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DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

November 13, 2007

Mr. Len Tabor
Enviro-masters Water and Wastewater
C/O Century – Fairfield Village, Ltd.
2609 Southwest 33rd Street
Suite 102
Ocala, Florida 34471

RECEIVED-FPSC
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COMMISSION
CLERK

Re: Docket No. 070548-WS - Application for Certificates to provide water and wastewater service in Marion County by Century – Fairfield Village, Ltd.

Dear Mr. Tabor:

I have reviewed the information submitted in response to staff's deficiency letter of August 21, 2007; however, additional information is needed to complete your application. You will need to propose rates using the base facility charge and gallonage charge rate structure, along with documentation to support the revenues that the rates are designed to generate. Enclosed is a copy of Order No. PSC-07-0280-PAA-WS which you may find helpful in understanding the information that must be provided.

Rule 25-30.115, Florida Administrative Code, requires that a utility maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA). We have enclosed copies of the NARUC USOA to assist you in setting up your books and records. Using the NARUC USOA, please provide the estimated original cost of the utility assets constructed by the prior owner(s) and the cost of all utility assets constructed by the current owner. The accumulated depreciation for these assets should be calculated using Rule 25-30.140(2), Florida Administrative Code. (See Schedule Nos. 1 and 2 in Order No. PSC-07-0280-PAA-WS)

Because documentation is not available to support how the utility assets were treated on the prior owners' tax return, pursuant to Rule 25-30.570, Florida Administrative Code, the value/cost of the original lines may be imputed as contribution in aid of construction (CIAC). In addition, if the current owners have collected any CIAC, it will have to be recorded on the utility's books. The CIAC should be amortized using a composite depreciation rate. (See Schedule Nos. 1 and 2 in Order No. PSC-07-0280-PAA-WS)

The utility will be allowed to earn a return on its net investment base on its actual cost of debt and a cost of equity of 10%-12%. I have enclosed a copy of Order No. PSC-07-0472-PAA-WS which is the current Commission leverage graph. Please use the Commission's leverage graph in determining the appropriate return on equity to be included in the utility's overall rate of return. (See Schedule No. 3 in Order No. PSC-07-0280-PAA-WS)

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The utility's rates should be designed to recover prudent operating expenses such as contractual services, electrical expenses, taxes, and administrative costs such as salaries, rent, and billing. The sum of the operating expenses and return on investment represent the revenue requirement that your proposed rates are designed to recover. (See Schedule Nos. 4 and 5 in Order No. PSC-07-0280-PAA-WS)

The base facility charge (BFC) and gallonage charge rate structure is the Commission's preferred rate structure. This rate structure recognizes that a portion of the total expenses required to provide water and wastewater service are incurred whether or not the customer actually uses the service. Under this type of structure, each customer pays a pro rata share of the fixed expenses necessary to provide the service and pays only for the gallons actually consumed. Therefore, design the rates using a BFC to recover the fixed operating expenses. The balance of the revenues (revenue requirement) needed will be recovered through the gallonage charge. Since you are implementing rates as a device to reduce water consumption, you may want to consider an inclining block rate structure. When designing an inclining block rate structure, you must identify how many gallons you want to recover in the first tier. The second tier gallonage charge is typical 150% of the first tier gallonage charge. After you have developed rates using the BFC rate structure, prepare a revenue proof showing the proposed rates and the number of bills and gallons that will result in the proposed revenue requirement.

Section 367.081(1), Florida Statutes, provides that a utility may only charge rates and charges that have been approved by the Commission. By providing water service for compensation prior to obtaining a certificate of authorization and without the approval of the Commission, Century is in apparent violation of Chapter 367, Florida Statutes. The utility may be subject to fines and penalties and the revenues collected are subject to being refunded with interest. Therefore, the utility should discontinue charging for service until the commission approves rates for the utility. In addition, you may want to place the funds collected in escrow for a possible refund.

Also, the information you provided reveals that there is a club house and pool that the utility provides service to without compensation to the utility. Please be aware that all customers receiving utility service must be billed once rates are approved.

Your application for water and wastewater certificates is scheduled to be considered by the Commission at the January 8, 2008 agenda conference. Before rates are approved, a customer meeting will be held in the utility's service area to inform the customers of what to expect from being served by a regulated utility. At the meeting, Commission staff will discuss customer billing, rate structure, and other concerns. You will need to work with staff to set up a date, time, and place for the customer meeting in January or February.

According to the application, Century is a partnership that consists of several partners. Please provide each partner's percentage of ownership in Century and a list of any utilities that any of the partners own. In addition, please provide a statement that the utility's books and records have been established in compliance with the NARUC USOA.

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The **original and four copies** of the response to the information requested in this letter should be filed with the Commission on or before **November 30, 2007**. When filing the response, please be sure to refer to Docket No. 070548-WS and direct the response to:

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Should you have any questions concerning the information in this letter, please contact Stan Rieger at (850) 413-6970 or Cheryl Johnson at (850) 413-6984.

Sincerely,



Patti Daniel
Public Utilities Supervisor
Bureau of Certification, Economics & Tariffs

PD/CAJ:kb

cc: Division of Economic Regulation (Johnson, Rieger)
Office of the General Counsel (Bennett)
Office of Commission Clerk (Cole)
Mr. Ron Baxley, General Partner of Century-Fairfield Village, Ltd.