSTOMER MEETINGS

After the meetings, Public Service Commission Staff will prepare a recommendation which is scheduled to be submitted to the Public Service Commission on December 27, 2006. The Public Service Commission will then vote on staff's recommendation at its January 9, 2007 agenda conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date the PAA order is issued to protest the Commission's proposed agency action order. Five to ten customers or persons who attend the meeting and who wish to receive a copy of the recommendation and the order should so indicate

at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to other customers. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so in writing to the Commission at the address at the end of this notice.

HOW TO CONTACT THE COMMISSION

Written comments regarding the utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

All correspondence should refer to "Docket No. 060406-SU, Crooked Lake Park Sewerage Company"

If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

This notice was prepared by Commission Staff for distribution by the utility to its customers.

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 16, 2006

TO: Cheryl Bulecza-Banks, Bureau Chief, Bureau of Rate Filings

FROM: Shannon Hudson, Regulatory Analyst IV *SH*
Gerald Edwards, Engineering Specialist III *[Signature]*

RE: Docket No. 060406-SU – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

– STAFF REPORT –

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

Case Background

This Staff Report is a preliminary analysis of the utility prepared by the Florida Public Service Commission (PSC) staff to give utility customers and the utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed December 27, 2006 for the January 9, 2007, Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

On December 13, 1957, Polk County granted a franchise to Park Water Company to operate a water and wastewater system. In 1978 the wastewater treatment plant and collection system was sold to Warner Southern College and the name was changed to Crooked Lake Park Sewer Company. The current owner purchased this utility on September 30, 1988 under the name Crooked Lake Park Sewerage Company (Crooked Lake or the utility). Polk County came under the Commission's jurisdiction on July 11, 1996. By Order No. PSC-98-1247-FOF-SU, issued September 21, 1998, in Docket No. 961478-SU, the Commission granted the utility its grandfather certificate No. 517-S for wastewater.

Crooked Lake Park Sewerage Company is a Class C wastewater utility serving 423 wastewater customers in Polk County. According to the utility's 2005 Annual Report, total gross revenue was \$104,313 and total operating expenses were \$167,266. The utility previously filed for a staff-assisted rate case (SARC) on September 6, 2005. However, due to the health of the utility owner, the utility's books and records had not been updated through the end of the test year. Therefore, the books could not be audited by Commission staff. By Order No. PSC-06-0337-PAA-SU, issued April 24, 2006, in Docket No. 050586-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company, the docket was closed. The order also indicated that once the utility owner is prepared to assist staff with the processing of subsequent rate case requests, he may resubmit an application for a new staff assisted rate case.

On May 19, 2006, the Commission received Crooked Lake's new application for a SARC. In this application, the utility requested interim rates. By Order No. PSC-06-0654-PCO-SU, issued August 4, 2006, in this docket, the Commission approved a 50.18% interim rate increase, subject to refund with interest, for Crooked Lake. However, to date, the utility has not implemented the interim rates due to problems with obtaining security.

The Commission has the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the quality of service provided by Crooked Lake Park Sewerage Company be considered satisfactory?

Preliminary Recommendation: The determination of the quality of the wastewater service provided by Crooked Lake will be deferred until after the customer meeting scheduled for November 16, 2006. (Edwards)

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

Quality of Utility's Product

The wastewater treatment system at Crooked Lake is under the jurisdiction of DEP (Tampa Bay district office). The product of a wastewater treat plant is determined by the results of required testing and analysis of the wastewater. According to the DEP, the utility currently is up to date with all of its testing requirements, and the results of that test are satisfactory. By all indication, the utility appears to be properly treating its effluent and the quality of the product is satisfactory.

Operating Condition of the Wastewater Facilities

On September 16, 2005, January 6, and January 27, 2006, the DEP conducted a Compliance Evaluation Inspection at the Crooked Lake Park facility and observed the following:

1. There was a gravity hose extending out of the chlorine contact chamber discharging wastewater beyond the ponds and discharging wastewater east of the ponds. The inspection conducted on January 27, 2006, confirmed the discharge flowed south and entered a canal leading to Crooked Lake, Outstanding Florida Water.

2. 2nd Violation: Failure to maintain Total Chlorine Residual of at least 0.5 mg/L for disinfection, which is a violation of Rule 62-600.440(2) (b), Florida Administrative Code.

3. On January 27, 2006, The Department measured a 0.00 mg/L Total Chlorine Residual from the Facility.

4. 3rd Violation: Failure to notify the DEP when bypassing the flow measuring device, which is a violation of Rule 62-600.740(2) (d), Florida Administrative Code.

5. 4th Violation: Submission, by owner, manager, or operator of a domestic wastewater facility, or agent or employee thereof, of misleading, false, or inaccurate information or operational reports to the DEP, either knowingly or through neglect, which is a violation of Rule 62-600.740(2) (e), Florida Administrative Code.

6. 5Th Violation: Failure to comply with the Consent Order, which is a violation of Section 403.161(1) (b), Florida Statutes. The Consent Order became effective on January 16, 2004.

7. 6th Violation: Operating a pollution source without a valid permit issued by the DEP, which is a violation of Section 403.087, Florida Statutes.

The permit to operate the facility expired on September 6, 2005. The utility submitted an untimely and incomplete application to renew the permit on August 8, 2005. Therefore, the utility has been operating without a permit since September 7, 2005.

DEP has filed a lawsuit regarding the discharge of the utility's affluent into nearby Crooked Lake, against the utility. Based on the above, the operating condition of the wastewater facilities appears to be out of compliance. Therefore, the quality of the wastewater plant is considered unsatisfactory.

The Utility's Attempt to Address Customer Satisfaction

In its filing, the utility did not have a list of customer complaints received during the test year. Staff's engineer reviewed the Commission's records and found three (3) complaints on file for the last 5 years. In addition, staff reviewed the DEP records and found no customer complaints on file. On November 16, 2006, staff will conduct a customer meeting in the utility's service territory in Lake Wales, Florida. This meeting will give the customers of Crooked Lake Park service territory an opportunity to go on record with specific concerns regarding the utility's attitude and responsiveness to quality of service issues. All valid quality of service complaints will be investigated and will be taken into consideration during the preparation of staff's final recommendation. The utility's attempt to address customer satisfaction can not be determined at this time.

Summary

Based on the above, staff's engineer will reserve a final quality of service determination until after the information obtained at the customer meeting has been thoroughly reviewed.

Issue 2: What are the used and useful percentages for the utility's wastewater treatment plant and wastewater collection system?

Preliminary Recommendation: Crooked Lake Park's used and useful percentages (U&U) should be as follows:

Wastewater Treatment Plant	100%
Wastewater Collection Systems	100%

(Edwards)

Staff Analysis: In its filing, the utility did not state the used and useful percentages of its wastewater treatment plants, distribution and collection systems. Staff has performed a preliminary analysis of the utility's facilities and our analysis and recommendations are discussed below.

Wastewater Treatment Plant and Collection System - Used and Useful (U&U)

According to the utility's last rate case, Order No. PSC-99-2116-PAA-SU, issued October 25, 1999, the wastewater treatment plant and the collection system is 100% U&U. Staff has reviewed the systems and the utility's records and discovered there have been no changes to the plant which would increase its capacity. In addition, there have been no changes the collection system to accommodate additional customers.

Staff's analysis determined the two systems were designed to provide services only to the Crooked Lake Park community and all of the lots are metered. Therefore, the U&U percentage for both wastewater treatment plant and collection systems should be considered 100%.

Issue 3: What is the appropriate average test year rate base for the utility?

Preliminary Recommendation: The appropriate average test year rate base for Crooked Lake is \$128,977 for wastewater. (Hudson)

Staff Analysis: The utility's rate base was last established by Order No. PSC-99-2116-PAA-SU, issued October 25, 1999, in Docket No. 980778-SU, In Re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

Staff has selected a test year ended December 31, 2005 for this rate case. Rate base components established, in Order No. PSC-99-2116-PAA-SU, have been updated through December 31, 2005, using information obtained from staff's audit and engineering reports. A summary of each component and the adjustments follows:

Utility Plant in Service (UPIS): The utility recorded \$379,267 for wastewater UPIS for the test year ending December 31, 2005. In 2000, the utility recorded plant additions in the amount of \$109,636. Staff has determined that some of the plant additions should have been recorded as expenses. Staff has decreased plant by \$28,754 to remove the 2000 expenses. Per Audit Disclosure No. 1, the utility recorded \$25,723 for the purchase of a vehicle. The audit indicated the utility should have recorded \$24,984 for the vehicle. Staff has decreased this account by \$739 (\$25,723 - \$24,984). Staff also made an averaging adjustment to decrease UPIS by \$3,616.

Staff's net adjustment to UPIS is a decrease of \$33,109. Staff's recommended average UPIS balance is \$346,158.

Non-Used and Useful Plant: As discussed in Issue No. 2 of this recommendation, the utility's wastewater treatment plant should be considered 100% used and useful. Also, the utility's wastewater collection system is contributed and should be considered 100% used and useful. Therefore, a non-used and useful adjustment is not necessary.

Contribution in Aid of Construction (CIAC): The utility recorded CIAC of \$126,736 for the test year ended December 31, 2005. Staff has decreased this account by \$300 to reflect an averaging adjustment. Staff has calculated average CIAC to be \$126,436.

Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of \$215,026 for the test year. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.4140, F.A.C. Therefore, staff has increased this account by \$3,024 to reflect depreciation calculated per staff. Staff has decreased this account by \$3,529 to reflect an averaging adjustment. These adjustments results in accumulated depreciation of \$215,531.

Amortization of CIAC: The utility recorded \$109,872 for amortization of CIAC. Amortization of CIAC has been calculated using the same prescribed rates used for depreciation for the utility's wastewater collection system. Per Audit Disclosure No. 3, the utility used a 15 year life for the amortization of cash contributions which has overstated accumulated amortization of CIAC. Amortization of cash contributions has been recalculated by staff using composite depreciation rates. This account has been decreased by \$6,213 to reflect amortization of CIAC

as calculated by staff. Staff has decreased this account by \$460 to reflect an averaging adjustment. Staff's net adjustments to this account results in Amortization of CIAC of \$103,199.

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, staff recommends that the one-eighth of the O&M expense formula approach be used for calculating working capital allowance. Applying this formula, staff recommends a working capital allowance of \$15,390 (based on O&M of \$123,117). Working capital has been increased by \$15,390 to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year rate base is \$128,977.

Rate base is shown on Schedule No. 1.

Issue 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

Preliminary Recommendation: The appropriate return on equity is 11.78% with a range of 10.78% - 12.78%. The appropriate overall rate of return is 8.17%. (Hudson)

Staff Analysis: According to staff's audit, the utility recorded the following items in capital structure; common stock of \$3,000, negative retained earnings of \$149,187, paid-in-capital of \$76,070, and long term debt of \$206,480. The utility's capital structure consists of long term debt in the amount of \$206,480.

Using the leverage formula approved by Order No. PSC-06-0476-PAA-WS issued June 5, 2006, in Docket No. 060006-WS, In Re: Water and Wastewater industry annual establishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S., the appropriate rate of return on equity is 11.78%.

The utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends a return on equity of 11.78% with a range of 10.78% - 12.78%, and an overall rate of return of 8.17%.

The return on equity and overall rate of return are shown on Schedule No. 2.

Docket No. 060406-SU

Date: October 16, 2006

Issue 5: What is the appropriate test year revenue?

Recommendation: The appropriate test year revenue for this utility is \$107,153 for wastewater. (Hudson)

Staff Analysis: Per Audit Disclosure No. 4, the utility recorded total revenues of \$104,313 for the 12 month period ended December 31, 2005. During the audit, the auditor discovered that the utility recorded its revenues on a cash basis. According to the Uniform System of Accounts, Accounting Instruction 2, the books of accounts of all water and wastewater utilities are to be kept by the double entry method, on an accrual basis. Staff has increased test year revenues by \$2,840 (\$107,153 - \$104,313).

Staff recommends test year revenue of \$107,153 for wastewater.

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

Issue 6: What is the appropriate amount of operating expense?

Preliminary Recommendation: The appropriate amount of operating expenses for the utility is \$143,107 for wastewater. (Hudson)

Staff Analysis: The utility recorded operating expenses of \$167,266 during the test year ending December 31, 2005. The test year O & M expenses have been reviewed and invoices, canceled checks and other supporting documentation have been examined. Staff made several adjustments to the utility's operating expenses. A summary of adjustments to operating expenses is as follows:

Salaries and Wages – Employees – (701) – The utility recorded \$0 in this account during the test year. The utility is requesting a salary of \$100 per week (\$5,200 annually) for Mr. James Hollingsworth who serves as maintenance personnel as well as a weekend operator. His duties involve plant operations and maintenance projects. He will perform a portion of the normal daily repairs such as cleaning the weirs, checking return lines and lift stations. Also, he will perform any additional duties that may arise. Staff believes this salary is reasonable. Staff has increased this account by \$5,200 for the maintenance employee. Staff's recommended Salaries and Wages – Employees expense is \$5,200.

Purchased Wastewater Treatment – (710) – The utility recorded \$26,955 to this account during the test year. Based on invoices reviewed by the engineer, staff has determined that the expenses were stormwater-related. Staff has made an adjustment to reclassify the \$26,955 to Acct No. 775. Staff's recommended purchased wastewater treatment expense is \$0.

Sludge Removal Expense – (711) – The utility recorded \$0 to this account during the test year. The utility provided documentation that indicated sludge was removed twice during the test year at a cost of \$5,670 for 205,500 gallons of sludge. The staff's engineer indicated that \$5,670 for sludge removal expense is reasonable. Staff has made an adjustment of \$5,670 to reclassify sludge removal expense from Acct. No. 736. Staff's recommended sludge removal expense is \$5,670.

Purchased Power – (715) – The utility recorded \$11,014 to this account during the test year. The utility provided invoices that indicated purchased power for the test year was \$13,161. Staff has made an adjustment to increase this account by \$2,147 (\$13,161-\$11,014). Staff's recommended purchase power expense is \$13,161.

Chemicals – (718) – The utility recorded \$1,440 to this account during the test year. Staff has determined that the amount recorded was for testing expenses. Staff has reclassified \$1,440 to Acct. No. 735 for testing expenses. The utility provided an invoice indicating that its chemical expense for test year was \$4,590. The staff's engineer indicated that this amount appears to be high in comparison to the \$1,892 that was granted during the last rate case. Staff has increased this account to reflect the \$4,590 for chemical expenses. However, staff's engineer will conduct further analysis of this expense for the final recommendation. Staff's recommended chemical expense is \$4,590.

Materials and Supplies – (720) – The utility recorded \$3,760 in this account during the test year. Staff has made the following adjustments: a decrease of \$2,172 to reclassify contractual services expenses to Acct. No. 736 and a decrease of \$240 to reclassify miscellaneous expenses for vegetation clearing to Acct. No. 775. Staff’s recommended materials and supplies expense is \$1,348.

Contractual Services – Professional – (731) – The utility recorded \$6,835 in this account during the test year. The utility included in this account the following for accounting expenses: \$3,350 for the preparation of annual reports, regulatory assessment fee forms, annual federal and state corporate income returns, quarterly payroll returns and for the performance of monthly accounting duties; and \$600 for rate case expense. The utility provided an invoice indicating that its annual accounting expense is \$3,550. Staff believes this amount is reasonable. Staff has made an adjustment to increase this account by \$200 (\$3,550 - \$3,350). Staff has made an adjustment to reclassify rate case expense of \$600 to Acct. No. 765. The utility included in this account \$2,885 for engineering expenses. Staff has determined that the engineering expenses are non-recurring. Staff has recommended that engineering expenses be amortized over 5 years for an annual recovery of \$577 (\$2,885/5). Staff has decreased this account by \$2,308 (\$2,885 - \$577) to reflect the amortization of this expense. Staff’s recommended Contractual Services - Professional expense is \$4,127.

Contractual Services Testing – (735) – The utility recorded \$1,995 in this account during the test year. Staff has determined that the amount recorded was for operator services. Staff has made an adjustment of \$1,995 to reclassify operator services expense to Acct. No. 736. Staff has reclassified \$1,440 of testing expenses from Acct. No. 718.

State and local authorities require that several analyses be submitted in accordance with Rule 62-19, F.A.C. For testing, the utility uses Short Environmental Laboratories, Inc. The list below includes monthly monitoring and other less frequent tests required by DEP:

<u>Test</u>	<u>Frequency</u>	<u>Cost per Year</u>
Bio Oxygen Demand	Bi-Monthly	\$650
Total Suspended Solids	Bi-Monthly	\$650
Fecal Coliform	Bi-weekly	\$500
Nitrate (as N)	Bi-weekly	\$500
CBOD (influent)	Annual	\$40
TSS (influent)	Annual	\$40
Total		<u>\$2,380</u>

Staff annualized the testing costs based on the required testing frequency, and increased this expense by \$940 (\$2,380 - \$1,440) to reflect annualized cost for DEP required testing. Staff’s recommended contractual services expense– testing is \$2,380.

Contractual Services – Other – (736) – The utility recorded \$44,186 in this account during the test year. Staff has made the following reclassifications to this account: increase of \$2,172 for contractual services expenses from Acct No. 720; decrease of \$25,108 for stormwater-related expense to Acct. No. 775; increase of \$1,995 for operator services expense from Acct No. 735; decrease of \$795 for miscellaneous expense - pond treatment to Acct. No. 775; decrease of \$5,670 for sludge removing expense to Acct. No. 711; and a decrease of \$375 for miscellaneous expenses to Acct. No. 775. As a result of the reclassification of \$1,995 for operator services, there is \$2,370 in this account for operator services. The monthly operator services expense is \$285. Staff has annualized the monthly operator expenses for an annual expense of \$3,420. Staff has increased this account by \$1,140 (\$3,420 - \$2,370) to reflect the annualized operator services expense. Staff has also made an adjustment to decrease this account by \$20 to reflect an erroneous recorded invoice. Staff's recommended Contractual Services expense – Other is \$17,526.

Rents – (740) – The utility recorded \$837 in this account during the test year. In the last rate case, the utility was granted \$1,200 for rent expense. The utility's office is located in the personal residence of the utility's president. He has one room of his home set aside as office space and shares the space with another related company. The utility is requesting rent expense of \$4,200. Staff has made an adjustment to increase this account by \$3,363 (\$4,200-\$837). However, staff will conduct further analysis of this expense for the final recommendation. Staff's recommended Rents expense is \$4,200.

Regulatory Commission Expense – (765) – The utility recorded \$0 in this account during the test year. Pursuant to Section 367.0816, Florida Statutes, rate case expense is amortized over a 4-year period. The utility paid a \$1,000 rate case filing fee for wastewater. Staff has increased this account by \$250 (\$1,000/4). The utility is required by Rule 25-22.0407(9)(b), F.A.C., to mail notices of the customer meeting to its customers. Staff has estimated noticing expense for wastewater of \$167 postage expense, \$43 printing expense, and \$22 for envelopes. The above results in a total rate case expense for noticing of \$232. Staff has increased this account by \$58 (\$232/4) to reflect rate case expense for noticing. Staff has amortized the reclassified \$600 of accounting expense by 4 years for an annual recovery of \$150 (\$600/4). Staff has decreased this account by \$450 (\$600-\$150) to reflect the amortization of this expense. Staff recommends a net increase to this account of \$458.

Miscellaneous Expense – (775) – The utility recorded \$5,309 in this account for the test year. Staff has made the following reclassifications to this account: increase of \$26,955 for stormwater-related expenses from Acct No. 711; increase of \$25,108 for stormwater-related expense from Acct. No. 736; increase of \$240 for miscellaneous expense - vegetation clearing from Acct. No. 720; increase of \$795 for miscellaneous expense - pond treatment from Acct. No. 736; and an increase of \$375 for miscellaneous expenses from Acct. No. 775. As a result of the reclassification of stormwater-related expenses, there is \$52,063 in this account for stormwater-related expenses. Staff has determined that these expenses are non-recurring. Staff has recommended that stormwater-related expenses be amortized over 4 years for an annual recovery of \$13,016 (\$52,063/4). Staff has decreased this account by \$39,047 (\$52,063-\$13,016) to reflect the amortization of this expense. Staff's engineer indicated that the utility should keep growth of trees and shrubs at bay by conducting periodic vegetation clearing and pond treatment.

The staff's engineer stated that \$770 is a reasonable amount for vegetation clearing and pond treatment. As a result of the reclassification of miscellaneous expenses for vegetation clearing and pond treatment, the utility has \$1,035 in this account. Staff has decreased this account by \$265 (\$1,035 - \$770) to reflect the appropriate miscellaneous expense for vegetation clearing and pond treatment. Also, staff's engineer indicated that the utility be allowed \$1,200 to perform mowing more frequently. Therefore, staff has made an adjustment to increase this account by \$1,200 to reflect the appropriate miscellaneous expenses for mowing. Staff has also made an adjustment of \$3,487 to remove the utility's journal entry for plant retirements. Staff recommends miscellaneous expense of \$17,183.

Operation and Maintenance Expense (O&M Summary) – The total O&M adjustment is a decrease of \$26,489. Staff's recommended O&M expenses are \$123,117. O&M expenses are shown on Schedule 3-B.

Depreciation Expense (Net of Amortization of CIAC) – The utility recorded \$9,925 in this account during the test year. Staff calculated test year depreciation using the rates prescribed in Rule 25-30.140, F.A.C. Staff has calculated amortization of CIAC based on composite rates. Staff has decreased this account by \$1,931 (\$9,925-\$7,994) to reflect staff's calculated net depreciation expense. Therefore, staff recommends net depreciation expense of \$7,994.

Taxes Other Than Income – The utility recorded taxes other than income of \$7,735 during the test year. Per Audit Disclosure No. 6, the utility did not take advantage of the available discount. Staff has decreased this account by \$193 to reflect the discount on the property taxes. Also, Audit Disclosure No. 6 indicated that Regulatory Assessment Fees (RAFs) were understated. In Issue No. 5, staff made an adjustment to increase operating revenues by \$2,840. Staff has increased this account by \$128 to reflect the RAFs associated with the increase in operating revenues. Staff has also increased this account by \$2,234 to reflect payroll taxes associated with the recommended salaries.

Staff's total adjustment to this account is an increase of \$2,169.

Income Tax – The utility recorded income tax of \$0 for water. The utility is an 1120 corporation; however, the utility has a large amount of loss carry forwards based on its current income tax return. These loss carry forwards are in excess of staff's recommended return on equity, and will continue to be so over the next couple of years. Therefore, staff has not made an adjustment to this account.

Operating Revenues – Revenues have been increased by \$46,492 to reflect the change in revenue required to cover expenses and allow the recommended return on investment.

Taxes Other Than Income – The expense has increased by \$2,092 to reflect RAFs of 4.5% on the change in revenues.

Operating Expenses Summary – The application of staff's recommended adjustments to the audited test year operating expenses results in staff's calculated operating expenses of \$143,107.

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Operating expenses are shown on Schedule No. 3. The related adjustments are shown on Schedule 3-A.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$153,645 for wastewater. (Hudson)

Staff Analysis: The utility should be allowed an annual increase of \$46,492 (43.39%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn an 8.17% return on its investment. The calculations are as follows:

	<u>Water</u>
Adjusted Rate Base	\$128,976
Rate of Return	X <u>.0817</u>
Return on Rate Base	\$10,537
Adjusted O & M Expense	\$123,117
Depreciation expense (Net)	\$7,994
Taxes Other Than Income	\$11,996
Income Taxes	<u>\$0</u>
Revenue Requirement	<u><u>\$153,645</u></u>
Adjusted Test Year Revenues	<u>\$107,153</u>
Percent Increase/(Decrease)	<u><u>43.39%</u></u>

Revenue requirements are shown on Schedule No. 3.

Issue 8: What are the appropriate rates for the system?

Preliminary Recommendation: The appropriate water rates are shown on Schedule No. 4. The recommended wastewater rates are designed to produce revenues of \$153,645. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice. (Hudson)

Staff Analysis: The recommended rates should be designed to produce revenue of \$153,645. Staff has calculated rates using test-year number of bills and consumption. Staff's calculated rates for wastewater have been calculated based on 80% of the water used by residential customers. Staff's calculated rates also include a 8,000 gallon monthly gallonage cap for residential wastewater customers.

Based on staff's recommended rates, the utility would recover approximately 60% (\$91,453) of wastewater system revenue from the base facility charge, and the remaining 40% (\$62,191) for wastewater recovered from the gallonage charge.

If the Commission approves staff's recommendation, these rates should be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The tariff sheets should be approved administratively upon staff's verification that the tariffs are consistent with the Commission's decision and the customer notice is adequate.

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 should be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge should 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 should the rates be effective for service rendered prior to the stamped approval date.

Based on the foregoing, the appropriate wastewater monthly rates are shown on Schedule No. 4. The recommended water rates are designed to produce revenues of \$153,645. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

Issue 9: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Preliminary Recommendation: The proper refund amount should be calculated by using the revised revenue requirement for the interim rate collection period and comparing it to the amount of interim revenues granted. Based on this calculation, the utility should be required to refund 7.48% of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4) Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code. (Hudson)

Staff Analysis: In Order No. PSC-06-0654-PCO-SU, issued on August 4, 2006, interim wastewater rates were approved subject to refund, pursuant to Section 367.0814(4), Florida Statutes. The approved interim revenue from rates is shown below:

<u>Wastewater</u>	<u>Revenues</u>	<u>Increase</u>	<u>Percentage</u>
	\$156,656	\$52,343	50.18%

The utility requested interim and was granted interim under Section 367.0814(4), F. S. This statute restricts the calculation of interim rates to O&M expenses. Staff believes this is a conservative approach that takes into consideration the nature of a SARC. Unlike other rate cases, the utility does not file MFRs for a SARC. The utility fills out a SARC application which includes data for the previous calendar year or annual report. Often this information is inaccurate due to poor record keeping and/or a lack of accounting knowledge. In order to bring an interim rate request before the Commission in a timely manner, staff must rely on the utility's unaudited application and annual report for the calculation of interim rates.

Section 367.0814(4), Florida Statutes, is silent on the issue of refunding of interim rates. Staff has evaluated the interim rates, using audited data, to determine if the rates are just, fair, and reasonable. Staff has relied on Section 367.082, Florida Statutes, to determine the appropriate amount for refunds, if any.

According to Section 367.082, Florida Statutes, any refund should be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Examples of these adjustments would be pro forma plant not placed in service during the interim period or rate case expense, which are recovered only after final rates are established.

To establish the proper refund amount, staff has calculated a revised interim revenue requirement utilizing the same data used to establish final rates. Rate case expense was excluded because it was not an actual expense during the interim collection period. Pro forma salary expenses not implemented or incurred during the interim period have also been removed.

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Using the principles discussed above, staff has calculated the interim revenue requirement from rates for the interim collection period to be \$145,753 for wastewater. This revenue level is less than the interim revenue which was granted in Order No. PSC-06-0654-PCO-SU, issued on August 4, 2006. Therefore, staff recommends a refund of 7.48% of the interim rates.

The utility should be required to refund 7.48% of wastewater revenues collected under emergency rates. The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7). The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

Issue 10: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Preliminary Recommendation: The wastewater rates should 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. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should 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. (Hudson)

Staff Analysis: Section 367.0816, Florida Statutes, 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 \$458 annually for 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.

The utility should 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 should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

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

Issue 11: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should 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 should also indicate the status of the security being used to guarantee repayment of any potential refund. (Hudson)

Staff Analysis: This recommendation proposes an increase in 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), Florida Statutes, in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility should be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$32,055. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it should contain the following conditions:

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

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

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

This account must specify by whom and on whose behalf such monies were paid.

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

The utility should 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 should 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 should also indicate the status of the security being used to guarantee repayment of any potential refund.

CROOKED LAKE PARK SEWERAGE COMPANY			SCHEDULE NO. 1-A
TEST YEAR ENDING 12/31/2005			DOCKET NO. 060406-SU
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$379,267	(\$33,109)	\$346,158
2. LAND & LAND RIGHTS	\$6,197	\$0	\$6,197
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0
4. CIAC	(\$126,736)	\$300	(\$126,436)
5. ACCUMULATED DEPRECIATION	(\$215,026)	(\$505)	(\$215,531)
6. AMORTIZATION OF CIAC	\$109,872	(\$6,673)	\$103,199
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$15,390</u>	<u>\$15,390</u>
8. WASTEWATER RATE BASE	<u>\$153,574</u>	<u>(\$24,597)</u>	<u>\$128,977</u>

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 1-A
TEST YEAR ENDING 12/31/2005		DOCKET NO. 060406-SU
ADJUSTMENTS TO RATE BASE		PAGE 1
		<u>WASTEWATER</u>
	<u>UTILITY PLANT IN SERVICE</u>	
1.	To remove 2004 expenses recorded as plant	(\$28,754)
2.	To reflect the appropriate plant asset for transportation	(\$739)
3.	Averaging adjustment	<u>(\$3,616)</u>
	Total	<u>(\$33,109)</u>
	<u>LAND AND LAND RIGHTS</u>	
1.		
	<u>NON-USED AND USEFUL PLANT</u>	
1.		
2.		
	Total	<u>\$0</u>
	<u>CIAC</u>	
2.	Averaging adjustment	<u>\$300</u>
	Total	<u>\$300</u>
	<u>ACCUMULATED DEPRECIATION</u>	
1.	Accumulated depreciation per Rule 25-30.140, FAC	\$3,024
2.	Averaging adjustment	<u>(\$3,529)</u>
	Total	<u>(\$505)</u>
	<u>AMORTIZATION OF CIAC</u>	
1.	To adjust Amortization of CIAC based on composite rates	(\$6,213)
2.	Averaging adjustment	<u>(\$460)</u>
	Total	<u>(\$6,673)</u>
	<u>WORKING CAPITAL ALLOWANCE</u>	
1.	To reflect 1/8 of test year O & M expenses.	<u>\$15,390</u>

**CROOKED LAKE PARK SEWERAGE COMPANY
TEST YEAR ENDING 12/31/2005
SCHEDULE OF CAPITAL STRUCTURE**

**SCHEDULE NO. 2
DOCKET NO. 060406-SU**

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON STOCK	\$3,000	\$0	\$3,000					
2. RETAINED EARNINGS	(\$149,187)	\$70,117	(\$79,070)					
3. PAID IN CAPITAL	\$76,070	\$0	\$76,070					
4. OTHER COMMON EQUITY	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>					
TOTAL COMMON EQUITY	(\$70,117)	\$70,117	\$0	0	0	0.00%	11.78%	0.00%
LONG TERM DEBT								
5. K. Knowlton	\$79,281	\$0	\$79,281	(\$29,759)	\$49,522	43.17%	5.76%	2.49%
6. American Bank	\$51,164	\$0	\$51,164	(\$19,205)	\$31,959	27.86%	10.00%	2.79%
7. Am South Bank	\$53,218	\$0	\$53,218	(\$19,976)	\$33,242	28.98%	8.75%	2.54%
8. Ford Credit	<u>\$22,817</u>	\$0	\$22,817	(\$8,564)	\$14,253	12.42%	2.90%	0.36%
TOTAL LONG TERM DEBT	\$206,480	\$0	\$206,480	(\$68,939)	\$114,724	100.00%		
9. CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
10. TOTAL	<u>\$136,363</u>	<u>\$70,117</u>	<u>\$206,480</u>	<u>-\$68,939</u>	<u>\$114,724</u>	<u>100.00%</u>		<u>8.17%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>10.78%</u>	<u>12.78%</u>	
OVERALL RATE OF RETURN						<u>8.17%</u>	<u>8.17%</u>	

CROOKED LAKE PARK SEWERAGE COMPANY				SCHEDULE NO. 3	
TEST YEAR ENDING 12/31/2005				DOCKET NO. 060406-SU	
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$104,313</u>	<u>\$2,840</u>	<u>\$107,153</u>	<u>\$46,492</u> 43.39%	<u>\$153,645</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$149,606	(\$26,489)	\$123,117	\$0	\$123,117
3. DEPRECIATION (NET)	\$9,925	(\$1,931)	\$7,994	\$0	\$7,994
4. AMORTIZATION	\$0	\$0	\$0	\$0	\$0
5. TAXES OTHER THAN INCOME	\$7,735	\$2,169	\$9,904	\$2,092	\$11,996
6. INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7. TOTAL OPERATING EXPENSES	<u>\$167,266</u>	<u>(\$26,251)</u>	<u>\$141,015</u>	<u>\$2,092</u>	<u>\$143,107</u>
8. OPERATING INCOME/(LOSS)	<u>(\$62,953)</u>		<u>(\$33,862)</u>		<u>\$10,537</u>
9. WASTEWATER RATE BASE	<u>\$153,574</u>		<u>\$128,977</u>		<u>\$128,977</u>
10. RATE OF RETURN	<u>-40.99%</u>		<u>-26.25%</u>		<u>8.17%</u>

**CROOKED LAKE PARK SEWERAGE COMPANY
TEST YEAR ENDING 12/31/2005
ADJUSTMENTS TO OPERATING INCOME**

Schedule No. 3-A
DOCKET NO. 060406-SU
Page 1 of 2

WASTEWATER

OPERATING REVENUES

1. To adjust utility revenues to audited test year amount.	\$2,840
Subtotal	<u>\$2,840</u>

OPERATION AND MAINTENANCE EXPENSES

1. Salaries and Wages - Employees (701)	
a. To reflect annual salary for maintenance person	<u>\$5,200</u>
2. Purchased Sewage Treatment	
a. To reclassify stormwater-related expenses to Acct. No. 775	<u>(\$26,955)</u>
3. Sludge Removal Expense (711)	
a. To reclassify sludge removal expense recorded in Acct. 736	<u>\$5,670</u>
4. Purchased Power (715)	
a. To reflect annual purchase power per audit report	<u>\$2,147</u>
5. Chemicals (718)	
a. To reclassify testing expenses to Acct. 735	(\$1,440)
b. To reflect chemical expense for the test year	<u>\$4,590</u>
Subtotal	<u>\$3,150</u>
6. Material and Supplies (720)	
a. To reclassify contractual services expenses to Acct. 736	(\$2,172)
b. To reclassify vegetation clearing expense to Acct. 775	<u>(\$240)</u>
Subtotal	<u>(\$2,412)</u>
7. Contractual Services - Professional (731)	
a. To reflect annual accounting expenses	\$200
b. To reclassify accounting expenses to Acct 765 for rate case expense	(\$600)
c. To reflect non-recurring eng, expense amort. over 5 years	<u>(\$2,308)</u>
Subtotal	<u>(\$2,708)</u>
8. Contractual Services -Testing (735)	
a. To reclassify operator expenses to Acct. 736	(\$1,995)
b. To reclassify testing expenses from Acct. 718	\$1,440
c. To reflect annual DEP required testing expense	<u>\$940</u>
Subtotal	<u>\$385</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)

CROOKED LAKE PARK SEWERAGE COMPANY		Schedule No. 3-A
TEST YEAR ENDING 12/31/2005		DOCKET NO. 060406-SU
ADJUSTMENTS TO OPERATING INCOME		Page 2 of 2
9.	Contractual Services - Other (736)	
	a. To reclassify contractual services expenses from Acct. 720	\$2,172
	b. To reclassify stormwater-related expenses to Acct. 775	(\$25,108)
	c. To reclassify operator expenses from Acct. No. 735	\$1,995
	d. To reclassify vegetation clearing expenses to Acct. 775	(\$795)
	e. To reclassify sludge removal expenses to Acct. No. 711	(\$5,670)
	f. To reclassify miscellaneous expenses to Acct. No. 775	(\$375)
	g. To reflect the appropriate operator services expenses	\$1,140
	h. To correct invoice recorded erroneous amount	(\$20)
	Subtotal	<u>(\$26,661)</u>
10.	Rents (740)	
	a. To reflect the appropriate rent expense	<u>\$3,363</u>
11.	Regulatory Expense (765)	
	a. To amortize filing fee (\$1000/4)	\$250
	b. To include and amortize notice expense over 4 years	\$58
	c. To reclassify accounting exp. from Acct. 731 for rate case expense	\$600
	d. To amortize accounting rate case expense	(\$450)
	Subtotal	<u>\$458</u>
12.	Miscellaneous Expense (775)	
	a. To reclassify stormwater-related expenses from Acct. No. 711	\$26,955
	b. To reclassify stormwater-related expenses from Acct. No. 736	\$25,108
	c. To reclassify vegetation clearing expenses from Acct. No. 720	\$240
	d. To reclassify pond treatment expenses from Acct. No. 736	\$795
	e. To reclassify miscellaneous expenses from Acct. No. 736	\$375
	f. To amortize stormwater-related expenses over 4 years	(\$39,047)
	g. To reflect appropriate exp. for vegetation clearing and pond treatment	(\$265)
	h. To reflect the appropriate mowing expenses	\$1,200
	i. To remove journal entry for plant retirements	(\$3,487)
	Subtotal	<u>\$11,874</u>
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$26,489)</u>
	DEPRECIATION EXPENSE	
1.	To reflect the appropriate net depreciation expense	<u>(\$1,931)</u>
	Total	<u>(\$1,931)</u>
	TAXES OTHER THAN INCOME	
1.	To reduce ad valorem taxes	(\$193)
2.	To reflect the appropriate regulatory assessment fees	\$128
3.	To reflect payroll taxes for recommended salaries	<u>\$2,234</u>
	Total	<u>\$2,169</u>

CROOKED LAKE PARK SEWERAGE COMPANY		SCHEDULE NO. 3-B	
TEST YEAR ENDING 12/31/2005		DOCKET NO. 060406-SU	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$5,200	\$5,200
(703) SALARIES AND WAGES - OFFICERS	\$24,000	\$0	\$24,000
(704) EMPLOYEE PENSIONS AND BENEFITS	\$0	\$0	\$0
(710) PURCHASED SEWAGE TREATMENT	\$26,955	(\$26,955)	\$0
(711) SLUDGE REMOVAL EXPENSE	\$0	\$5,670	\$5,670
(715) PURCHASED POWER	\$11,014	\$2,147	\$13,161
(716) FUEL FOR POWER PRODUCTION	\$0	\$0	\$0
(718) CHEMICALS	\$1,440	\$3,150	\$4,590
(720) MATERIALS AND SUPPLIES	\$3,760	(\$2,412)	\$1,348
(730) CONTRACTUAL SERVICES - BILLING	\$6,909	\$0	\$6,909
(731) CONTRACTUAL SERVICES - PROFESSIONAL	\$6,835	(\$2,708)	\$4,127
(735) CONTRACTUAL SERVICES - TESTING	\$1,995	\$385	\$2,380
(736) CONTRACTUAL SERVICES - OTHER	\$44,186	(\$26,661)	\$17,526
(740) RENTS	\$837	\$3,363	\$4,200
(750) TRANSPORTATION EXPENSE	\$4,872	\$0	\$4,872
(755) INSURANCE EXPENSE	\$11,494	\$0	\$11,494
(765) REGULATORY COMMISSION EXPENSES	\$0	\$458	\$458
(770) BAD DEBT EXPENSE	\$0	\$0	\$0
(775) MISCELLANEOUS EXPENSES	<u>\$5,309</u>	<u>\$11,874</u>	<u>\$17,183</u>
	<u>\$149,606</u>	<u>(\$26,489)</u>	<u>\$123,117</u>

CROOKED LAKE PARK SEWERAGE COMPANY				SCHEDULE NO. 4	
TEST YEAR ENDING 12/31/2005				DOCKET NO. 060406-SU	
MONTHLY WASTEWATER RATES					
	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION	
<u>Residential Service</u>					
Base Facility Charge All Meter Sizes	\$11.10	\$16.67	\$17.97	\$0.06	
<u>Gallorage Charge</u>					
Per 1,000 Gallons (8,000 gallon cap)	\$2.56	\$3.84	\$3.23	\$0.01	
<u>General Service</u>					
Base Facility Charge by Meter Size:					
5/8"X3/4"	\$11.10	\$16.67	\$17.97	\$0.06	
3/4"	\$16.65	\$25.00	\$26.96	\$0.08	
1"	\$27.75	\$41.67	\$44.94	\$0.14	
1-1/2"	\$55.49	\$83.33	\$89.87	\$0.28	
2"	\$88.79	\$133.34	\$143.79	\$0.45	
3"	\$177.57	\$266.67	\$287.59	\$0.90	
4"	\$277.46	\$416.69	\$449.36	\$1.40	
6"	\$554.94	\$833.41	\$898.72	\$2.81	
Gallorage Charge per 1,000 gallons	\$3.07	\$4.61	\$3.88	\$0.01	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>					
3,000 Gallons	\$18.78	\$28.19	\$27.66		
5,000 Gallons	\$23.90	\$35.87	\$34.12		
8,000 Gallons	\$31.58	\$47.39	\$43.81		