

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of
UTILITIES, INC. OF SANDALHAVEN
for an increase in wastewater
rates in Charlotte County, Florida

DOCKET NO. 060285-SU

NOTICE OF FILING

UTILITIES, INC. OF SANDALHAVEN ("Utility"), hereby notices the filing of the attached documentation supporting its reduced revenue request and implementing a phased implementation of such request.

Respectfully submitted this 9 day of
July, 2007, by:

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MARTIN S. FRIEDMAN
For the Firm

CERTIFICATE OF SERVICE

DOCKET NO. 060285-SU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished

by U. S. Mail this 9 day of July, 2007, to:

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MARTIN S. FRIEDMAN
For the Firm

UTILITIES, INC. OF SANDALHAVEN
DOCKET NO. 060285-SU

APPLICANT'S RESPONSE TO PSC STAFF REQUEST FOR INNOVATIVE
PHASED RATE APPROACH

INTRODUCTION

On June 7, PSC staff held an informal meeting to discuss the unique situation at Sandalhaven. The unique situation arises because (1) the utility customer base will be doubling in a relatively short time frame (approx. 3 years) and (2) the existing WWTP plant will have to be taken out of service due to the lack of an economic means of expanding effluent disposal. Treatment and disposal will instead be purchased from the Englewood Water District (EWD).

Staff has recognized that substantial increases in costs are being incurred to meet this situation and that the standard ratemaking procedure does not lend itself to the effective development of rates for the future without some innovation. Staff has likened the situation to that of a newly developed utility in which rates are set based on the buildout capacity and buildout customer base. Utilities, Inc. of Sandalhaven (Sandalhaven) has therefore agreed to develop an approach that will be fair to the existing and future customers and to the utility. The following is Sandalhaven's response.

BASIS FOR RESPONSE

The MFR, as filed, is prepared in the traditional manner; i.e., a projected test year, two years out from the historical test year. The rate base at that time recognizes all of the plant improvements required to connect to EWD, including the up-front capacity payments to EWD to secure the availability of 300,000 gpd capacity. It also recognizes the retirement of the existing WWTP. And finally, it recognizes the upfront collection of CIAC from new development. Regarding expenses, the projected test year recognizes the blend of expenses projected to be incurred during the transition from onsite treatment to purchased treatment. Regarding revenues, the projected test year recognizes only the anticipated influx of initial new customers, which during the projected test year, is minimal. It is primarily this last factor that is problematic. That is, although all necessary plant will have been constructed and offset by related CIAC, the actual number of new paying customers during the projected year is only a small number of the potential paying customers. Traditional ratemaking, allows a maximum increase of only 5% annual growth to be recognized. On this basis, the rates necessary to generate revenue requirements will be relatively high. The traditional means of dealing with this would be to adjust the plant used & useful to the amount necessary to serve paying customers in the projected test year. But since the up-front CIAC payments also have been recognized, they too would have to be reduced. This would defeat the purpose of the exercise and not result in rates set for the future.

Under the circumstances, the new system buildout approach does seem to be the fairest solution.

SCHEDULES

Sandalhaven will make maximum use of the MFRs as filed. This is of significant concern to Sandalhaven. Sandalhaven does not want to do anything to invalidate the existing MFR and its data. Attached to this response is a set of six (6) schedules, drawing on the filed MFR schedules and format. These schedules support and summarize the development of rates at 80% of buildout and the Phase I rates.

ASSUMPTIONS FOR BUILDOUT

1. The buildout capacity for purposes of this filing is the 300,000 gpd purchased from EWD, even though Sandalhaven has rights to purchase up to 500,000 gpd. There is insufficient information on which to base potential development past the 300,000 gpd level. In addition, basing buildout on 300,000 gpd eliminates the need for any U&U adjustment on the capitalized capacity payments to EWD.
2. The force main and the master lift station situated in the south part of the service area are considered to be 100% U&U. The main and lift station were sized interdependently to provide service in the most economic manner in both the long and short term. Although a smaller main may have been hydraulically capable of carrying interim flows, a 12" main was selected because it results in substantially lower head conditions (the pressure against which you are pumping). What this means, in this case, is that the design flow for the whole service area can be pumped with 88 HP pumps rather than 300 HP. (see attached CPH letter dated 6/26/07), and the flows considered in this proceeding, as produced by known, committed developments, can be pumped with 45 HP pumps.
3. An estimate of the cost to redirect flows from existing customers to EWD is already included in the filing. For purposes of estimating the related electric expense, the pumps for that lift station are sized at 25 HP.
4. Rate Base components will remain those developed in the MFR for the projected test year, except for a \$15,183 increase in working capital, which is a fallout of adjusted expenses and an adjustment to CIAC discussed below.
5. In the MFR, the Utility identified 52 Reserve Capacity lots in Eagles Preserve for which CIAC was not prepaid. It projected the collection of CIAC for these lots at the requested SAC level. The Utility has further researched the status of the Reserve Capacity lots and has found (a) there are only 50, and (b) there are an additional 71 lots available which have prepaid CIAC (see attached Schedule A-12 Buildout). The Utility is projecting additional CIAC for these lots at buildout for the difference between the requested SAC level and the \$1,250 that has already been paid. (Please note that Schedule A-12 Buildout is also corrected to reflect the actual 2005 AADF flow of 97,367 gpd). The effect is an increase in CIAC of \$69,424 and an increase in Amortization of CIAC of \$1,448, resulting in a net decrease in rate base of \$67,976 from the MFR filing. After factoring in the effect of the increase in working capital, the net decrease in rate base from the MFR is \$52,793.

6. Expenses will be adjusted to reflect full WWTP plant shutdown and all flows to EWD (see attached Schedule B-6 Buildout). The flows to EWD will reflect 102 gpd/ERC, the annual average per connection reflected in Sandalhaven's master plan (see Schedule E-13 Buildout, page 2).

BASIS FOR RATES

1. The number of customers billed will be adjusted to reflect 80% of buildout. The known buildout demand, as projected, is 360,027 gpd, slightly higher than the purchased 300,000 gpd capacity. However, the 80% buildout demand is 288,022 gpd, which is within that capacity and is used for purposes of determining gallons billed. (See schedules A-12 Buildout and E-13 Buildout, page 2)
2. Rates set based on 80% buildout should not normally require a step up through a Phase I rate since the buildout rate, by design, cannot generate required revenues until 80% buildout is reached. However, in this instance, it is recognized that all components for buildout have not yet been completed, even though an estimated cost is included in buildout rate base; specifically, the rerouting necessary to send effluent from some existing customers to EWD. Sandalhaven estimates completion of that portion within 18 months. As an incentive to complete that portion of plant, Sandalhaven proposes that a Phase I rate be approved and authorized to remain in effect until it can show proof to the Commission of the completion of the project and that all flows are directed to EWD. At that time, buildout rates would be allowed to automatically go into effect, upon acknowledgment by the Commission and notice to the customers.
3. Phase I rates will be set at current rates plus 80% of the difference between buildout rates and current rates. This provides a fair transition from current to buildout rates, allows the Utility to cover its expenses and mitigates rate shock.

COMPARISION OF RATES

The following table compares current rates, rates requested in the MFR, Phase I rates and buildout rates. A full comparison is shown in attached Schedule E-1 Buildout & Phase I.

<u>Rate</u>	Current	MFR	Phase I	Buildout
Residential				
BFC	\$13.13	\$49.43	\$30.12	\$34.36
\$ per 1,000 gals	3.70	11.50	5.76	6.27
Multi-family, per unit				
BFC	\$13.13	\$49.43	\$30.12	\$34.36
\$ per 1,000 gals	4.43	13.80	6.91	7.53

General Service, 5/8"				
BFC	\$13.13	\$49.43	\$30.12	\$34.36
\$ per 1,000 gals	4.43	13.80	6.91	7.53

Monthly Bill @ 8,000 gals

Residential	\$42.73	\$141.43	\$76.20	\$84.52
Multi-family	\$48.57	\$159.83	\$85.40	\$94.60
General Service 5/8"	\$48.57	\$159.83	\$85.40	\$94.60

The buildout rates produce \$113,289 more revenue than the MFR rates, but the same rate of return. They do so with rates that are 40% less than proposed in the MFR. The primary reason for the increase is including the gallonage expense to EWD associated with the full 80% buildout flows. The primary reason for the 40% reduction in the rates is spreading the costs over 80% of the projected buildout customers rather than the projected 2007 customers.

Utilities Inc. of Sandalhaven presents this alternative well aware that it is a compromise that places the Utility at substantial risk. Rates based on a projected 80% of buildout cannot provide an opportunity to earn a fair return unless the projected growth through buildout occurs. Nevertheless, it does so in good faith, for both fairness and expediency. There are no interim rates in effect, and therefore the Utility hopes this will help speed the ratemaking process along.

Utilities Inc. of Sandalhaven
Docket No. 060285-SU

Innovative Phased Rate Approach
80% Buildout & Phase I

Index of Schedules

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Net Operating Income Statement - Sewer
Innovative Phased Rate Approach

Florida Public Service Commission

Company: Utilities Inc. of Sandalhaven
Docket No.: 060285-SU
Historic Year End: December 31, 2005
Projected Year End: December 31, 2007
Interim [] or Final [x]
Historic [x] or Projected [X]

Schedule: B-2 Buildout
Page 1 of 1

Preparer: Seidman, F.
9-Jul-07

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

(1) Line No.	(2) Balance Per Books	(3) Historic Test Year Adjustments	(4) Historic Adjusted Test Year	(5) Requested Rev. Adjust. from 2005 to 80% Buildout	(6) Requested Annual Revenues @ 80% Buildout	(7) Supporting Schedules
1	OPERATING REVENUES	\$ 270,518	\$ 6,044	A \$ 276,562	\$ 954,861	H \$ 1,231,423 B-4, E-2, B-3
2	Operation & Maintenance	313,247	397	E1 313,644	330,282	E2,3, F 643,926 B-6, B-3
3	Depreciation, net of CIAC amort.	(32,297)	-	(32,297)	96,706	D1,2,3 64,409 B-14, B-3
4	Amortization	529	(529)	B -	-	B-3
5	Taxes Other Than Income	43,260	(325)	G 42,935	176,230	J 219,165 B-15, B-3
6	Provision for Income Taxes	(44,051)	44,051	C -	52,120	I 52,120 C-1, B-3
7	OPERATING EXPENSES	280,688	43,594	324,282	655,338	979,619
8	NET OPERATING INCOME	\$ (10,170)	\$ (37,550)	\$ (47,719)	\$ 299,523	\$ 251,804
9	RATE BASE	\$ 393,468	\$ 393,468	\$ 393,468	\$ 2,942,699	A-2
10	RATE OF RETURN	-2.58%	-12.13%	8.56%		

**Adjustments to Net Operating Income
Innovative Phased Rate Approach**

Florida Public Service Commission

**Company: Utilities Inc. of Sandalhaven
Docket No.: 060285-SU
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Historic [x] or Projected [X]**

**Schedule: B-3 Buildout
Page 1 of 1**

**Preparer: Seidman, F.
9-Jul-07**

Explanation: Provide a detailed description of all adjustments to operating income per books, with a total for each line item shown on the net operating income statement.

Line No.	Description	Water	Wastewater
(A)	Operating Revenues, Historic		
	Effect of mid year rate change	-	5,784
	RAF Effect on above	-	260
(B)	Amortization		
	Reverse out	-	(529)
(C)	Provision for Income Tax		
	Reverse Out Negative	-	44,051
(D1)	Proforma Maintenance Project		
	Hurricane Def		21,365
	Amortization Period (Years)		<u>5</u>
	Expense in 2006 and 2007	-	4,273
(D2)	Adjustment to reflect 2006 projected depr. & amort. Exp. (B-14)		36,914
(D3)	Adjustment to reflect 2006 projected depr. & amort. Exp. (B-14)	-	92,432
(E1)	Proforma O&M Expenses		
	Salary Adjustment (see WP)	-	(573)
	Pension/Benefit Adjustment (see WP)	-	970
(E2)	Projected change in O&M exp. from 2005 to 2006 (B-6, page 2)		27,198
(E3)	Projected change in O&M exp. from 2006 to 2007 (B-6, page 2)		254,065
(F)	Rate Case Expense		
	1/4 of Rate Case Expense (Schedule B-10) in 2007	-	49,020
(G)	Proforma Tax Other than Income		
	Payroll Taxes (see WP)	-	(325)
(H)	Revenue Increase		
	Required to realize a 8.56% rate of return	-	954,861
(I)	Provision for Income Taxes		
	Income Taxes (C-1)	-	52,120
(J)	Taxes other than Income		
	Regulatory Assessment Fees (RAF's)		
	Adjusted for Revenue Increase (B-15)	-	43,355
	Personal Property Tax Adj. 2007		137,838
	Adjustment for reduction in payroll		(4,963)

CIAC by Type and Classification
Innovative Phased Rate Approach

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Interim [] or Final [X]
Historic [X] or Projected [X]

Florida Public Service Commission

Schedule: A-12 Buildout

Preparer: Seidman, F.

9-Jul-07 Revised

Schedule of Commitments and Capacity

		Add'l Flow (gpd)	Cummulative Flow (gpd)	ERCs @ 190 gpd/ERC
COMMITMENTS				
Current Annual Average Flow (12 Month RAA)				
Additional Prepaid Commitments:				
50 lots	Reserve Capacity Lots - Not Prepaid	9,500		50
71 lots	Reserve Capacity Lots - Prepaid	13,490		71
60 lots	Shamrock Shores	11,400		60
45 lots	Cape Haze Marina, in bankruptcy	8,550		45
105 condos	Hacienda Del Mar, under constr.	16,070		85
48 rooms	Ship's Lantern Hotel, no activity	9,600		51
234 condos	Hammocks at Cape Haze, under constr.	48,050		253
Commer'l	Cape Haze Plaza Addition, under constr.	5,260		28
264 apts	Cape Haze Resort-under constr.	<u>56,340</u>		<u>297</u>
	SUBTOTAL 2006	178,260	97,367	938
422 condos	8401 Placida Road-under design	<u>84,400</u>		<u>444</u>
	TOTAL	262,660	360,027	1,382

NOTE: For purposes of calculating additional CIAC, the added ERCs are multiplied by the requested SAC charge, with the exception of the 71 ERCs shown as prepaid. These will be multiplied by the requested SAC minus the prepaid amount of \$1,250, the existing SAC.

CAPACITY

	Capacity (gpd)	Date	Cummulative Capacity (gpd)
Existing WWTP	150,000		150,000
Purchase EWD Capacity and Force Main On-Line	300,000	1/31/2007	450,000
Retire Existing WWTP	(150,000)	6/30/07	300,000
Purchase Additional EWD Capacity as Required		1/31/08	

Sewer O&M Expenses
Innovative Phased Rate Approach

Florida Public Service Commission

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Historic [] or Projected [X]

Schedule B-6 Buildout
Page 1 of 1

Preparer: Seidman, F.
9-Jul-07

Explanation: Provide a schedule of operation and maintenance expenses by primary account for each month of the test year. If schedule has to be continued on 2nd page, reprint the account titles and numbers.

Line No.	(1) Account No. And Name	(2) Total 2005 Annual	(3) Projected 2006 Change	(4) Basis for Change	(5) Projected 2006 Annual	(6) Projected 2007 Change	(7) Basis for Change	(8) Projected 2007 Annual
1	701 Salaries & Wages - Employees	\$ 88,593	-		\$ 88,593	(44,297)	A	\$ 44,297
2	703 Salaries & Wages - Officers, Etc.	-	-		-	-		-
3	704 Employee Pensions & Benefits	21,663	-		21,663	(10,832)	A	10,832
4	710 Purchased Sewage Treatment	1,034	-		1,034	442,055	B	443,089
5	711 Sludge Removal Expense	45,250	14,325	1	59,575	(59,575)	C	-
6	715 Purchased Power	19,638	3,919	1	23,557	(4,984)	D	18,573
7	716 Fuel for Purchased Power	-	-		-	-		-
8	718 Chemicals	29,201	5,815	1	35,016	(35,016)	C	-
9	720 Materials & Supplies	58,621	17,071	2	75,692	(29,165)	E	46,527
10	731 Contractual Services - Engr.	-	-		-	-		-
11	732 Contractual Services - Acct.	2,633	-		2,633	-		2,633
12	733 Contractual Services - Legal	-	-		-	-		-
13	734 Contractual Services - Mgmt. Fees	-	-		-	-		-
14	736 Contractual Services - Other	-	-		-	-		-
15	741 Rental of Building/Real Prop.	-	-		-	-		-
16	742 Rental of Equipment	-	-		-	-		-
17	750 Transportation Expenses	7,014	347	1	7,361	(4,122)	F	3,239
18	756 Insurance - Vehicle	-	-		-	-		-
19	757 Insurance - General Liability	-	-		-	-		-
20	758 Insurance - Workman's Comp.	-	-		-	-		-
21	759 Insurance - Other	11,456	-		11,456	-		11,456
22	760 Advertising Expense	-	-		-	-		-
23	766 Reg. Comm. Exp. - Rate Case Amort.	14,280	(14,280)	3	-	-		-
24	767 Reg. Comm. Exp. - Other	-	-		-	-		-
25	770 Bad Debt Expense	832	-		832	-		832
26	775 Miscellaneous Expense	13,033	-		13,033	-		13,033
27	TOTAL	\$ 313,247	\$ 27,198		\$ 340,444	\$ 254,065		\$ 594,509

Basis for Change:

2006

- 1 - Actual 9 mos expense, annualized.
- 2 - Actual 9 mos expense, annualized for the following components of M&S - supplies, repairs, contract operators, testing & storm preparation.
- 3 - The rate case amortization expense is zeroed out and addressed as a separate adjustment at Schedules B-10 and B-3.

2007

- A - Labor and related benefits reduced by 50%, reflecting change from 2 to 1 employees with WWTP retired.
- B - Projected purchased treatment cost by EWD @ \$7.32/MG for projected billed gallons @ 80% buildout. 60,531,302 gals (Sch E-13, I. 28, col. 5)
- C - Sludge removal expense and chemical expense are eliminated with retirement of WWTP.
- D - Purchased power adjusted to reflect elimination of WWTP expense except for office (90% reduction) and addition of two master lift stations. See Sch B-6(E).
- E - Reflects reductions in the following expenses associated with retirement of WWTP - repairs, contract operators, testing and storm preparation.
- F - Transportation expense reduced by 50%, reflecting change from 2 to 1 vehicles.

Sewer O&M Expenses
 Innovative Phased Rate Approach

Florida Public Service Commission

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Schedule B-6 (E) Buildout
 Page 1 of 2

Preparer: Seidman, F.
 9-Jul-07

Utilities Inc. of Sandalhaven
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Analysis of Electric Expense

INPUT

- 1 South Master Lift Station - Interim Capacity

Pumps	2	45	HP	One running, one backup
Pumping rate		760	gpm	
Design AADF		275,000	gpd	

Source: cph letter: 6/26/07

- 2 Service area flow distribution

	70.00%	southern service area
	30.00%	remaining service area

Source: CPH letter: 6/26/07

- 3 Projected design flows, AADF

Existing	97,367	gpd	
Projected additions	<u>262,660</u>		See Sch. A-12 Buildout
Total @ buildout	<u>360,027</u>	gpd	See Sch. A-12 Buildout
At 80% buildout	288,022	gpd	See Sch. E-13 Buildout, p. 2

- 4 Current average cost of purchased power, incl. all taxes

Based on Dec., 2006 WWTP invoice

\$1,600.94	
13,510	kwh
\$0.1185	

Source: FPL bill

ASSUMPTIONS RE MASTER LS FOR EXISTING AREA

- | | | | | |
|--------------|---|---------|-----|-------------------------|
| Pumps | 2 | 25 | HP | One running, one backup |
| Pumping rate | | 380 | gpm | |
| Design AADF | | 125,000 | gpd | |

Source: Utility design estimate

Company: Utilities Inc. of Sandalhaven
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 Historic [] or Projected [X]

Schedule B-6 (E) Buildout
 Page 2 of 2
 Preparer: Seidman, F.
 9-Jul-07

CALCULATION OF ELECTRIC EXPENSE FOR NEW LIFT STATIONS @ 80% BUILDOUT

1 Assume flow is split 70/30 between stations, consistent with CPH letter of 6/26/07

South area	201,615 gpd
Existing area	<u>86,406</u>
	288,022 gpd

2 Hours of operation

	South area	Existing area
a gpd	201,615	86,406
b pumping rate	760	380
c minutes/hr	60	60
d = a/(b*c)	4.42 hours	3.79 hours

3 Annual energy consumption (kwh)

	South area	Existing area
a Pump size, HP	45	25
b KW/HP	0.746	0.746
c Hours per day	4.42	3.79
d Days/year	365	365
e = a*b*c*d	54,175 kwh/year	25,798 kwh/year

4 Electric Expense

	South area	Existing area
a kwh/year	54,175	25,798
b Avg cost/kwh	\$ 0.1185	\$ 0.1185
c = a*b	\$ 6,420	\$ 3,057
Total annual expense		\$ 9,477

CHANGE IN ELECTRIC EXPENSE FOR UTILITY

2006 Total Electric Expense	\$ 23,647
Less: 90% of WWTP	(14,551)
Plus new Lift Stations	<u>9,477</u>
Electric Exp. @ 80% Buildout	\$ 18,573
Decrease	\$ 5,074

Rate Schedule - Present, Final & Phase I
 Innovative Phased Rate Approach

Florida Public Service Commission

Company: Utilities Inc. of Sandalhaven
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 Historic Year Ended: December 31, 2005
 Projected Year Ended: December 31, 2007
 Water [] or Sewer [x]
 Interim [] or Final [x]
 Historic [x] or Projected [X]

Schedule: E-1 Buildout & Phase I
 Page 1 of 1
 Preparer: Seidman, F.
 9-Jul-07

Explanation: Provide a schedule of present and proposed rates. State residential sewer cap, if one exists.

Line No.	(1) Class/Meter Size	(2) Historic Year Rates, End of Yr	(3) Proposed Buildout Rates	(3) Proposed Phase I Rates
<u>1 Wastewater(1)</u>				
2	69020 5/8" Reserved Capacity	\$ 13.13	\$ 34.36	\$ 30.12
3	69022 5/8" Residential Base Charge	13.13	34.36	30.12
4	6902X 5/8" Multi-Residential Base Charge	None	34.36	30.12
5	69024 1" Residential Base Charge	13.13	34.36	30.12
6	6902X 1.5" Multi-Residential Base Charge	None	34.36	30.12
7	6902X 2" Multi-Residential Base Charge	None	34.36	30.12
8	69023 3" Multi-Residential Base Charge	13.13	34.36	30.12
9	69025 6" Multi-Residential Base Charge	13.13	34.36	30.12
10	69029 5/8" General Service Base Charge	13.13	34.36	30.12
11	69030 1" General Service Base Charge	32.85	85.98	75.35
12	69032 1.5" General Service Base Charge	65.69	171.93	150.68
13	69033 2" General Service Base Charge	105.10	275.07	241.08
14	690XX 3" General Service Base Charge	197.06	515.76	630.97
15	690XX 4" General Service Base Charge	328.42	859.56	1,651.42
16	690XX 6" General Service Base Charge	656.85	1,719.15	4,322.19
17	69028 1" General Service Base Charge - Restaurant	32.85	85.98	75.35
18	69090 Reuse Flat Charge	345.27	903.66	791.98
19 Gallonage Charge per 1,000 Gallons				
20	69022 5/8" Residential (8,000 Gal. Cap) (1)	\$ 3.70	\$ 6.27	\$ 5.76
21	6902X 5/8" Multi-Residential Base Charge	None	7.53	6.91
22	69024 1" Residential (8,000 Gal. Cap) (1)	3.70	6.27	5.76
23	6902X 1.5" Multi-Residential Base Charge	None	7.53	6.91
24	6902X 2" Multi-Residential Base Charge	None	7.53	6.91
25	69023 3" Multi-Residential	4.43	7.53	6.91
26	69025 6" Multi-Residential	4.43	7.53	6.91
27	69029 5/8" General Service	4.43	7.53	6.91
28	69030 1" General Service	4.43	7.53	6.91
29	69032 1.5" General Service	4.43	7.53	6.91
30	69033 2" General Service	4.43	7.53	6.91
31	690XX 3" General Service	4.43	7.53	6.91
32	690XX 4" General Service	4.43	7.53	6.91
33	690XX 6" General Service	4.43	7.53	6.91
34	69028 Restaurant All	4.43	7.53	6.91

(1) Single Family residential class customers have maximum monthly gallonage charge of 6,000 gallons.

Projected Revenue Calculation - 80% Buildout & Phase I
 Innovative Phased Rate Approach

Company: Utilities Inc. of Sandalhaven
 Docket No.: 060285-SU
 Historic Year End: December 31, 2005
 Projected Year End: December 31, 2007
 Water [] or Sewer [X]
 Interim [] or Final [X]
 Historic [X] or Projected [X]

Florida Public Service Commission

Schedule E-13 Buildout & Phase I
 Page 1 of 2

Preparer: Seidman, F.
 9-Jul-07

Explanation: If a projected test year is used, provide a schedule of historical and projected bills and consumption by classification. Include a calculation of each projection factor on a separate schedule, if necessary. List other classes or meter sizes as applicable. Include a calculation of each projection factor on a separate schedule, if necessary. List other classes or meter sizes as applicable.

Line No.	Class/Meter Size	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)		(9)		
		Historic 2005 Invoices/Gallons	Projected 2005 Invoices/Gallons	Projected Changes Invoices/Gallons	Proj. Factor	Projected Buildout Invoices/Gallons	Present Rates	Projected Revenue @ Present Rates	Projected Buildout Rates (A)	Projected Revenue Requirement	Proposed Buildout Rates (A)	Proposed Revenue Requirement	Proposed Phase I Rates (D)							
1	69020 5/8" Reserved Capacity		1,352	(1,352)	B	0	\$ 13.13	\$ -	\$ 34.36	\$ 34.36	\$ 34.36	\$ 30.12	\$ 30.12	\$ 30.12	\$ 30.12	\$ 30.12	\$ 30.12	\$ 30.12	\$ 30.12	
2	69022 5/8" Residential Base Charge	8,883	1,738	1,738	B	10,321	13.13	135,509	34.36	354,664	34.36	354,664	30.12	14,846	30.12	30.12	30.12	30.12	30.12	
3	6902X 5/8" Multi-Residential Base Charge		432	432	B	432	13.13	5,672	34.36	14,846	34.36	14,846	30.12		30.12	30.12	30.12	30.12	30.12	
4	69024 1" Residential Base Charge		12	12	B	12	13.13	158	34.36	412	34.36	412	30.12		30.12	30.12	30.12	30.12	30.12	
5	6902X 1.5" Multi-Residential Base Charge		4,264	4,264	B	4,264	13.13	55,992	34.36	146,546	34.36	146,546	30.12		30.12	30.12	30.12	30.12	30.12	
6	6902X 2" Multi-Residential Base Charge		812	812	B	812	13.13	10,661	34.36	27,903	34.36	27,903	30.12		30.12	30.12	30.12	30.12	30.12	
7	69023 3" Multi-Residential Base Charge	251	2,847	2,847	B	3,098	13.13	40,672	34.36	106,450	34.36	106,450	30.12		30.12	30.12	30.12	30.12	30.12	
8	69025 6" Multi-Residential Base Charge	495	2,428	2,428	B	2,923	13.13	38,376	34.36	100,441	34.36	100,441	30.12		30.12	30.12	30.12	30.12	30.12	
9	69023 5/8" General Service Base Charge	197		197			13.13	2,587	34.36	6,770	34.36	6,770	30.12		30.12	30.12	30.12	30.12	30.12	
10	69030 1" General Service Base Charge	12		12		12	32.85	394	85.98	1,032	85.98	1,032	75.35		75.35	75.35	75.35	75.35	75.35	
11	69032 1.5" General Service Base Charge	36		36		36	85.69	2,462	171.93	6,189	171.93	6,189	150.66		150.66	150.66	150.66	150.66	150.66	
12	69033 2" General Service Base Charge	35		35	B	71	105.10	7,462	275.07	19,530	275.07	19,530	241.08		241.08	241.08	241.08	241.08	241.08	
13	69028 Restaurant All	12		12		12	32.85	394	85.98	1,032	85.98	1,032	75.35		75.35	75.35	75.35	75.35	75.35	
14	69090 Reuse Flat Charge	11		11		11	345.27	3,798	903.66	9,940	903.66	9,940	791.98		791.98	791.98	791.98	791.98	791.98	
15	Gallage Charge per 1,000 Gallons																			
16	69022 5/8" Residential (8,000 gal. cap)	17,939,000	3,631,691	3,631,691	C	21,570,691	3.70	\$79,812	6.27	\$135,292	6.27	\$135,292	5.76		5.76	5.76	5.76	5.76	5.76	
17	6902X 5/8" Multi-Residential Base Charge		1,173,883	1,173,883	B	1,173,883	4.43	5,200	7.53	8,855	7.53	8,855	6.91		6.91	6.91	6.91	6.91	6.91	
18	69024 1" Residential (8,000 gal. cap)	34,000		34,000		34,000	3.70	126	6.27	213	6.27	213	5.76		5.76	5.76	5.76	5.76	5.76	
19	6902X 1.5" Multi-Residential Base Charge		11,587,802	11,587,802	B	11,587,802	4.43	51,334	7.53	87,215	7.53	87,215	6.91		6.91	6.91	6.91	6.91	6.91	
20	6902X 2" Multi-Residential Base Charge		2,206,350	2,206,350	B	2,206,350	4.43	9,774	7.53	16,606	7.53	16,606	6.91		6.91	6.91	6.91	6.91	6.91	
21	69023 3" Multi-Residential Base Charge	2,075,000	7,735,270	7,735,270	B	9,810,270	4.43	43,459	7.53	73,836	7.53	73,836	6.91		6.91	6.91	6.91	6.91	6.91	
22	69025 6" Multi-Residential Base Charge	1,204,000	6,597,094	6,597,094	B	7,801,094	4.43	34,559	7.53	58,714	7.53	58,714	6.91		6.91	6.91	6.91	6.91	6.91	
23	69029 5/8" General Service	2,001,000		2,001,000		2,001,000	4.43	8,864	7.53	15,060	7.53	15,060	6.91		6.91	6.91	6.91	6.91	6.91	
24	69030 1" General Service	142,000		142,000		142,000	4.43	629	7.53	1,069	7.53	1,069	6.91		6.91	6.91	6.91	6.91	6.91	
25	69032 1.5" General Service	619,000		619,000		619,000	4.43	2,742	7.53	4,659	7.53	4,659	6.91		6.91	6.91	6.91	6.91	6.91	
26	69033 2" General Service	399,000		399,000		399,000	4.43	10,806	7.53	18,359	7.53	18,359	6.91		6.91	6.91	6.91	6.91	6.91	
27	69028 Restaurant All	1,146,000		1,146,000		1,146,000	4.43	5,077	7.53	8,625	7.53	8,625	6.91		6.91	6.91	6.91	6.91	6.91	
28	Total Billed Gallons	25,559,000	34,972,302	34,972,302		60,531,302														
29	Total Sewer Revenues							\$ 556,423	\$	1,224,238	\$	1,224,238								
30	Misc Revenues							6,862	\$	6,862	\$	6,862								
31	Total Operating Revenues							\$ 563,285	\$	1,231,100	\$	1,231,100								

Notes:
 A - The rate design for revenue requirements is based on 65% recovery through the BFC and 35% recovery through the gallage charge in order to keep the gallage charge at an acceptable level.
 B - The projection of billing units and gallons is derived on Schedule E13, page 2.
 C - Since SFR accounts are capped, the derived gallons shown on Schedule E-13, cannot be used. The number of added billing units is multiplied by the ratio of historic year gallons to billing units to arrive at projected added gallons, or col. 2, line 16/col. 2, line 2+C30 x col. 3, line 2. Because of this, the billed gallons @ col. 5, line 28 does not exactly match the calculated gallons @ col. 9 of p. 2 of this schedule.
 D - Phase I rates are set at the existing rate plus 80% of the difference between the existing and buildout rate.

Company: Utilities Inc. of Sandalhaven
 Docket No.: 060285-SU
 Historic Year End: December 31, 2005
 Projected Year End: December 31, 2007
 Water [] or Sewer [x]
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Schedule E-13 Buildout
 Page 2 of 2
 Preparer: Seidman, F.
 9-Jul-07

Revenue Basis for 80% of Buildout

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Meter Size	Customer Class	Lots/Units	Development	Design Capacity Add'l Flow (gpd)	Design Capacity ERCs @ 190 gpd/ERC	Daily Flows @ 102 gpd/ERC	Annual Flows @ 102 gpd/ERC	Annual Flows @ 80% Buildout	Customers @ 80% Buildout	Annual Bills @ 80% Buildout
Additional Prepaid Commitments to Buildout of 300,000 gpd:										
R 5/8"	69020	121 lots	Eagles Preserve - Not Prepaid	22,990	121	12,342	4,504,830	3,156,440	96.80	1,161.60
R 5/8"	69022	60 lots	Shamrock Shores	11,400	60	6,120	2,233,800	1,565,177	48.00	576.00
R 5/8" Multi	69022	45 units	Cape Haze Marina, in bankruptcy	8,550	45	4,590	1,675,350	1,173,883	36.00	432.00
R 2" Multi	6902X	105 condos	Hacienda Dei Mar, under constr.	16,070	85	8,627	3,148,874	2,206,350	67.66	811.96
GS - 2"	69030	48 rooms	Ship's Lantern Hotel, no activity	9,600	51	5,154	1,881,095	1,318,044	1.00	12.00
R 6" Multi	6902Y	234 condos	Hammocks at Cape Haze, under constr.	48,050	253	25,795	9,415,271	6,597,084	202.32	2,427.79
GS - 2"	69033	Commercial	Cape Haze Plaza Addition, under constr.	5,260	28	2,824	1,030,683	722,178	2.00	24.00
R 3" Multi	69023	264 apts	Cape Haze Resort-under constr.	56,340	297	30,246	11,039,675	7,735,270	237.22	2,846.65
R 1.5" Multi	69024	422 condos	8401 Placida Road-under design	84,400	444	45,309	16,537,958	11,587,802	355.37	4,264.42
				262,660	1,382	51,467,536	36,062,229	1,046	12,556	
2005 Flows				Actual AADF	Actual billed, Sch E-2					
Total at Buildout of 300,000 gpd				97,367	25,559,000					
80% of Buildout Flows of 346,917 gpd				360,027	77,026,536					
				288,022	61,621,229					

NOTES:

- Flows for billing purposes are set at 102 gpd/ERC, the average flow per connection determined in CPH Master Plan, September, 2004
- The determination of 80% flows shown in col. 9 is as follows:
 - Buildout capacity requirements for the combined existing customers and projected customers is 360,027 gpd
 - 80% of the buildout capacity is 288,022 gpd
 - The annual billed flows for existing customers is 25,559,000 gallons, per Schedule E-13, page 1
 - The annual flows for new customers, at 102 gpd/ERC is 365 x daily flows in col. 7 or 51,467,536 gallons
 - Total projected annual flows are 77,026,536 gallons
 - 80% of total flows is 61,621,229 gallons
 - Since flows for existing customers is known, the difference (36,062,229 gals.) between 80% flows (61,621,229 gals.) and existing flows (25,559,000 gals.) is allocated amongst new customers at the ratio of the difference to the total.
- Customers at 80% buildout, shown in col. 10 and annualized in col. 11 are the ERCs in col. 6 x 80%.
- The actual annualized customers for Eagles Preserve are already included in the billing units of Sch. E-13, account 69020. They will be zeroed out and moved to account 69022 at the 80% buildout amounts, above.

June 26, 2007



Mr. Patrick Flynn
Regional Director
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RE: Sandalhaven Master Lift Station and Force Main Project Summary

Dear Mr. Flynn:

Pursuant to your request, this letter is intended to summarize the lift station and force main project recently completed in the Utilities, Inc. of Sandalhaven's (Sandalhaven) service area. The lift station and force main were constructed to divert a portion of the Sandalhaven service area's flows to the Englewood Water District's (EWD) Wastewater Treatment Facility. Sandalhaven's current wastewater treatment facility is rated at 0.150 million gallons per day (MGD), and flows during peak season exceed 0.135 MGD. Instead of expanding the wastewater treatment facility to meet future growth requirements, Sandalhaven opted to install approximately three miles of 12-inch force main and construct a master lift station to divert flow to EWD.

As detailed in the Master Plan developed in 2004, the service area's flow at buildout is projected to be approximately 900,000 gallons per day (gpd). The new force main and master lift station were designed to deliver all of the flow from the southern portion of the service area. This ultimately equates to approximately 665,000 gpd (or 462 gallons per minute), about 70% of the total service area flow. To handle this expected flow, the lift station design must allow for a peaking factor of 4.0, yielding a flow rate of 2.660 MGD or 1,850 gpm. The lift station is set up as a triplex (three pump) station to ultimately pump the peak rate to the EWD wastewater facility. The pipeline was modeled to determine the most efficient pipeline size based on the need to produce velocity sufficient to carry solids through the pipe as well as meet the total head condition (pressure) on the pump. The 12-inch pipeline was selected because it reduces the head condition down to approximately 125 feet at 950 gpm, and 105 feet at 750 gpm. This equates to a power requirement of 88 Horsepower for each pump. Had a smaller pipe size been selected to maximize velocity through the pipeline in order to minimize solids deposition, the pump horsepower would have been significantly higher – an estimated 300 Horsepower. This would have drastically increased the operating cost of the station. This would also have required installation of a larger wet well and a larger emergency generator for backup power. Therefore, the smaller 10-inch pipeline was not considered feasible based on the increased pumping and power requirements compared to the relatively small gain in capital cost.

While the pump station was designed and sized for ultimate capacity, the project was constructed to meet the Utility's more immediate needs. Two 45 Horsepower pumps

were installed initially to provide an interim pumping capacity of 760 gpm or 1.0 MGD peak flow. This equates to an average daily flow rate of 0.275 MGD. The current flow generated by the existing customers in the southern portion of the Sandalhaven service area is estimated to be approximately 0.050 MGD. While this initial flow rate will require periodic maintenance of the pipeline due to possible solids deposition caused by low velocities, the low head condition made this interim size feasible and more cost effective.

If you have any further questions or need any additional clarifications, please let me know. Thank you.

Sincerely,
CPH ENGINEERS, INC.

Stephen N. Romano, P.E.
Vice President