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STATE OF FLORIDA



TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

January 2, 2008

Mr. Martin Friedman
Rose, Sundstrom & Bentley, LLP
Sanlando Center
2180 W. State Road 434, Suite 2118
Longwood, FL 32779

Re: Docket No. 070417-WS – Application for Staff Assisted Rate Case in Polk County by Anglers Cove, Ltd.

Dear Mr. Friedman:

This will confirm that Commission staff will hold a customer meeting in the above-reference docket on January 31, 2008. 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 meeting will be held at the following time and place:

10:00 A.M., Thursday, January 31, 2008
Lakeland City Commission Chambers
228 South Massachusetts Avenue
Lakeland, FL 33801

The original customer meeting notice is enclosed. Please note that the date has been left blank so that you can fill in the date 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. For your convenience, enclosed with this letter is a copy of Rule 25-22.407, F.A.C.

Two copies of the Staff Report dated December 27, 2007 are enclosed. Following receipt of this letter, please ensure that a copy of the completed Application for Staff Assisted Rate Case 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

00086 JAN-4 8

FPSC-COMMISSION CLERK

Anglers Cove West, Ltd.
500 South Florida Avenue, Suite 700
Lakeland, FL 33801

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6934. In addition, you may contact Jay Revell at (850) 413-6425, with any questions.

Sincerely,

Cheryl Bulecza-Banks
Chief of Rate Filings

Enclosures

cb;jr

cc: Division of Economic Regulation (Bulecza-Banks, Rendell, Revell, Lingo, Hudson, Edwards)
Office of General Counsel (Bennett)
Division of Commission Clerk and Administrative Services (Docket No. 070417-WS)
Office of Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF CUSTOMER MEETING

TO THE CUSTOMERS OF ANGLERS COVE WEST, LTD.

AND

ALL OTHER INTERESTED PERSONS

DOCKET NO. 070417-WS

APPLICATION OF ANGLERS COVE WEST, LTD.

FOR A STAFF-ASSISTED RATE CASE IN

POLK COUNTY

Issued: December ____, 2007

Notice is hereby given that the staff of the Florida Public Service Commission will conduct a customer meeting to discuss the application of Anglers Cove West, Ltd. (Anglers Cove or utility) for a staff-assisted rate case in Polk County. The meeting will be held at the following time and place:

10:00 a.m. – 1:00 p.m., Thursday, January 31, 2008

Lakeland City Commission Chambers

228 South Massachusetts Avenue

Lakeland, FL 33801

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.

If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation of the meeting will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at 850-413-6199.

Any person requiring some accommodation at the customer meeting because of a physical impairment should call the Office of Commission Clerk at (850)413-6770 at least five calendar days prior to the meeting. 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 Anglers Cove'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

Anglers Cove is a Class C water and wastewater utility currently providing service to approximately 342 mobile home sites in the Anglers Cove and Anglers Cove West Mobile Home Parks. Both communities are built out. Water is purchased from the City of Lakeland.

Anglers Cove is located in the Highlands Ridge Water Use Caution Area in the Southwest Florida Water Management District (SWFWMD). The utility's 2006 annual report shows combined operating revenues of \$63,043, operating expenses of \$266,058, and a net operating loss of \$203,015.

The utility was granted Certificate Nos. 610-W and 526-S in 1999. On July 16, 2007, the utility filed an application for a staff-assisted rate case (SARC) and paid the appropriate filing fee. The official date of filing was established as September 14, 2007.

Staff has audited the utility's records for compliance with the Commission rules and orders and determined the components necessary for rate setting. The staff engineer also conducted a field investigation of the utility's plant and service area. A review of the utility's operating expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating cost. Staff has selected a historical test year ending December 31, 2006, for this rate case.

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:

MONTHLY WATER RATES

	<u>UTILITY'S EXISTING RATES</u>	<u>STAFF RECOMMENDED RATES</u>
Residential and General Service		
Base Facility Charge by Meter Size:		
<u>Flat Rate</u>	\$15.71*	-
5/8"	-	\$9.13
3/4"	-	\$13.70
1"	-	\$22.83
1-1/2"	-	\$45.65
2"	-	\$73.04
3"	-	\$146.08
4"	-	\$228.25
6"	-	\$456.50
<u>Gallonage Charge per 1,000 Gallons</u>	*	\$3.75

*The existing base facility charge is for both water and wastewater service; and as this is flat rate service, there is no gallonage charge.

MONTHLY WASTEWATER RATES

	<u>UTILITY'S EXISTING RATES</u>	<u>STAFF'S RECOMMENDED RATES</u>
<u>Residential Service</u>		
Flat Rate:	\$15.71*	-
Base Facility Charge: All Meter Sizes	-	\$9.16
<u>Gallonge Charge (Flat Rate)</u>	-	
<u>Gallonge Charge</u> per 1,000 Gallons (6,000 gallon cap for recommended rates)		\$3.27
<u>General Service</u>		
Base Facility Charge by Meter Size:		
5/8"	-	\$9.16
3/4"	-	\$13.74
1"	-	\$22.90
1-1/2"	-	\$45.80
2"	-	\$73.28
3"	-	\$146.56
4"	-	\$229.00
6"	-	\$458.00
<u>Gallonge Charge</u> per 1,000 gallons	*	\$3.92

* The existing base facility charge is for both water and wastewater service; and as this is flat rate service, there is no gallonge charge.

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated December 26, 2007. Copies of the report may be examined by interested members of the public from 8:00a.m. to 5:00p.m., Monday through Friday at the following location:

Anglers Cove West, Ltd.
500 South Florida Avenue, Suite 700
Lakeland, FL 33801

PROCEDURES AFTER CUSTOMER MEETINGS

After the meetings, the Public Service Commission staff will prepare a recommendation which is scheduled to be submitted to the Public Service Commission on February 21, 2008. The Public Service Commission will then vote on staff's recommendation at its March 4, 2008 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 by requesting 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:

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

All correspondence should refer to "Docket No. 070417-WS, Anglers Cove West, Ltd.".

If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Regulatory Compliance and Consumer Assistance 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.

25-22.0407 Notice of and Public Information for General Rate Increase Requests by Water and Wastewater Utilities.

(1) This rule applies to all requests for general rate increases made by water and wastewater utilities.

(2) Upon filing a petition for a general rate increase, the utility shall mail a copy of the petition to the chief executive officer of the governing body of each municipality and county within the service areas included in the rate request. Each copy of the petition shall be accompanied by a statement that a copy of the minimum filing requirements (MFRs) when accepted by the Commission can be obtained from the petitioner upon request.

(3) Within 30 days after the official date of filing established by the Commission, the utility shall place a copy of the petition and the MFRs at its official headquarters and at any business offices it has in the service areas included in the rate request. 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 a service area included in its rate request, the utility shall place a copy of the petition and the MFRs at the main county library, the local community center or other appropriate location which is within or most convenient to the service area and which is willing to accept and provide public access to the copies. If the Commission determines that these locations will not provide adequate access, the Commission will require that copies of the petition and MFRs be placed at other specified locations.

(4)(a) Within 30 days after the official date of filing established by the Commission, the utility shall place a copy of its rate case synopsis at all locations where copies of the petition and MFRs were placed.

(b) Within 30 days after the official date of filing established by the Commission, the utility shall mail a copy of its rate case synopsis to the chief executive officer of the governing body of each municipality and county within the service areas included in the rate request.

(c) The utility's rate case synopsis shall be approved by the Commission staff prior to distribution and shall include the following:

1. A summary of the section of the MFRs showing a comparison of the present and proposed rates and charges;
2. A statement of the general reasons for the rate request;
3. A statement of any anticipated major issues involved in the rate case;
4. A description of the ratemaking process and the time schedule established for the rate case; and
5. The locations where complete MFRs are available.

(5)(a) Within 50 days after the official date of filing established by the Commission, the utility shall provide, in writing, an initial customer notice to all customers within the service areas included in the rate request 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.

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

1. The date the notice was issued;
2. A statement that the utility has filed a rate request with the Commission and a statement of the general reasons for the request;
3. A statement of the locations where copies of the MFRs, petition, and rate case synopsis are available for public inspection and the hours and days when inspection may be made;
4. The time schedule established for the case, including the dates, times, and locations of any hearings scheduled;
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 Office of Commission Clerk, 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 Regulatory Compliance and Consumer Assistance at the following toll-free number: 1(800)342-3552; and
9. If the utility has not requested a change in its service availability charges as part of its rate request, a statement that the Commission will be reviewing the utility's service availability charges in the pending rate case and that the Commission may adjust those charges.
10. The docket number assigned by the Commission's Office of Commission Clerk.

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

(6)(a) No less than 14 days and no more than 30 days prior to the date of each service hearing, in those cases where the Commission has scheduled a service hearing, the utility shall provide written notice of the date, time, location, and purpose of the service hearing to all customers within service areas designated by the prehearing officer or the Commission staff. The notice shall be approved by the Commission staff prior to distribution. The notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(b) No less than 14 days and no more than 30 days prior to the date of the hearing, in all cases, including those in which the Commission has scheduled a service hearing, the utility shall provide written notice of the date, time, location, and purpose of the hearing to all customers within the service areas included in the rate request. The notice shall be approved by Commission staff prior to distribution. The notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(7) No less than 14 days and no more than 30 days prior to the date of each hearing held in or near a utility service area included in the rate request, the utility shall have published in a newspaper of general circulation in the area in which such hearing is to be held a display advertisement stating the date, time, location, and purpose of the hearing. The notice shall be approved by Commission staff prior to publication.

(8) When a utility files for a petition for a general rate increase and requests that its case be processed as proposed agency action in accordance with Section 367.081(8), Florida Statutes, the utility shall comply with the requirements of subsections (2), (3), (4) and (5) of this rule.

(a) 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 written notice of the date, time, location, and purpose of the customer meeting to all customers within service areas designated by the Commission staff. The notice shall be approved by Commission staff prior to distribution. The notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(b) 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.

(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 Office of Commission Clerk, 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 Regulatory Compliance and Consumer Assistance 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 Office of Commission Clerk.

(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.

(10) After the Commission issues an order granting or denying a rate change, the utility shall notify its customers of the order and any revised rates. The customer notification shall be approved by Commission staff and be distributed no later than with the first bill containing any revised rates.

Specific Authority 350.127(2), 367.121(1)(f) FS. Law Implemented 120.569, 120.57, 367.081(2)(a), 367.0814(1), 367.0817, 367.091, 367.121(1)(a) FS. History—New 5-27-93, Amended 5-3-99.

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: December 27, 2007

TO: Cheryl R. Bulecza-Banks, Chief of Rate Filings, Division of Economic Regulation

FROM: Jay Revell, Regulatory Analyst, Division of Economic Regulation
Gerald Edwards, Engineering Specialist III, Division of Economic Regulation
Jennie Lingo, Economic Analyst, Division of Economic Regulation
Sonica Bruce, Regulatory Analyst, Division of Economic Regulation

RE: Docket No. 070417-WS – Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.

– STAFF REPORT –

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

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The following is a list of acronyms and commonly used technical terms which are used throughout the staff report:

COMPANY AND PARTY NAMES

<u>DEP</u>	Department of Environmental Protection
<u>FPSC</u>	Florida Public Service Commission
<u>NARUC</u>	National Association of Regulatory Utility Commissioners
<u>OPC</u>	Office of Public Counsel

GLOSSARY OF TECHNICAL TERMS

<u>BFC</u>	Base Facility Charge - A charge designed to recover the portion of the total expenses required to provide water and sewer service incurred whether or not the customer actually uses the services and regardless of how much is consumed.
<u>CIAC</u>	Contributions in Aid of Construction - Any amount or item of money, services, or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, and which is utilized to offset the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public. The term includes, but is not limited to, system capacity charges, main extension charges, and customer connection charges.
<u>ERCs</u>	Equivalent Residential Connections - A statistic used to quantify the total number of water or wastewater connections that can be served by a plant of some specific capacity. The consumption of each connection is considered to be that of a single family residential connection, which is usually considered to be a unit comprised of 3.5 persons.
<u>GPD</u>	Gallons Per Day - The amount of liquid that can be delivered or actually measured during a 24-hour period.
<u>GPM</u>	Gallons Per Minute - The amount of liquid that can be delivered or actually measured during a one-minute time period.
<u>O&M</u>	Operation and Maintenance Expense
<u>RAF</u>	Regulatory Assessment Fees
<u>SARC</u>	Staff Assisted Rate Case

Discussion of Issues

QUALITY OF SERVICE

Issue 1: Should the quality of service provided by Anglers Cove be considered satisfactory?

Preliminary Recommendation: The determination of the quality of water and wastewater service provided by Anglers Cove will be deferred until after the customer meeting scheduled for January 16, 2008. (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 Service

Anglers Cove is a class "C" utility that, presently, provides water and wastewater services to approximately 340 residential and 2 general service connections in Polk County. The utility's service area is located at Angler's Cove Mobile Home Park and Angler's Cove West Mobile Home Park, in Lakeland, Florida. The water source is from the City of Lakeland. Wastewater service is provided via wastewater treatment plant with percolation ponds.

Quality of Utility's Product

Staff reviewed the utility's and Department of Environmental Protection (DEP) records. According to DEP, the utility's wastewater finished product complies with regulatory standards. In Polk County, the Polk County Health Department (PCHD), which is located in Bartow, Florida, regulates the potable water program. According to the PCHD inspector, the finished water product complies with regulatory standards. Therefore, it appears the quality of the finished water product is satisfactory.

Operating Condition of the Wastewater Treatment Facilities

According to DEP, a warning letter has been issued for the wastewater treatment plant. The wastewater treatment facilities are not in compliance. The letter stated the utility might possible be violating Florida Statutes and Rules for the following:

- Not submitting monthly Discharge Monitoring Reports
- Unlicensed personnel documenting utility's records

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

Preliminary Recommendation: Anglers Cove used and useful percentages (U&U) should be as follows:

Wastewater Treatment Facilities	100%
Distribution and Collection System	100%

(Edwards)

Staff Analysis: Staff has performed a preliminary analysis of the utility's facilities and our analysis and recommendations are discussed below.

Water Treatment Plant

This is a consecutive system and it has no wells or water treatment plant. Anglers Cove purchases water for resale from the City of Lakeland.

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

Pursuant to Rule 25-30.432, F.A.C., the U&U percentage of the wastewater treatment plant was calculated, by taking 3 maximum month average daily flow (3MADF) plus the growth allowance minus the excess inflow and infiltration (I&I), and dividing the sum by the permitted capacity of the plant. The utility's test year 3MADF was 55,667 gpd (12 months ending December 30, 2006). The growth allowance is 0 gpd. In addition, the excessive I&I is calculated to be 0 %. The wastewater treatment plant's permitted capacity is 70,000 gpd. The calculation reflected 79.52 % used and useful. (see Attachment A 1 of 2) However, the utility's service territory is built out and there is no potential for expansion of the service territory. Therefore, in accordance with Commission practice, staff recommends the wastewater treatment plant be considered 100% U&U².

Water Distribution and Wastewater Collection Systems

Staff reviewed the service territory and believes all of the current mains are providing service for the existing customers only and considers this system built out. The service territory the system is designed to serve is built out and there is no potential for expansion of the service territory; therefore, in accordance with Commission practice staff recommend the water distribution and the wastewater collection systems be considered 100% U&U³. (see Attachment A 2 of 2)

² Order No. PSC-031440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In Re: Application for rate increase by Utilities, Inc., of Florida.

³ Ibid

Non-used and Useful Plant: As discussed in Issue No. 2 of this recommendation, the utility's water treatment plant should be considered 100% used and useful. Therefore, a used and useful adjustment is unnecessary.

CIAC: According to Audit Finding No. 1, the utility's records do not reflect CIAC balances for water or wastewater. Commission Rule 25-30.570, Florida Administrative Code (F.A.C.), addresses the imputation of CIAC when a utility has not recorded any on its books and has not provided competent substantial evidence as to the amount of CIAC. Under this rule, staff imputed average water and wastewater CIAC balances to be \$92,448 and \$190,806, respectively.

Accumulated Depreciation: The utility's records indicate accumulated depreciation balances of \$80,675 for water and \$503,696 for wastewater for the test year. Staff calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, F.A.C., and increased water accumulated depreciation by \$3,929 and decreased wastewater accumulated depreciation by \$292,688. Further, staff decreased accumulated depreciation by \$2,168 for water and \$6,138 for wastewater to reflect averaging adjustments. These adjustments result in accumulated depreciation balances of \$82,436 for water and \$204,870 for wastewater.

Accumulated Amortization of CIAC: As indicated above, the utility's records do not reflect CIAC balances for water and wastewater. Staff calculated accumulated amortization using rates proscribed in Rule 25-30.140, F.A.C. Based on this calculation, staff imputed balances of \$48,628 for water and \$95,403 for wastewater.

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 used the one-eighth of the O&M expense formula approach for calculating working capital allowance. Applying this formula, staff recommends a working capital allowance of \$10,049 for water (based on O&M of \$80,389) and \$6,691 for wastewater (based on O&M of \$53,526). Working capital has been increased by these amounts 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 \$42,258 for water and \$73,664 for wastewater. A calculation of rate base is shown on Schedule Nos. 1-A, 1-B and 1-C.

NET OPERATING INCOME

Issue 5: What are the appropriate test year revenues?

Preliminary Recommendation: The appropriate amount of test year revenues in this case are \$32,236 for the water system and \$32,237 for the wastewater system. (Lingo)

Staff Analysis: The utility reported test year revenues of \$31,522 for the water system and \$31,521 for the wastewater system. However, staff's auditors discovered that the utility failed to bill its general service and irrigation customers (all related parties to the utility), thereby understating revenues.

Based on the actual number of customers on the utility's system during the test year, staff recalculated test year revenues. Staff recommends imputation of \$715 in revenues for the water system and \$715 for the wastewater system. Imputation of revenues in this case is consistent with how unbilled customers and the associated revenues have been handled in prior cases.⁴ Based on the foregoing, staff recommends that the appropriate amount of test year revenues in this case are \$32,237 for the water system and \$32,236 for the wastewater system.

Test year revenue is shown on Schedules 3-A and 3-B. The related adjustments are shown on Schedule 3-C.

⁴ Order No. PSC-97-0931-FOF-WU, issued August 5, 1997 in Docket No. 961447-WU, In re: Application for staff-assisted rate case in Lee County by Spring Creek Village, Ltd.

Contractual Services-Professional – (631/731) - The utility recorded \$31,664 for water and \$36,503 in these accounts for the test year. Pursuant to Audit Finding No. 11, these accounts are overstated. In accordance with this audit finding, staff reduced water expense by \$31,017 to remove expenses that were either misclassified or for which support was not provided. Staff reduced wastewater expense by \$9,115 to reflect expenses no longer being performed by outside parties, and \$26,688 to reflect misclassified expenses and lack of support. Staff recommends \$647 for water and \$700 for wastewater.

Contractual Services-Other – (636/736) - The utility recorded \$20,417 for water and \$2,479 for wastewater. Pursuant to Audit Finding No. 12, staff reduced water by \$6,675 for reclassified or unsupported expenses, and increased wastewater \$1,680 for expenses which had not been recorded. Therefore, staff recommends \$13,742 for water and \$4,159 for wastewater.

Insurance Expense – (655/755) - The utility recorded \$4,239 for water and wastewater in these accounts for the test year. Pursuant to Audit Finding No. 13, staff reduced water and wastewater expense by \$551 for expenses found to be misclassified or non-utility in nature. Therefore, staff recommends \$3,688 for water and wastewater.

Regulatory Commission Expense - (665/765) - The utility recorded no expense in these accounts for the test year. 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 water and wastewater. Staff increased these accounts by \$250 each (\$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 estimated noticing expenses of \$267 postage expense, \$65 printing expense, and \$32 for envelopes. The above results in a total rate case expense for noticing of \$364. Staff increased this account by \$91 (\$364/4) to reflect rate case expense for noticing. Therefore, staff recommends that water and wastewater expense be increased \$341 for postage and customer notices.

Miscellaneous Expenses- (675/7750) - The utility recorded \$16,370 for water and wastewater in these accounts for the test year. Pursuant to Audit Finding No. 14, staff reduced these account by \$10,565 to remove non-utility expenses. Therefore, staff recommends \$5,805 for water and wastewater.

Operation and Maintenance Expense (O&M) Summary - The total O&M adjustments are decreases of \$60,379 for water and \$44,222 for wastewater. Staff recommends O&M expense of \$80,389 for water and \$53,526 for wastewater. O&M expenses are shown on Schedules 3-D and 3-E.

Taxes Other Than Income - The utility recorded taxes other than income of \$1,418 for water and \$13,838 for wastewater. These amounts include \$12,419 for wastewater property taxes and \$1,418 for water and \$1,419 for wastewater regulatory assessment fees (RAFs). Pursuant to Audit Finding No. 16, staff reduced wastewater property tax expense by \$2,230. Staff increased water and wastewater RAF expense by \$32 to include the appropriate RAFs on staff's annualized revenue adjustment. Staff also increased payroll tax expense by \$791 for water and \$932 for wastewater to reflect the higher salary expense discussed earlier.

REVENUE REQUIREMENT

Issue 7: What is the appropriate pre-repression revenue requirement?

Preliminary Recommendation: The appropriate pre-repression revenue requirement is \$95,074 for water and \$79,046 for wastewater. (Revell)

Staff Analysis: Based on staff's calculated revenue requirement below, the utility earned below its recommended rate of return on its water and wastewater systems. According to staff's calculations, the appropriate annual revenue increase is \$62,838 (194.93%) for water and an annual increase of \$46,809 (145.13%) for wastewater. This will allow the utility the opportunity to recover its expenses and earn a 7.05 percent return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$42,258	\$73,664
Rate of Return	x .0705	x .0705
Return on Rate Base	<u>\$2,979</u>	<u>\$5,193</u>
Adjusted O & M expense	\$80,389	\$53,526
Depreciation Expense (Net)	\$ 6,638	\$5,648
Amortization	\$0	\$0
Taxes Other Than Income	\$5,068	\$14,679
Income Taxes	<u>\$0</u>	<u>\$0</u>
Revenue Requirement	<u><u>\$95,074</u></u>	<u><u>\$79,046</u></u>
Adjusted Test Year Revenues	<u>\$32,236</u>	<u>\$32,237</u>
Percent Increase/(Decrease)	<u><u>194.93%</u></u>	<u><u>145.13%</u></u>

Based on the foregoing, staff recommends the appropriate annual revenue increase is \$62,838 (194.93%) for water and an annual increase of \$46,786 (145.13%) for wastewater. Revenue requirements are shown on Schedule Nos. 3-A and 3-B.

Staff used purchased water invoices from the test year, and data from the utility's 2006 Annual Report, in order to determine the recommended consumption for rate setting purposes. The results for the RS and GS classes are shown below:

TABLE 8-2

CALCULATION OF KGALS FOR RATESETTING PURPOSES		
Line No.	Description	Results
1	Anglers' water systems kgals purchased and treated	16,887.0
2 = 1 x 10%	Less 10% unaccounted-for water	1,688.7
3 = 1 - 2	Equals water sold for rate setting	15,198.3
4	Anglers' water kgals purchased / treated	16,887.3
5	Times ratio of Anglers' wastewater treated vs. water purchased	80.4%
6 = 4 x 5	Equals wastewater kgals treated	13,577.1
7	Times ratio of GS wastewater ERCs to total water ERCs (1)	4.3%
8 = 6 x 7	Equals GS wastewater kgals treated	587.1
9	Times percent GS wastewater treated that is billed	100%
10 = 8 x 9	Equals GS wastewater kgals for rate setting	587.1
11 = 6	Wastewater kgals treated	13,577.1
12 = 8	Less estimated GS wastewater kgals treated and billed	587.1
13 = 11 - 12	Equals RS wastewater kgals treated	12,990.0
14	Times estimated RS consolidated factor at 6 kgal cap	80.0%
15 = 13 x 14	Equals RS wastewater kgals for rate setting	10,392.0
16 = 10 + 15	Total wastewater kgals for rate setting	10,979.1
(1) Assumption: 1 GS ERC will return water to the wastewater system at the same rate as 1 RS ERC.		
Sources: Anglers Cove West, 2006 Annual Report; purchased water invoices for the test year.		

In lieu of metered consumption data, staff used consumption from the analysis of purchased water expense provided by the staff's audit. Based on staff's analysis, the average usage per customer is 3.7. The BFC recovery allocation was 50%. However, staff recommends that the BFC recovery percentage should be set at 40% to allow rates to be more conservation oriented.

The traditional BFC/uniform gallonage charge rate structure has been Commission's water rate structure of choice for nonresidential classes. This is consistent with Rule 25-30.436(6). The uniform gallonage charge should be calculated by dividing the total revenues to be recovered through the gallonage charge by the total of gallons attributable to all rate classes. This should be the same methodology used to determine the general service gallonage charge in this case. With this methodology, nonresidential customers would continue to pay their fair share for the cost of service.

Wastewater Rates: As mentioned earlier, the current rate structure for both the water and wastewater residential systems consists of a single combined flat rate charge of \$15.71 for Angler's Cove and Angler's Cove West.

The initial allocation for the wastewater BFC cost recovery percentage was 50%. Typically, staff recommends that the BFC cost recovery allocation for wastewater be at least 50% due to capital intensive nature of wastewater plant. Therefore, staff recommends that the BFC cost recovery percentage remain unchanged. The residential wastewater gallonage cap should be set at 6 kgal per month.

Based on the foregoing, staff recommends that the appropriate rate structure for both the water and wastewater residential systems be changed to a BFC/uniform charge rate structure. The appropriate rate structure for the water system's non-residential classes is a base facility charge BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 40%. The current residential wastewater monthly gallonage cap should be set at 6 kgal. The general service gallonage charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should remain at 50%.

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period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

Issue 12: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest 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 shall 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), F.A.C., 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. (Revell)

Staff Analysis: This recommendation proposes an increase in water and 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 shall 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 \$74,918. 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.

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staff's verification the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the customer deposit should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

ANGLERS COVE WEST LTD TEST YEAR ENDING 12/31/06 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 070417-WS	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$187,874	(\$29,409)	\$158,466
2. LAND & LAND RIGHTS	0	0	0
4. CIAC	0	(92,448)	(92,448)
5. ACCUMULATED DEPRECIATION	(80,675)	(1,761)	(82,436)
6. AMORTIZATION OF CIAC	0	48,628	48,628
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>10,049</u>	<u>10,049</u>
8. WATER RATE BASE	<u>\$107,199</u>	<u>(\$64,944)</u>	<u>\$42,258</u>

ANGLERS COVE WEST LTD		SCHEDULE NO. 1-C	
TEST YEAR ENDING 12/31/06		DOCKET NO. 070417-WS	
ADJUSTMENTS TO RATE BASE			
<u>UTILITY PLANT IN SERVICE</u>	<u>WATER</u>	<u>WASTEWATER</u>	
1. UPS value determined by Staff Engineer (AF1)	(\$57,866)	(\$258,497)	
2. Adjustment to UPS (AF2)	56,915	0	
3. Averaging Adjustment	<u>(28,458)</u>	<u>0</u>	
Total	<u>(\$29,409)</u>	<u>(\$258,497)</u>	
<u>LAND</u>			
Adjustment to reflect utility operations (AF3)	<u>\$0</u>	<u>(\$53,567)</u>	
<u>CIAC</u>			
Staff Calculation	<u>(92,448)</u>	<u>(190,806)</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. UPS value determined by Staff and AF2	(3,929)	292,688	
2. Averaging Adjustment	2,168	6,138	
Total	<u>(1,761)</u>	<u>298,826</u>	
<u>AMORTIZATION OF CIAC</u>			
Staff Calculation	<u>\$48,628</u>	<u>\$95,403</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O & M expenses.	<u>\$10,049</u>	<u>\$6,691</u>	

ANGLERS COVE WEST LTD			SCHEDULE NO. 3-A		
TEST YEAR ENDING 12/31/06			DOCKET NO. 070417-WS		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$31,521</u>	<u>\$715</u>	<u>\$32,236</u>	<u>\$62,838</u> 194.93%	<u>\$95,074</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	140,768	(60,379)	80,389	0	80,389
3. DEPRECIATION (NET)	6,638	0	6,638	0	6,638
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	1,418	823	2,241	2,828	5,068
6. INCOME TAXES	<u>0</u>	<u>0</u>	0	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$148,824</u>	<u>(\$59,556)</u>	<u>\$89,268</u>	<u>\$2,828</u>	<u>\$92,095</u>
8. OPERATING INCOME/(LOSS)	<u>(\$117,303)</u>	<u>0</u>	<u>(\$57,032)</u>		<u>\$2,979</u>
9. WATER RATE BASE	<u>\$107,199</u>	0	<u>\$42,258</u>		<u>\$42,258</u>
10. RATE OF RETURN	<u>-109.43%</u>	0.00%	<u>-134.96%</u>		<u>7.05%</u>

ANGLERS COVE WEST LTD
TEST YEAR ENDING 12/31/06
ADJUSTMENTS TO OPERATING INCOME

WATER **WASTEWATER**

OPERATING REVENUES

To adjust utility revenues to audited test year amount. \$715 \$715

OPERATION AND MAINTENANCE EXPENSES

1.	Reallocation of Expense (AF6)	(2,120)	(2,558)
2.	Adjustment to Salaries and Wages-Employees	0	4,877
3.	Adjustment to Purchased Water (AF7)	(4,790)	0
4.	Adjustment to Sludge Hauling Expense (AF8)	0	1,600
5.	Adjustment to Chemical Expense (AF 9)	0	2,302
6.	Adjustment to Material & Supplies Expense (AF 10)	(5,002)	(5,545)
7.	Adjustment to Contractual Services-Professional (AF11)	0	(9,115)
8.	Adjustment to Contractual Services-Professional (AF11)	(31,017)	(26,688)
9.	Adjustment to Contractual Services-Other (AF12)	(6,675)	1,680
10.	Adjustment to Insurance Expense (AF13)	(551)	(551)
11.	Adjustment to Regulatory Commission Expense	341	341
12.	Adjustment to Miscellaneous Expense (AF14)	<u>(10,565)</u>	<u>(10,565)</u>
13.	Total	<u>(\$60,379)</u>	<u>(\$44,222)</u>

TAXES OTHER THAN INCOME

1.	Adjustment to Taxes Other than Income (AF16)	\$0	(2,230)
2.	Adjustment for RAFs	32	32
3.	Adjustment for Payroll Taxes	<u>791</u>	<u>932</u>
	Total	<u>\$823</u>	<u>(\$1,266)</u>

ANGLERS COVE WEST LTD TEST YEAR ENDING 12/31/06 ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE	SCHEDULE NO. 3-E DOCKET NO. 070417-WS		
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
<u>PER 2006 ANNUAL REPORT</u>			
(701) SALARIES AND WAGES - EMPLOYEES	\$14,744	\$2,319	\$17,063
(703) SALARIES AND WAGES - OFFICERS	0	0	\$0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	\$0
(710) PURCHASED SEWAGE TREATMENT	0	0	\$0
(711) SLUDGE REMOVAL EXPENSE	7,090	1,600	\$8,690
(715) PURCHASED POWER	6,169	0	\$6,169
(716) FUEL FOR POWER PRODUCTION	0	0	\$0
(718) CHEMICALS	799	2,302	\$3,101
(720) MATERIALS AND SUPPLIES	8,234	(5,545)	\$2,689
(730) CONTRACTUAL SERVICES - BILLING	0	0	\$0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	36,503	(35,803)	\$700
(735) CONTRACTUAL SERVICES - TESTING	250	0	\$250
(736) CONTRACTUAL SERVICES - OTHER	2,479	1,680	\$4,159
(740) RENTS	0	0	\$0
(750) TRANSPORTATION EXPENSE	871	0	\$871
(755) INSURANCE EXPENSE	4,239	(551)	\$3,688
(765) REGULATORY COMMISSION EXPENSES	0	341	\$341
(770) BAD DEBT EXPENSE	0	0	\$0
(775) MISCELLANEOUS EXPENSES	<u>16,370</u>	<u>(10,565)</u>	<u>\$5,805</u>
Total	<u>97,748</u>	<u>(\$44,222)</u>	<u>53,526</u>

ANGLERS COVE WEST LTD		SCHEDULE NO. 4-B	
TEST YEAR ENDING 12/31/06		DOCKET NO. 070417-WS	
MONTHLY WASTEWATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	FOUR_YEAR RATE REDUCTION
<u>Residential Service</u>			
Flat Rate:	\$15.71	-	-
Base Facility Charge All Meter Sizes	-	\$8.78	\$0.04
<u>Gallorage Charge</u>			
Per 1,000 Gallons (6,000 gallon cap)	-	\$3.98	\$0.02
<u>General Service</u>			
Base Facility Charge by Meter Size:			
5/8"	-	\$8.78	\$0.04
3/4"	-	\$13.17	\$0.06
1"	-	\$21.95	\$0.10
1-1/2"	-	\$43.90	\$0.20
2"	-	\$70.24	\$0.32
3"	-	\$140.48	\$0.63
4"	-	\$219.50	\$0.99
6"	-	\$439.00	\$1.98
Gallorage Charge per 1,000 gallons	-	\$4.78	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	-	\$23.12	
5,000 Gallons	-	\$32.68	
6,000 Gallons	-	\$37.46	

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COLLECTION and DISTRIBUTION SYSTEMS – USED AND USEFUL DATA

1)		Capacity of System (ERCs)	340	ERCs
2)		Test Year Connections Average Test Year	340	ERCs
3)		Growth	0	
	a)	Customer growth in connections for last 5 years including test year using Regression Analysis	0	ERCs/yr
	b)	Statutory Growth Period	5	Years
	c)	Growth = (a)x(b) Connections allowed for growth	00	ERCs

USED AND USEFUL FORMULA

[2+3]/(1) = 100% Used and Useful