STATE OF FLORIDA

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

Public Service Commission

January 29, 2008

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

Re: Docket No. 070416-WS - Staff Assisted Rate Case for Plantation Landings, Ltd. in Polk County

Dear Mr. Friedman:

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

Plantation Landings, Ltd.
500 South Florida Ave., 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) 413-7017. In addition, you may contact Shannon Hudson at (850) 413-7021, with any questions.

Sincerely,

Bart Fletcher

Bart Fletcher
Public Utilities Supervisor

Enclosures

BF/SH
cc: Division of Economic Regulation (Bulecza-Banks, Massoudi, Lingo)
Office of General Counsel (Brown)
Division of Commission Clerk and Administrative Services (070416-WS)

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: January 14, 2008

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

FROM: Shannon Hudson, Regulatory Analyst IV
Mahnaz Massoudi, Engineer Specialist IV
Jennie Lingo, Economic Analyst

RE: Docket No. 070416-WS – Application for staff-assisted rate case in Polk County by Plantation Landings, 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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Case Background

This Staff Report is a **preliminary** analysis of the utility prepared by the Florida Public Service Commission (PSC) staff to give utility customers and the utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed March 27, 2008 for the April 8, 2008 Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

Plantation Landings, Ltd. (Plantation or utility) is a Class C water and wastewater utility serving 401 customers. According to the utility's 2006 annual report, total gross revenues were $37,723 for water and $37,723 for wastewater. The utility reported operating losses of $158,316 and $213,573 for water and wastewater, respectively. The utility is in the Highlands Ridge Water Use Caution Area.

Water and wastewater services have been provided to Plantation Landings Mobile Home Park since 1987 under the provisions of Section 723, Florida Statutes, which governs mobile home park lot tenancies. Since Plantation's operations were subject to regulation under Chapter 723, Florida Statutes, the utility was never franchised by Polk County. The mobile homes are owned by the tenants of the park. All lots in the park are individually metered.

On October 14, 1998, the utility filed an application for a grandfather certificate. The utility was granted Certificate Nos. 606-W and 522-S in 1999.[1] Rate base was not established, therefore the utility will need an original cost study.

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

[1] See Order No. PSC-99-1227-PAA-WS, issued June 21, 1999, in Docket No. 981338-WS, In re: Application for grandfather certificate to operate water and wastewater utility in Polk County by Plantation Landings, Ltd.

Discussion of Issues

Issue 1: Is the quality of service provided by Plantation Landings, Ltd. considered satisfactory?

Preliminary Recommendation: The determination for the quality of water and wastewater service provided by Plantation Landings will be deferred until after the customer meeting scheduled for February 13, 2008. (Massoudi)

Staff Analysis: Rule 25-30.433(1), Florida Administrative Code, states that:

> The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of utility's product (water and wastewater); operational conditions of utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and county health departments or lack thereof over the proceeding 3-year period shall also be considered. DEP and county health departments officials' testimony concerning quality of service as well as the comments and testimony of the utility's customers shall be considered.

Staff's preliminary analysis below addresses each of these three components based on the information available.

Plantation Landings utility is Class C water and wastewater utility which provides water and wastewater service to approximately 406 customers in Polk County.

QUALITY OF UTILITY'S PRODUCT

Water Treatment Plant (WTP)

The WTP at Plantation Landings is regulated by the Polk County Health Department (PCHD) and Southwest Florida Water Management District (SWFWMD). The PCHD conducted a sanitary survey of the utility's WTP on August 28, 2007. The utility has conformed to all testing and chemical analyses required by this agency and the test results have been satisfactory. The quality of the water service appears to meet or exceed the regulatory standards and is considered satisfactory.

Wastewater Treatment Plant (WWTP)

The WWTP at Plantation Landings is regulated by the Department of Environmental Protection (DEP). According to the DEP's letter dated September 18, 2007, the DEP inspected the utility on August 22, 2007. In this letter the DEP's inspector stated that she was not able to determine the quality of the effluent due to the lack of Discharge Monitoring Reports (DMR) on file. However, the inspector in her letter stated that the effluent disposal system was being well maintained.

Per staff's phone conservation with DEP's inspector on November 8, 2007, the DEP inspector stated that the utility submitted all of the DMRs to DEP. According to the DEP, the utility is currently up-to-date with all chemical analysis and all test results are satisfactory. The quality of wastewater service appears to meet or exceed regulatory standards and is considered satisfactory.

OPERATIONAL CONDITIONS AT THE PLANT

WTP

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. According to the PCHD's letter dated September 10, 2007, the PCHD's inspector observed a few minor deficiencies during his site inspection on August 28, 2007. The deficiencies were: the relief valve was not covered, the sight glass of the hydropneumatic tank was dirty and the cross connection control plan needed to be updated. According to the utility's letter dated October 24, 2007 to the PCHD, the utility stated that all of the deficiencies noted during the September 10, 2007, inspection had been corrected.

According to the PCHD's Warning Notice dated July 18, 2006, the PCHD stated that the utility violated the PCHD's Rules and Florida Statutes for the following issue:

1. Failure to submit the 2005 Consumer Confidence Report (CCR) to the PCHD by July 1, 2006. Chapter 62-550.824, Florida Administrative Code (F.A.C.) and 40 CFR 141, subpart O Section 155 (c) requires that system mail a copy of the CCR to the PCHD by no later than the date that the system is required to distribute the report to its customers (July 1, 2006).

According to the PCHD's Short Form Consent Order dated October 19, 2006 to the utility, the PCHD stated that the corrective actions for the above violations required to bring the utility into compliance have been performed. However, the PCHD stated that the utility was assessed civil penalties in the amount of $262 for the above violation. According to the utility's check No. 5873, the utility paid a total of $262 on October 27, 2006 for its civil penalties.

Maintenance at the plant-site appeared to have been given adequate attention. However, during the engineering field inspection, there is no local emergency phone number at the water plant so that someone can respond to an emergency in a timely manner. Although, the operational condition at the water treatment plant is satisfactory, it is recommended that a local emergency phone number, which can be easily seen, be posted at the water plant. The emergency phone number should be posted at all locations no later than 90 days from the date of the Consummating Order for this rate case.

All things considered, the operational conditions at the water plant should be considered satisfactory at this time.

WWTP

The operating condition of the wastewater plant is reflective of the product provided by the utility. The utility's operating permit was issued on March 19, 2004 and will expire on March 18, 2009. The utility's WWTP is permitted to operate at a capacity of 80,000 gallons per day (gpd). This plant is divided into a north and south train discharging chlorinated effluent to an effluent disposal system consisting of two percolation ponds.

The DEP executed a Consent Order on May 15, 2007 for the Plantation Landings because the utility's WWTP was not incompliance for the following issues:

1. On May 1, 2006, the DEP received an abnormal event report from the utility's operator that indicated that the floating aerator had burned up in the south train.

2. On May 4, 2006, the DEP received an abnormal event report from the utility's operator that the north train was hydraulically overloaded since the south train had been taken out of service. This resulted in the north train discharging solids onto the ground and binding the filters with solids.

3. On May 11, 2006, the DEP received an abnormal event report from the utility's operator that indicated that the floating aerator had been reinstalled, but had burned up again.

4. On June 9, 2006, the DEP inspected the utility's WWTP and found the south train out of service.

5. On July 25, 2006, the DEP received an abnormal event report from the utility's operator that indicated that the secondary backwash pump on the east filter was inoperable.

6. On August 1, 2006, the DEP received an abnormal event report from the utility's operator that indicated that the south train had no aerator and the north train discharged solids which bound the filters; the secondary backwash pump on the east filter was still inoperable and the filters were being bypassed; and the effluent flow was diverted to the pond next to the plant, which is not authorized for effluent disposal in the Permit.

7. On August 11, 2006, the DEP received an abnormal event report from the utility's operator that indicated that the return activated sludge line had blown out on the south train, but no sewage was being treated in the south train.

8. On August 29, 2006, the DEP received an abnormal event report from the utility's operator that indicated that the return activated sludge line on the south train had not been repaired.

9. On October 20, 2006, the DEP inspected the utility's WWTP and found that the south train was not in operation due to the lack of the floating aerator, and the return activated sludge line for the south train had not been repaired.

10. The DEP reviewed the Discharge Monitoring Reports (DMRs) for the utility and found that from April through November 2005, and January, February and May 2006 the Nitrate results exceeded the Permit limit of 12 mg/l. The DEP found the Nitrate exceedances were not reported to the DEP within the required 24 hour period of receiving the sample results.

In its Consent Order, the DEP stated that the above issues (No.1 through No. 10) constitute violations of Rules 62-600.410(6), 62-600.740(2)(a), 62-600.740(2)(c), 62-610.5 10(1), and 62-620.610(20), Florida Administrative Code (F.A.C.), and Section 403.1 61(l)(b), Florida Statutes. According to the Consent Order, the utility agreed to comply with the following orders and actions within the stated time periods:

1. Within 30 days of the effective date of this Consent Order, the utility shall pay to the DEP $14,600 in settlement of the matters addressed in the Consent Order.

2. Within 90 days of the effective date of the Consent Order, the utility shall submit to the DEP an Engineering Study of the utility that provides a time frame and plan of action that addresses the Nitrate exceedances (by August 13, 2007).

3. Within 60 days of the effective date of the Consent Order, all necessary repairs to the utility shall be completed to bring the south train and the east filter back into operation (by July 14, 2007).

4. In any event, by April 1, 2008, the utility shall be in complete compliance with all DEP rules and regulations that are the subject of the Consent Order.

5. The utility agrees to pay the DEP stipulated penalties in the amount of $200 per day for each and every day the utility fails to timely comply with any of the requirements of the above Orders No. 1 through 4 of the Consent Order.

Regarding No. 1, the DEP in its letter dated September 18, 2007 to the utility confirmed that the DEP received a check from utility with amount of $14,600 on June 14, 2007, in settlement of the matters addressed in the Consent Order.

Regarding No. 2, according to the utility's letter dated August 10, 2007, the utility submitted to the DEP an Engineering Study of the utility that provides a time frame and plan of action that addresses the Nitrate exceedances. In this letter, the utility indicated that placing south treatment train into service should resolve the issues with the nitrate exceedances.

Regarding No. 3, according to the DEP's letter dated September 13, 2007, the DEP inspected the utility on August 22, 2007. The DEP found that the east filter is in operation, but the south treatment train was not in operation due to the lack of a blower/motor system. However, the utility installed the blower/motor system and placed the south treatment train into operation on August 24, 2007. In this letter, the DEP stated that the utility failed to bring the south train and the east filter back into operation by July 14, 2007 which was the requirement of

No. 3. Therefore, since the utility failed to timely comply with the requirements of the Consent Order, the utility is required to pay the DEP the stipulated penalty in the amount of $8,000 pursuant to No. 5. According to the utility's letter dated September 19, 2007 to the DEP and check No. 435957183, the utility paid $8,000 for this matter.

According to the DEP's letter dated September 18, 2007, the utility is out of compliance due to the sampling, recording and reporting issues. In this letter, the DEP's inspector stated the utility has not submitted the Discharge Monitoring Reports (DMR) since December 2006.

According to the DEP's letter dated September 27, 2007, the DEP inspected the utility on August 22, 2007. The inspector observed the following violations during her site inspection:

1. The DEP's inspector reviewed the Plantation Landings' logbook at the utility's WWTP. The utility's logbook indicated that an unlicensed person was documenting himself as operating the plants on the required days of operator attendance. Rule 62-699.310(1), F.A.C, provides that the permittee shall employ certified operators to fulfill the required on-site time at the facilities.

2. The Plantation Landings' logbook indicated that the operator did not attend to the utility's WWTP on Monday, May 28, 2007 (Memorial Holiday), and Wednesday, July 4, 2007, and failed to make up the time during that week. Rule 62-699.310, F.A.C, provides that the permittee shall ensure that a certified operator is scheduled to fulfill the required staffing at the facilities.

3. In 2006, residuals were not sampled and analyzed at the Plantation Landings WWTP.

4. The Inspector observed that the surface aerator on the north treatment train was removed for repairs, which left the utility without the ability to treat the incoming wastewater for several days due to the lack of backup equipment. Rule 62-600.740(2)(c), F.A.C, provides that it is prohibition to fail to maintain equipment in a condition which will enable the intended function.

Per staff's phone conservation with DEP's inspector on November 8, 2007, the DEP inspector said that the utility has corrected all of the above issues. However, the DEP is in the process of issuing a Short Consent Order and penalties for the above violations. The inspector will mail a copy of the Consent Order to staff after it is signed.

In general, during the engineering field inspection, maintenance at the wastewater plant-site appeared to have been given adequate attention. The wastewater plant equipment and percolation ponds appeared to have been receiving periodic maintenance and were functioning properly. The plant ground within the fenced in area was organized. However, there is no local emergency phone number at the plant or at the lift stations so that someone can respond to an emergency in a timely manner. It is recommended that a local emergency phone number, which can be easily seen, be posted at the wastewater plant or at the lift stations. The emergency phone number should be posted at all locations no later than 90 days from the date of the

Consummating Order for this rate case. Also, the utility should complete any and all improvements to the system that are necessary to satisfy the standards set by DEP. Staff will reserve a final operational conditions determination at the WWTP until after the further information obtained from DEP.

UTILITY'S ATTEMPT TO ADDRESS CUSTOMER SATISFACTION

An informal customer meeting is scheduled to be held on February 13, 2008. That meeting will give the customers of Plantation Landings utility an opportunity to go on record with specific concerns about the utility's attitude and responsiveness to quality of service issues. All valid quality of service complaints will be investigated and will be taken into consideration during the preparation of staff's final recommendation. That recommendation is scheduled to go before the panel of Commissioners for approval on the April 8, 2008 Agenda Conference. The engineer will reserve a final quality of service determination until after the information obtained at the customer meeting has been thoroughly reviewed.

Issue 2: Does the utility have excessive unaccounted for water and, if so, what adjustments should be made?

Preliminary Recommendation: Yes. The utility had approximately 9.72 % excessive unaccounted for water during the test year period. Therefore, allowable expenses for purchased electricity and chemicals should be reduced by 9.72 % for WTP during the test year period. (Massoudi)

Staff Analysis: It is Commission practice to allow 10% of the total water treated as an acceptable amount of unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by stuck meters, line flushing, etc.

The total treated water pumped from the wells was compared with the total water sold to the customers. The total unaccounted for water was determined to be 10.25 gpm. The reasonable unaccounted amount (10% of average daily flow) was determined to be 5.20 gpm. The excessive unaccounted for water was calculated to be 5.05 gpm which is 9.72 %. This percentage shows the difference between treated water leaving the plant and the metered water sold to the customers. It appears that a large portion of the unmetered water is caused by old meters, inaccurate metering or failure to calibrate the flow meter at the plant. The staff requested the utility to calibrate the flow meter at the well site as soon as possible.

Since there is 9.72 % EUW, the electrical power and chemical cost for water system should be reduced by 9.72 % during the test year period. The utility should not charge the customers for the power and chemical expenses that were used to treat the water for that potion of the leaking or inaccurate reading.

Issue 3: What portions of Plantation Landings utility are used and useful?

Preliminary Recommendation: Staff recommends the following used and useful percentages:

Water Treatment Plant	100%
Water Distribution System	100%
Wastewater Treatment Plant	100%
Wastewater Collection Systems	100% (Massoudi)

Staff Analysis:

Water Treatment Plant

Plantation Landings utility has one water treatment plant (WTP) with two active wells which are interconnected via pressure switches. This water system is a closed system. These two production wells are designated as Well Nos. 1 and 2. These wells operate 24 hours per day and 7 days per week. Well No. 1 has a diameter of 8 inches equipped with a 40 horsepower (hp) vertical turbine pump with a capacity of 350 gallon per minute (gpm). Well No. 2 has a diameter of 8 inches equipped with a 40 horsepower (hp) vertical turbine pump with a capacity of 350 gpm. The raw water from these two operating wells is currently pumped into the 15,000-gallon hydropneumatic tanks after receiving chlorination by using liquid sodium hypochlorite solution. The treated water from the tanks is then pumped into the water distribution system.

In accordance with the American Waterworks Association Manual of Water Supply Practices, the highest capacity well should be removed from the calculation to determine the plant's reliability. The firm reliable capacity is calculated by using the capacity of the well with the removing the largest well (350 gpm). Considering the other volume capacity well with 350 gpm and no usable storage, the firm reliable capacity of water plant was determined to be 350 gpm.

During the 12-month test year review period, the peak month of water usage occurred during March 2006. The single maximum day (SMD) in the test year period was 111 gpm. Since the water plant is a closed system operation having one hydro-tank (no storage tank), the actual peak hours of the maximum days should be considered. Therefore, the actual peak hours {2 x (Maximum day – excessive unaccounted water)} was used in the used and useful formula. The average daily flow was 52 gpm. The utility provides fire protection via fire hydrants throughout the distribution system. The Polk County fire code requires a minimum of 500 gpm for four hours which is considered in the calculations. The service area has been built-out since 1987. A regression analysis was performed to anticipate a growth of zero ERC for next year. However, the utility connected a new shopping center and a public storage facility (total 25 ERCs) to its WTP in October 2007. Therefore, the total customer growth for the 5-year period was determined to be 25 ERCs. The total volume for growth was calculated to be 13 gpm. Based on the data provided by the utility, the excessive unaccounted for water was calculated to be 5.05 gpm which is 9.72%. In accordance with the formula method and the calculation methodology used (Attachment A, Page 1 of 4), the used and useful is calculated to be 100%. Therefore, it is recommended that the used and useful for the water treatment plant should be 100%

Water Distribution System

The water distribution system has the potential of serving 423 customers (estimated to be 449 ERCs). The average number of customers served during the test year was 406 customers (estimated to be 424 ERCs). Since the utility connected a new shopping center (total 25 ERCs) to its WTP in October 2007, the total customer growth for the 5-year period was determined to be 25 ERCs. By the formula approach, the staff calculates the distribution system to be 100% used and useful (Attachment A, page 2 of 4).

Wastewater Treatment Plant

Pursuant to Rule 25-30.432, F.A.C, used and useful percentages for a wastewater treatment plant shall be calculated by comparing test year flows to the DEP permitted capacity, using the same method of measuring flows. The existing WWTP is permitted based on a three-month average daily flow (TMADF) to operate at a capacity of 80,000 gallons per day (gpd), utilizing the extended aeration activated sludge process. According to the above rule, the three-month average daily flow for the historical test year for the WWTP should be measured and be calculated.

According to the DEP discharge monitoring report (DMR), the utility's operator claimed the flow meter at the WWTP was broken from the month of July 2006 through September 2006 and in the month of December 2006. Also staff believes that the data for the other months in the provided DMR does not correlate to the water consumption in those months. Since the provided data in the 2006 DMRs were not accurate, staff was not able to use any data in the provided DMRs for the used and useful calculation.

It is Commission practice that 80% of the water sold by residential customers is returned as wastewater and 96% of the water purchased by general service customers is returned as wastewater. In order to get more accurate and valid data for the actual three-month average daily flow treated in the WWTP, staff took 80% of the three-month average daily flow of the water sold plus the daily allowable Infiltration and Inflow (I&I). The three-month average daily flow for the historical test year for the WWTP was measured and calculated to be 62,461 gpd. The allowable I&I was calculated to be 16,854 gpd. As a result, the actual three-month average daily flow treated in the WWTP was calculated to be 79,315 gpd. A regression analysis was performed to anticipate a growth of zero ERC for next year. However, the utility connected a new shopping center and a public storage facility (total 16 ERCs) to its WTP and WWTP in October 2007. Therefore, the total customer growth for the 5-year period was determined to be 16 ERCs. The total growth in volume was calculated to be 3,054 gpd. Based on the provided data, there does not appear to be an excessive infiltration problem occurring within the collection system. In accordance with the formula method and the calculation methodology used (Attachment A, Page 3 of 4), the used and useful is calculated to be 100%.

Wastewater Collection System

The collection system has the potential of serving 417 customers (estimated to be 421 ERCs). The average number of customers served during the test year was 405 customers (estimated to be 405 ERCs). Since the utility connected a new shopping center (total 16 ERCs) to its WWTP in October 2007, the total customer growth for the 5-year period was determined to be 16 ERCs. By the formula approach, the staff calculates the collection system to be 100% used and useful (Attachment A, page 4 of 4).

Issue 4: What is the appropriate average test year rate base for the utility?

Preliminary Recommendation: The appropriate average test year rate base for the utility is $105,159 for water and $170,105 for wastewater. (Hudson)

Staff Analysis: The appropriate components of the utility's rate base include, utility plant in service (UPIS), contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and a working capital allowance.

Staff selected a test year ended December 31, 2006, for this rate case. Rate base for this utility has never been established. Pursuant to Audit Finding No. 1, the company was unable to provide any original cost records to substantiate its 2006 rate base balances. Sufficient records of the original construction were not available and are considered lost. Absent these records, the auditor requested that an original cost study be performed by the staff engineer. The original cost study was derived by the use of an available map, DEP records, county health department records, and physical inspection of the facilities during the engineer's investigation. Adjustments have been made to match rate base component balances with the engineer's original cost study and to update rate base through December 31, 2006. A summary of each component and the adjustments follows.

Utility Plant in Service (UPIS): The utility recorded $314,715 and $905,644 of UPIS for the test year ended December 31, 2006, for water and wastewater, respectively. Staff has made an adjustment to decrease UPIS by $70,284 for water and $501,827 for wastewater to reflect the appropriate plant balances per the original cost study completed by staff's engineer. Staff has increased water UPIS by $2,511 and $2,203 to reclassify plant additions from Acct Nos. 620 and 636, respectively. Staff has decreased water UPIS by $2,357 to reflect an averaging adjustment.

Staff's net adjustment to UPIS is a decrease of $67,927 for water and $501,827 for wastewater. Staff's recommended UPIS balance is $246,788 and $403,817 for water and wastewater, respectively.

Land & Land Rights: The utility recorded $14,970 for water and $78,192 for wastewater in Account Nos. 303 and 353, respectively. The NARUC USOA states that the cost of land should be recorded at its original cost when first dedicated to utility service. According to Audit Finding No. 3, the utility purchased 214.523 acres of land for $725,000 or $3,380 per acre in 1986. The water plant site is located on .3444 acres. This results in an original land cost of $1,164 ($3,380 x .3444) for the water plant site. The wastewater plant site is located on .8368 acres. This results in an original land cost of $2,827 for the wastewater plant site. The utility's wastewater percolation ponds are located on land that was acquired through a related party transaction. The utility was transferred 45.30 acres for $115,000 or $2,539 per acre. The percolation ponds is located on 5.8398 acres. This results in an original land cost of $14,827 for the wastewater percolation ponds. The wastewater's total original cost for land is $17,654 ($2,827 + $14,827). Staff decreased water and wastewater land balances by $13,806 ($14,970 - $1,164) and $60,514 ($78,192 - $17,678), respectively. Staff recommends land and land rights of $1,164 for water and $17,678 for wastewater.

Non-used and Useful Plant: As discussed in Issue No. 3 of this staff report, the utility's water treatment plant and water distribution system should be considered 100% used and useful. Also, the utility's wastewater treatment plant and wastewater collection systems should be considered 100% used and useful. Therefore, a used and useful adjustment is unnecessary.

Contribution in Aid of Construction (CIAC): The utility recorded no CIAC on its books for water and wastewater. Rule 25-30.570(1), Florida Administrative Code, states:

> If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

However, at this time, staff has not imputed CIAC. The utility is providing additional documentation to support its claim that CIAC should not be imputed. The imputation of CIAC will be addressed in staff's final recommendation.

Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of $207,738 for water and $686,578 for wastewater for the test year. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, staff has decreased this account by $56,494 for water and $422,748 for wastewater to reflect depreciation calculated per staff. Staff has decreased this account by $3,048 and $4,235 to reflect an averaging adjustment for water and wastewater, respectively. These adjustments results in average accumulated depreciation of $148,196 for water and $259,595 for wastewater.

Accumulated Amortization of CIAC: The utility did not record accumulated amortization of CIAC balances for water and wastewater. As discussed above, the utility is providing additional information in support of its claim that CIAC should not be imputed. Staff will address the amortization of CIAC in the final recommendation. Therefore, staff has not made an adjustment to accumulated amortization of CIAC.

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 $5,403 for water (based on water O&M of $43,228) and $8,205 for wastewater (based on wastewater O&M of $65,637). Working capital has been increased by $5,403 and $8,205 to reflect one-eighth of staff's recommended O&M expenses for water and wastewater, respectively.

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year average rate base is $105,159 for water and $170,105 for wastewater.

Rate base is shown on Schedule Nos. 1-A and 1-B, and staff's adjustments are shown on Schedule 1-C.

Issue 5: What is the appropriate rate of return on equity and overall rate of return for this utility?

Preliminary Recommendation: The appropriate return on equity is 12.01% with a range of 11.01% to 13.01%. The appropriate overall rate of return in 6.02%. (Hudson)

Staff Analysis: According to staff's audit, the utility recorded negative retained earnings of $4,453,634. The utility's capital structure consists of long term debt in the amount of $7,126,735.

The appropriate rate of return on equity is 12.01% using the most recent Commission-approved leverage formula.[2] The utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends a return on equity of 12.01% with a range of 11.01% to 13.01%, and an overall rate of return of 6.02%.

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

[2] See Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-WS, In Re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

Issue 6: What are the appropriate amounts of test year revenues in this case?

Preliminary Recommendation: The appropriate amounts of test year revenues in this case are $42,596 for the water system and $34,160 for the wastewater system. (Lingo, Hudson)

Staff Analysis: The utility reported test year revenues of $37,724 for the water system and $37,723 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 detailed billing information obtained from the utility, staff recalculated test year revenues. Staff recommends imputation of $4,872 in additional revenues for the water system and a reduction in revenues of $3,563 for the wastewater system. The net effect of staff's recommended adjustments is an increase of $1,309 to total utility revenues during the test period. Staff's recommended revenues also reflect the correction of any irregular billing cycles that may have occurred during the test period. Imputation of revenues in this case is consistent with how unbilled customers and the associated revenues have been handled in prior cases.[3] Based on the foregoing, staff recommends that the appropriate amounts of test year revenues in this case are $42,596 for the water system and $34,160 for the wastewater system.

[3] 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.

Issue 7: What are the appropriate operating expenses?

Preliminary Recommendation: The appropriate amount of operating expense for the utility is $53,201 for water and $81,832 for wastewater. (Hudson)

Staff Analysis: The utility recorded operating expenses of $196,038 for water and $251,296 for wastewater during the test year ending December 31, 2006. The test year O & M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to the utility's operating expenses, as summarized below:

Salaries and Wages – Employees – (601/701) – The utility recorded $14,500 for water and $16,523 for wastewater in this account during the test year. Pursuant to Audit Finding No. 6, the utility has five employees that provide services for the utility operations. In comparing the general ledger for direct salary expense from CRF (Century Realty Fund) to the payroll reports created by its payroll vendor, staff auditors sampled the months of April 2006 through August 2006 and determined that the general ledger direct salary amount is overstated by 10.32 percent for the five pay periods tested. The utility could not explain the difference. CRF's directly salary allocation is $6,260, each, for water and wastewater. Therefore, staff has decreased water and wastewater by $646 ($6,260 x 10.32%) to remove the unexplained difference in direct salary expense. Also, with the sampling, staff auditors determined that the general ledger direct salary expenses balances for water and wastewater O&M expense is misstated by $139. The first eight payroll periods of 2006 were posted to the wastewater salary expense rather than allocating 50% to water salary expense. Staff has increased water and decreased wastewater by $139, each, to correct the error.

Pursuant to Audit Finding No. 6, the utility was allocated $11,878 (50%) of the total salary and living expense of the resident park manager which then was split evenly between water and wastewater resulting in an allocation of $5,939, each. Based on the park managers' duties and time allocations, the staff auditor determined the utility operations' allocation should be $2,512 which should be equally split between water and water at $1,256, each. Staff has decreased both water and wastewater by $4,683 ($5,939 - $1,256).

During the test year, the company had a contract with Southeast Utilities, Inc. to operate its water and wastewater plant. When the contract expired, the utility did not renew. The company now performs this operation utilizing its in house plant operator; therefore, staff increased this account by $2,642 ($5,284/2) for water and wastewater to reflect the salary expense for the utility's plant operator. Staff recommends salaries and wages – employee of $11,952 for water and $13,697 for wastewater.

Sludge Removal Expense – (711) – The utility recorded $6,550 in this account during the test year. Pursuant to Audit Finding No. 7, the utility recorded a $200 invoice for a report prepared for DEP. Staff has reclassified $200 for the DEP report to Acct. No. 736 – Contractual Services Other. Staff recommends Sludge Removal Expense of $6,350 ($6,550 - $200).

Purchased Power – (615/715) – The utility recorded $3,509 and $10,077 in this account during the test year for water and wastewater, respectively. Per staff's auditor, the utility has 9.72%

excessive unaccounted for water (EUW). Staff has decreased Acct. No. 615 by $341 to reflect EUW. Pursuant to Audit Finding No. 7, the utility included 12 monthly bill for five distinct electric service connections. However, a field tour of the utility's operations indicated there are only four service connections. Staff has decreased Acct. No. 715 by $152 for the non-utility electric service connection. Staff recommends purchase power expense of $3,168 for water and $9,925 for wastewater.

Chemicals – (618/718) – The utility recorded balances of $5,170 and $9,603 in Acct. Nos. 618 and 718 – Chemicals, respectively, for the 12 months ended December 31, 2006. Pursuant to Audit Finding No. 8, staff has made the following adjustments to this account.

Description	Amount	Acct. No. 618	Acct. No. 718
Remove previous years invoice	($483)	($179)	($304)
Remove previous years invoice	($523)	($200)	($323)
Add reclassified invoice	$375	$128	$247
Reclassify company allocation	$0	$381	($381)
Audit Finding No. 8 Net Adjustments		$130	($761)

Per staff's engineer, staff has also decreased Acct. No. 618 by $515 to remove chemical expense for EUW. Staff recommends chemical expense of $4,785 ($5,170 + $130 - $515) for water and $8,842 ($9,603 - $761) for wastewater.

Materials and Supplies – (620/720) – The utility recorded $4,852 for Acct. No. 620 and $8,533 for Acct. No. 720 for the 12 months ended December 31, 2006. Pursuant to Audit Finding No. 9, staff has made the following adjustments to this account.

Description	Amount	Acct. No. 620	Acct. No. 720
Reclassified to Acct. No. 334 – see issue 3	($2,511)	($2,511)	
Reclassified to Acct. Nos. 618 and 718	($375)		($375)
Remove testing	($400)	($400)	
Remove non-utility related services	($178)	($89)	($89)
Audit Finding No. 9 Net Adjustments		($3,000)	($464)

Staff recommends materials and supplies expense of $1,852 ($4,852 - $3,000) for water and $8,069 ($8,533 - $464) for wastewater.

Contractual Services - Professional – (631/731) – The utility recorded $128,530 for water and $130,975 for wastewater. According to Audit Finding No. 10, staff auditors determined that the utility's contract with Southeast Utilities, Inc. was canceled as of December 31, 2006 and the utility now performs this operation utilizing its own employees. Therefore, staff has removed contracted operator expenses of $3,380 for water and $6,300 for wastewater. Staff has decreased this wastewater by $275 to remove a non-utility DEP fine. Also, staff has decreased both water and wastewater by $123,700 to remove non-utility and unsupported expenses. Staff recommends contractual services – professional of $1,450 for water and $700 for wastewater for the test year.

Contractual Services – Testing – (635/735) – The utility recorded $254 for water and $0 for wastewater in this account for the test year.

State and local authorities require that several analyses be submitted in accordance with Chapter 62-550, F.A.C. The list below includes monthly monitoring and other less frequent tests required by DEP:

Water

Rule	Description	Frequency	Cost per year
62-550.518 F.A.C.	Microbiological	monthly	$552
62-550.310(1) F.A.C.	Primary Inorganics	36 months.	$52
62-550.320(1) F.A.C	Secondary Inorganics	36 months.	$30
62-550.511 F.A.C.	Asbestos	1/9 year	$35
62-550.512(1) F.A.C.	Nitrate & Nitrite	monthly	$180
62-550.515 F.A.C.	Volatile Organics	qtr'ly/1st year/36 month. Subsequent/Annual	$59
62-550.516 F.A.C.	Pesticides & PCB	36 months.	$150
62-550.519(1) F.A.C.	Radionuclides		0
	Group I	36 months.	$29
	Group II	36 months	$30
62-550.521 F.A.C.	Unregulated Organics		0
	Group I	qtr'ly/1st yr/9 year.	$112
	Group II	36 months	$18
	Group III	36 months.	$83
62-551 F.A.C.	Lead & Copper	36 months	$240
62-550 F.A.C.	TTHM	Yearly	$75
	Total		**$1,645/yr**

Wastewater

Rule	Description	Frequency	Cost
62-600 F.A.C.	CBOD/TSS (influent)	monthly	$503/yr
62-600 F.A.C.	CBOD/TSS (effluent)	monthly	$503/yr
62-600 F.A.C.	Fecal Coliform	monthly	$180/yr
62-600 F.A.C.	Nitrate, Nitrite	quarterly	$168/yr
62-600 F.A.C.	Sludge Analysis	yearly	$517/yr
	Total		**$1,871/yr**

Staff increased water by $1,391 ($1,645 - $254) and increased wastewater by $1,871 to reflect annual DEP testing. Staff recommends contractual services – testing expense of $1,645 for water and $1,871 for wastewater.

Contractual Services - Other – (636/736) – The utility recorded $8,266 for water and $3,068 for wastewater. Pursuant to Audit Finding No. 11, staff has decreased water by $2,203 to reclassify capitalized water meters to Acct. No. 334. Staff has increased wastewater by $200 to reclassify an invoice for a DEP report from Acct. No. 711. Also, staff has decreased water by $402 because the utility did not have any supporting documentation for the expense. Staff recommends Contractual Services – Other of $5,661 ($8,266 - $2,203 - $402) for water and $3,268 ($3,068 + $200).

Insurance Expense – (655/755) – The utility recorded $4,490 each for water and wastewater. Pursuant to Audit Finding No. 12, the adjustments to insurance expense are as follows: decrease of $46 each for water and wastewater to remove a non-utility expense; decrease of $303 each for water and wastewater to remove insurance allocation for non-utility truck; and increase of $165 each for water and wastewater to include insurance allocation for two trucks used by the utility Staff recommends insurance expense for the test year of $4,306 for both water and wastewater.

Regulatory Commission Expense – (665/765) -- The utility recorded $0 in this account during the test year. Pursuant to Section 367.0816, Florida Statutes, rate case expense is amortized over a 4-year period. The utility is required by Rule 25-22.0407, Florida Administrative Code, to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated $333 for postage expense, $284 printing expense, and $41 for envelopes. The above results in a total rate case expense for noticing of $657. The utility paid a $2,000 rate case filing fee for water and wastewater. Staff recommends that total rate case expense is $2,657 ($2,000 + $657), which amortized over four years is $664, allocating $332 each for water and wastewater.

Miscellaneous Expense – (675/775) – The utility recorded $15,416 for water and $15,154 for wastewater for the test year. Pursuant to Audit Finding No. 13, staff has made adjustments to miscellaneous expense as follows: decreased water by $262 to remove a county health department fine; decreased water and wastewater General & Administrative (G&A) expense allocation by $6,412, each, to remove all non-utility items discovered by the staff auditor; decreased water and wastewater by $377, each, to remove non-utility security expenses; and decreased water and wastewater by $885, each, to remove excess telephone expenses. Staff's net adjustment to water is a decrease of $7,936 and a wastewater decrease of $7,674. Staff recommends miscellaneous expense for the test year of $7,480 ($15,416 - $7,936) for water and $7,480 ($15,154 - $7,674) for wastewater.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M should be reduced $142,356 for water and reduced $139,933 for wastewater as shown on Schedule No. 3-C. Staff's recommended O&M expenses of $43,228 for water and $65,437 for wastewater as shown on Schedule Nos. 3-D and 3-E.

Depreciation Expense (Net of Amortization of CIAC) – The utility recorded $8,263 for water and $41,413 for wastewater depreciation expense during the test year. Staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Staff's calculated test year depreciation expense is $6,097 for water and $8,469 for wastewater; therefore, staff has decreased this account by $2,166 ($8,263 -$6,097) for water and $32,944 ($41,413 - $8,469) for wastewater. Further, amortization of CIAC has a negative impact on depreciation expense. As discussed previously, the utility did not record any amortization of CIAC and will be addressed in staff's final recommendation. Staff recommends net depreciation expense of $6,097 and $8,469.

Taxes Other Than Income (TOTI) – The utility recorded taxes other than income of $2,191 for water and $4,313 for wastewater for the test year. As discussed in Issue 6, staff has increased test year revenue by $4,872 for water and decreased test year revenues by $3,563 for wastewater. Based on staff's recommended test year revenues, the 2006 RAFs should have been $1,917 for water and $1,537 for wastewater. Staff has made adjustments to increase RAFs by $220 ($1,917 - $1,697) for water and decrease RAFs by $161 ($1,698 - $1,537) for wastewater. Pursuant to Audit Finding No. 15, the company provided documents indicating water and wastewater property taxes are $494 and $2,615, respectively. The utility's property tax allocations were recalculated based on the property tax invoices for the land occupied by the utility facilities. This calculation resulted in water property tax of $283 and wastewater property tax of $2,536. Therefore, staff has reduced water and wastewater property taxes by $211 ($494 - $283) and $80 ($2,615 - $2,536), respectively. Also, staff has increased the water and wastewater balances by $914 and $1,048, respectively, for payroll taxes based on staff's recommended salary amounts.

Income Tax – The utility recorded income tax of $0 for water. The utility is a limited partnership. The tax liability is passed on to the owner's personal tax returns. Therefore, staff did not make an adjustment to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to the audited test year operating expenses results in staff's calculated operating expenses of $143,721 for water and $135,675 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule 3-C.

Issue 8: What are the appropriate revenue requirements?

Preliminary Recommendation: The appropriate revenue requirement is $59,531 for water and $92,072 for wastewater. (Hudson)

Staff Analysis: The utility should be allowed an annual increase of $16,936 (39.76%) for water and $57,912 (169.53%) for wastewater . This will allow the utility the opportunity to recover its expenses and earn an 6.02% return on its investment. The calculations are as follows:

	Water	Wastewater
Adjusted Rate Base	$105,159	$170,105
Rate of Return	x .0602	x .0602
Return on Rate Base	$6,331	$10,240
Adjusted O & M expense	$43,228	$65,637
Depreciation expense (Net)	$6,097	$8,469
Amortization	$0	$0
Taxes Other Than Income	$3,876	$7,726
Income Taxes	$0	$0
Revenue Requirement	$59,531	$92,072
Less Test Year Revenues	$42,595	$34,160
Annual Increase	$16,936	$57,912
Percent Increase/(Decrease)	39.76%	169.53%

Revenue requirement is shown on Schedule No. 3-A and 3-B.

Issue 9: What are the appropriate pre-repression billing determinants for ratesetting purposes for the respective water and wastewater systems?

Preliminary Recommendation: The appropriate pre-repression billing determinants for ratesetting are 420 ERCs and 21,948.8 thousand gallons (21,948.8 kgals) for the water system and 401 ERCs and 6,886.4 kgals for the wastewater system. (Lingo)

Staff Analysis: The utility's current rate structure consists of a base facility charge (BFC)/uniform gallonage charge rate structure. The utility charges a fixed charge of $12.57 per month for combined water and wastewater service. This fixed charge includes each customer's first 3 kgal of usage each month. Customer usage in excess of 3 kgal per month is charged $1.26 for combined water and wastewater service.

Staff's calculation of ERCs for ratesetting for both the residential service (RS) and general service (GS) classes of service is set forth in the table below:

TABLE 8-1

CALCULATION OF ERCs FOR RATESETTING PURPOSES

Customers	Subdivision and Customer Class	Meter Size	Water ERCs	Wastewater ERCs
395	Plantation Landings (PL) – RS	5/8" x 3/4"	395.0	395.0
1	US 92 entrance irrigation – GS	1 ½"	5.0	
1	PL wastewater plant irrigation – GS	1"	2.5	
1	PL irrigation – GS	2"	8.0	
1	PL sales office – GS	5/8" x ¾"	1.0	1.0
1	PL clubhouse – GS	1 ½"	5.0	5.0
1	PL cul-de-sac irrigation – GS	5/8" x ¾"	1.0	
1	PL clubhouse irrigation – GS	1"	2.5	
402			**420.0**	**401.0**

Sources: Staff auditor's and staff engineer's field work analysis of service area.

Due to a substantial discrepancy between the utility's reported billed consumption versus the billed consumption reported in the utility's 2006 Annual Report, staff used data contained in the utility's 2006 Annual Report in order to determine the recommended water and wastewater consumption for ratesetting purposes. Staff's recommended test year consumption for the RS and GS classes are shown on the following page.

TABLE 8-2

CALCULATION OF KGALS FOR RATESETTING PURPOSES

Line No.	Description	Results
1	Plantation Landings' water system kgals sold per 2006 Annual Report	21,948.0
2 = 1	**Equals water sold for ratesetting**	**21,948.8**
3	Plantation Landings' wastewater kgals treated per 2006 Annual Report	8,608.0
4	Times estimated percentage of wastewater kgals treated that are sold	80.0%
5 = 3 x 4	**Equals total estimated wastewater kgals sold for ratesetting**	**6,886.4**
6	Times ratio of GS wastewater kgals sold to total wastewater kgals sold **(1)**	21.2%
7 = 5 x 6	**Equals estimated GS wastewater kgals for ratesetting**	**1,457.8**
8 = 5 – 7	**Equals estimated RS wastewater kgals for ratesetting**	**5,428.6**

(1) Based on utility's billing records provided during staff's audit.

Sources: Plantation Landings, Ltd., 2006 Annual Report.

Issue 10: What are the appropriate rate structures for the utility's water and wastewater systems?

Preliminary Recommendation: The appropriate rate structure for the utility's water system is the base facility charge (BFC)/uniform gallonage charge rate structure. The water system's 3 kgal allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 60%. The appropriate rate structure for the utility's wastewater system is the BFC/gallonage charge rate structure. The wastewater system's 3 kgal allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 70%. The general service gallonage charge should be set at 1.2 times the corresponding residential gallonage charge. Charges for residential wastewater service should be capped at 6 kgal of consumption. (Lingo)

Staff Analysis: The utility's current rate structure consists of a BFC/uniform gallonage charge rate structure in which the BFC includes a 3 kgal allotment for water and wastewater service. The utility currently charges $12.57 per month for combined water and wastewater service. After the first 3 kgal of water and wastewater usage, the customer is charged $1.26 per kgal for combined water and wastewater usage. There is no consumption cap for residential wastewater usage charges. The general service customers are related parties to the utility and have not been charged for service.

On January 9, 2007, a public hearing was held at the headquarters of the Southwest Florida Water Management District (SWFWMD or District). Based upon the testimony, data, District staff recommendations and public comments, the Executive Director of the SWFWMD signed Order No. SWF-07-02 (Order). In that Order, a Phase II Severe Water Shortage was declared for all ground and surface waters within the District's 16 county area. Subsequently, the District's Governing Board twice determined that a modification to extend the expiration of the Order was necessary. The Second Modification to the Order was set to expire on November 30, 2007.

The Governing Board, during a public hearing held on November 26, 2007, again received testimony regarding the existence of an ongoing water shortage within the District. Specific data presented at the hearing included, but were not limited to, the following items: 1) rainfall data indicated that the deficits in several counties, including Polk County, were categorized as critically abnormal; 2) all counties within the District were experiencing drought or drought-like conditions; 3) the Standard Precipitation Index indicated that several counties, including Polk County, were experiencing moderately abnormal conditions; 4) both the U.S. Drought Monitor and the Long-Term Palmer Index indicated that several counties, including Polk County, were experiencing critically abnormal conditions; and 5) the National Oceanic and Atmospheric Administration's Climate Prediction Center predicted below-normal rainfall from December 2007 through May 2008. Based upon the testimony, data, District staff recommendations and public comments, the District's Governing Board further extended the Order declaring a severe water shortage through June 30, 2008.

A water rate structure that contains an allotment of usage in the BFC is considered a non-conserving rate structure. Based on the District's declared severe water shortage,[4] and consistent with both the results of the statewide Water Conservation Initiative (WCI) and the Water Management Districts' (WMDs') desire to eliminate nonconserving water rate structures, staff does not believe it is appropriate to continue the utility's current water and wastewater rate structures. Instead, staff recommends that the 3 kgal allotments in the water and wastewater rate structures be eliminated.

Staff performed detailed analyses of the utility's billing data in order to evaluate various BFC cost recovery percentages. The goals of the evaluation were to select the rate design parameters that: 1) allow the utility to recover its revenue requirements; 2) equitably distribute cost recovery among the utility's customers; and 3) remove nonconserving water conserving rate structures consistent with the WCI and the Commission's Memorandum of Understanding with the state's five WMDs.

Based on the foregoing and the results of staff's analyses, the appropriate rate structure for the utility's water system is the base facility charge (BFC)/uniform gallonage charge rate structure. The water system's 3 kgal allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 60%. The appropriate rate structure for the utility's wastewater system is the BFC/gallonage charge rate structure. The wastewater system's 3 kgal allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 70%. The general service gallonage charge should be set at 1.2 times the corresponding residential gallonage charge. Charges for residential wastewater service should be capped at 6 kgal of consumption.

[4] Southwest Florida Water Management District, Third Board Order Modifying Water Shortage Order No. SWF 07-02, ordered on November 26, 2007, In re: Declaration of Water Shortage.

Issue 11: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility?

Preliminary Recommendation: Yes, repression adjustments to both the water and wastewater systems are appropriate. Residential water consumption should be reduced by 27.7%, resulting in a consumption reduction of approximately 6,069.6 kgal. Total water consumption for ratesetting is 15,878.4 kgals. The corresponding residential wastewater consumption should be reduced by 22.1%, resulting in a consumption reduction of approximately 1,201.0 kgals. Total wastewater consumption for ratesetting is 5,685.4 kgals. The resulting water system reductions to revenue requirements are $962 in purchased power expense, $279 in chemicals and $56 in regulatory assessment fees (RAFs). The resulting wastewater system reductions to revenue requirements are $376 in purchased power expense, $665 in chemicals, $719 in sludge removal, and $79 in RAFs. The post-repression revenue requirements are $58,235 for the water system and $90,233 for the wastewater system.

In order to monitor the effects of both the changes in revenues and rate structure, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision. (Lingo)

Staff Analysis: Using our database of utilities that have previously had repression adjustments made, staff calculated a repression adjustment for this utility based upon the recommended increase in revenue requirements from the 2006 test year, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that the Commission has approved in prior cases.[5]

Based on the foregoing, repression adjustments to both the water and wastewater systems are appropriate. Residential water consumption should be reduced by 27.7%, resulting in a consumption reduction of approximately 6,069.6 kgal. Total water consumption for ratesetting is 15,878.4 kgals. The corresponding residential wastewater consumption should be reduced by 22.1%, resulting in a consumption reduction of approximately 1,201.0 kgals. Total wastewater consumption for ratesetting is 5,685.4 kgals. The resulting water system reductions to revenue requirements are $962 in purchased power expense, $279 in chemicals and $56 in regulatory assessment fees (RAFs). The resulting wastewater system reductions to revenue requirements are $376 in purchased power expense, $665 in chemicals, $719 in sludge removal, and $79 in RAFs. The post-repression revenue requirements are $58,235 for the water system and $90,233 for the wastewater system.

[5] Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, in Docket No. 010403-WU, In re: Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.; Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS, In re: Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

In order to monitor the effects of both the changes in revenues and rate structure, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

Issue 12: What are the appropriate rates for this utility?

Preliminary Recommendation: The appropriate monthly water rates are shown on Schedule 4-A, and the appropriate monthly wastewater rates are shown on Schedule 4-B. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of $58,235, and the recommended wastewater rates are designed to produce revenues of $90,233. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice. (Lingo)

Staff Analysis: Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of $58,235, and the recommended wastewater rates are designed to produce revenues of $90,233. The recommended rates are shown on Schedule No. 4-A and Schedule No. 4-B. Approximately 60% (or $34,941) of the water monthly service revenues is recovered through the base facility charges, while approximately 40% (or $23,294) represents revenue recovery through the consumption charges. Approximately 70% (or $63,163) of the wastewater monthly service revenues is recovered through the base facility charges, while approximately 30% (or $27,070) represents revenue recovery through the consumption charges.

The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 13: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Preliminary Recommendation: The water and wastewater rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Hudson)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs which is $348 annually for both water and wastewater. Using the utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

The utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 14: Should the recommended rates by approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

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

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

The utility should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of $51,556. 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, and.

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

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

1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission;

2) The escrow account shall be an interest bearing account;

3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;

4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility;

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments; and

8) The Commission Clerk must be a signatory to the escrow agreement.

9) The account must specify by whom and on whose behalf such monies were paid.

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

The utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

WATER TREATMENT PLANT - USED AND USEFUL DATA

1)		**Capacity of Plant**	350	gallons per min
2)		Single Maximum Day (SMD) in the Test Year	111	gallons per min
	2a)	**Max. day @ peak**	222	gallons per min
3)		**Average Daily Flow**	52	gallons per min
4)		**Fire Flow Capacity (FF)** Required Fire Flow in Charlotte County: 500 gallons per minute for one hour	500	gallons per min
5)		**Growth**	13	gallons per min
	a)	Average Test Year Customers in ERCs: Historical Test Year: Jan 2006 - Dec 2006	424	ERCs
	b)	Customer Growth During Next 5 Years	25	ERCs
	c)	Statutory Growth Period		Years
	d)	Growth = (5b)x [2a\(5a)]	13	gallons per min
6)		**Excessive Unaccounted for Water (EUW)**	5.05	gallons per min
	a)	Percentage of Excessive amount	9.72%	
	b)	Total Unaccounted for Water	10.25	gallons per min
	c)	Reasonable Amount (10% of average Daily Flow)	5.20	gallons per min
	d)	Excessive Amount	5.05	gallons per min

USED AND USEFUL FORMULA

[2 x (Max days - EUW) + FF + Growth] / Capacity of Plant

[2 X (111 – 5.05) + 500+ 13] / 350 = 100% Used & Useful

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

1)		**Capacity of System (ERCs)**	449	ERCs
2)		**Test Year Connections** Average Test Year	424	ERCs
3)		**Growth**	25	ERCs
	a)	Customer growth During Next 5 Years	25	ERCs
	b)	Statutory Growth Period		Years
	c)	Growth = (a) Connections allowed for growth	25	ERCs

USED AND USEFUL FORMULA

[2+3]/(1)

(424 + 25) / 449 = 100% Used and Useful

WASTEWATER TREATMENT PLANT - USED AND USEFUL DATA

1)		**Permitted Capacity of Plant (AADF)**	80,000	gallons per day
2)	a)	Three-Month **Average Daily Flow** (TMADF)	79,315	gallons per day
3)		**Growth**	3,054	gallons per day
	a)	Average Connection in ERCs: Projected Test Year: Jan 2006 - Dec 2006	405	ERCs
	b)	Customer Growth During Next 5 Years in ERCs	16	ERCs
	c)	Statutory Growth Period		Years
	d)	Growth = [(3b) x (2a)] \ (3a)	3,054	gallons per day
4)		**Excessive Infiltration or Inflow (I&I)**	0	gallons per day
	a)	Total I&I	2,526	gallons per day
	b)	Percent of Excessive		
	c)	Reasonable Amount of I&I (500 gpd per inch dia pipe per mile) + Inflow	16,854	gallons per day
	d)	Excessive Amount	0	gallons per day

WASTEWATER COLLECTION SYSTEM - USED AND USEFUL DATA

1)		**Capacity of System (Number of Potential in ERCs)**	421	ERCs
2)		**Test Year Connections** (Customers) Average Test Year in ERC	405	ERCs
3)		**Growth**	16	
	a)	Customer growth During Next 5 Years	16	ERCs
	b)	Statutory Growth Period		Years
	c)	Growth = (a) Connections allowed for growth	16	ERCs

USED AND USEFUL FORMULA

[(2)+(3)] / (1)

[405 + 16] /421= 100% Used and Useful

PLANTATION LANDINGS, LTD
TEST YEAR ENDING 12/31/06
SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1-A
DOCKET NO. 070416-WS

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$314,715	($67,927)	$246,788
2.	LAND & LAND RIGHTS	$14,970	($13,806)	$1,164
3.	NON-USED AND USEFUL COMPONENTS	$0	$0	$0
4.	CIAC	$0	$0	$0
5.	ACCUMULATED DEPRECIATION	($207,738)	$59,542	($148,196)
6.	AMORTIZATION OF CIAC	$0	$0	$0
7.	WORKING CAPITAL ALLOWANCE	$0	$5,403	$5,403
8.	WATER RATE BASE	$121,947	($16,788)	$105,159

PLANTATION LANDINGS, LTD | **SCHEDULE NO. 1-B**
TEST YEAR ENDING 12/31/06 | **DOCKET NO. 070416-WS**
SCHEDULE OF WASTEWATER RATE BASE

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$905,644	($501,827)	$403,817
2.	LAND & LAND RIGHTS	$78,192	($60,514)	$17,678
3.	NON-USED AND USEFUL COMPONENTS	$0	$0	$0
4.	CIAC	$0	$0	$0
5.	ACCUMULATED DEPRECIATION	($686,578)	$426,983	($259,595)
6.	AMORTIZATION OF CIAC	$0	$0	$0
7.	WORKING CAPITAL ALLOWANCE	$0	$8,205	$8,205
8.	WASTEWATER RATE BASE	$297,258	($127,153)	$170,105

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 ADJUSTMENTS TO RATE BASE		SCHEDULE NO. 1-C DOCKET NO. 070416-WS	
		WATER	**WASTEWATER**
	UTILITY PLANT IN SERVICE		
1.	To reflect plant per original cost study	($70,284)	($501,827)
2.	To reclassify plant addition from Acct No. 620	$2,511	
3.	To reclassify plant addition from Acct No. 636	$2,203	
4.	To reflect averaging adjustment	($2,357)	
	LAND		
1.	To reflect the appropriate land purchase price	($13,806)	($60,514)
	NON-USED AND USEFUL PLANT		
1.			
	Total	$0	$0
	CIAC		
1.		$0	$0
	ACCUMULATED DEPRECIATION		
1.	To reflect accumulated depreciation per Rule 25-30.0140	$56,494	$422,748
2.	To reflect an averaging adjustment	$3,048	$4,235
	Total	$59,542	$426,983
	AMORTIZATION OF CIAC		
1.	1	$0	$0
	WORKING CAPITAL ALLOWANCE		
1.	To reflect 1/8 of test year O & M expenses.	$5,403	$8,205

PLANTATION LANDINGS, LTD
TEST YEAR ENDING 12/31/06
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 070416-WS

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$0	$0	$0					
2.	RETAINED EARNINGS	($4,453,634)	$4,453,634	$0					
3.	PAID IN CAPITAL	$0	$0	$0					
4.	TREASURY STOCK	$0	$0	$0					
5.	TOTAL COMMON EQUITY	($4,453,634)	$4,453,634	$0	$0	$0	0.00%	12.01%	0.00%
6.	LONG TERM DEBT	$7,126,735	$0	$7,126,735	($6,851,471)	$275,264	100.00%	6.02%	6.02%
7.	LONG TERM DEBT	$0	$0	$0	$0	$0	0.00%	0.00%	0.00%
	TOTAL LONG TERM DEBT	$7,126,735	$0	$7,126,735	($6,851,471)	$275,264	100.00%		
8.	CUSTOMER DEPOSITS	$0	$0	$0	$0	$0	0.00%	6.00%	0.00%
9.	TOTAL	$2,673,101	$4,453,634	$7,126,735	($6,851,471)	$275,264	100.00%		6.02%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	11.01%	13.01%
OVERALL RATE OF RETURN	6.02%	6.02%

PLANTATION LANDINGS, LTD
TEST YEAR ENDING 12/31/06
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 070416-WS

		TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$37,723	$4,872	$42,595	$16,936 39.76%	$59,531
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$185,584	($142,356)	$43,228	0	$43,228
3.	DEPRECIATION (NET)	$8,263	($2,166)	$6,097	0	$6,097
4.	AMORTIZATION	$0	$0	$0	0	$0
5.	TAXES OTHER THAN INCOME	$2,191	$923	$3,114	$762	$3,876
6.	INCOME TAXES	$0	$0	$0	0	$0
7.	**TOTAL OPERATING EXPENSES**	$196,038	(143,600)	$52,438	$762	$53,201
8.	**OPERATING INCOME/(LOSS)**	($158,315)		($9,844)		$6,331
9.	**WATER RATE BASE**	$121,947		$105,159		$105,159
10.	**RATE OF RETURN**	-129.82%		-9.36%		6.02%

PLANTATION LANDINGS, LTD
TEST YEAR ENDING 12/31/06
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 070416-WS

		TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$37,723	($3,563)	$34,160	$57,912 169.53%	$92,072
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$205,570	($140,133)	$65,637	0	$65,437
3.	DEPRECIATION (NET)	$41,413	($32,944)	$8,469	0	$8,469
4.	AMORTIZATION	$0	$0	$0	0	$0
5.	TAXES OTHER THAN INCOME	$4,313	$807	$5,120	$2,606	$7,726
6.	INCOME TAXES	$0	$0	$0	0	$0
7.	**TOTAL OPERATING EXPENSES**	$251,296	($172,070)	$79,226	$2,606	$81,832
8.	**OPERATING INCOME/(LOSS)**	($213,573)		($45,066)		$10,240
9.	**WASTEWATER RATE BASE**	$297,258		$171,105		$170,105
10.	**RATE OF RETURN**	-71.85%		-26.49%		6.02%

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 070416-WS PAGE 1 OF 3
	WATER	WASTEWATER
OPERATING REVENUES		
1.	$4,872	-$3,563
Subtotal	$4,872	-$3,563
OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages - Employees (601,701)		
a. To reduce salary expense overstatement (AF 6)	($646)	($646)
b. To correct salary posting error (AF 6)	$139	($139)
c. To reflect the utility's allocation of park manager salary (AF 6)	($4,683)	($4,683)
e. To reflect pro forma salary for new plant operator	$2,642	$2,642
f. To reflect the appropriate meter reading expense	$0	$0
Subtotal	($2,548)	($2,826)
2. Purchased Power (615,715)		
a. To remove invoices for electric services for non-utility (AF 7)		($152)
b. To reflect 9.72% EUW per engineer	($341)	
Subtotal	($341)	($152)
3. Chemicals (618, 718)		
a. To remove prior period expense (AF 8)	($379)	($627)
b. To reclassify chemical expense from Acct No. 720 (AF 8)	$128	$247
c. To reclassify chemical expense (AF 8)	$381	($381)
d. To reflect 9.72% EUW per engineer	($515)	
Subtotal	($385)	($761)
4. Materials and Supplies (620,720)		
a. To reclassify plant to Acct No. 334 (AF 9)	($2,511)	
b. To reclassify plant to Acct No. 720 (AF 9)		($375)
c. To remove testing (AF 9)	($400)	
d. To remove non-utility expenses (AF 9)	($89)	($89)
Subtotal	($3,000)	($464)
(O & M EXPENSES CONTINUED ON NEXT PAGE		

PLANTATION LANDINGS TEST YEAR ENDING 12/31/2006 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 070416-WS PAGE 2 of 3
(O & M EXPENSES CONTINUED)	**WATER**	**WASTEWATER**
6. a. To remove invoices from Southeast Utilities	($3,380)	($6,300)
b. To remove non-utility DEP Fine (AF 10)		($275)
c. To reflect non-utility expenses (AF 10)	($123,700)	($123,700)
Subtotal	($127,080)	($130,275)
7. Contractual Services - Testing (635, 735)		
a. To reflect testing per staff engineer	$1,391	$1,871
Subtotal	$1,391	$1,871
8. Contractual Services - Other (636,736)		
a. To reclassify and capitalize water meters (AF 11)	($2,203)	
b. To reclassify expense for DEP report to Acct No. 736 (AF 7, 11)		$200
c. To remove an unsupported expense (AF 11)	($402)	$0
	($2,605)	$200
9. Insurance Expense (655,755)		
a. To remove non-utility vehicle insurance coverage (AF 12)	($46)	($46)
b. To remove insurance allocation for non utility truck (AF 12)	($303)	($303)
c. To include insurance allocation for two trucks (AF 12)	$165	$165
Subtotal	($184)	($184)
10. Regulatory Commission Expense (665,765)		
a. To reflect the 4 year amortization of rate case expense ($2,658/4)	$332	$332
11. Miscellaneous Expense (675,775)		
a. To remove Polk county health dept fine (AF 13)	($262)	
b. To remove non-utility G&A allocation (AF 13)	($6,412)	($6,412)
c. To remove non-utility expenses (AF 13)	($377)	($377)
d. To remove excess telephone expense (AF 13)	($885)	($885)
Subtotal	($7,936)	($7,674)
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	($142,356)	($139,933)

PLANTATION LANDINGS TEST YEAR ENDING 12/31/2006 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 070416-WS PAGE 2 of 3
1 **DEPRECIATION EXPENSE**		
a. To reflect test year net depreciation expense	($2,166)	($32,944)
Subtotal	($2,166)	($32,944)
2 **TAXES OTHER THAN INCOME**		
a. To reflect the appropriate RAFs	$220	$161
b. To reflect the appropriate property taxes	($211)	($80)
c. To reflect the appropriate payroll taxes	914	1,048
	$923	$807

PLANTATION LANDINGS, LTD | **SCHEDULE NO. 3-D**
TEST YEAR ENDING 12/31/06 | **DOCKET NO. 070416-WS**
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$14,500	($2,548)	$11,952
(603) SALARIES AND WAGES - OFFICERS	$0	$0	$0
(604) EMPLOYEE PENSIONS AND BENEFITS	$0	$0	$0
(610) PURCHASED WATER	$0	$0	$0
(615) PURCHASED POWER	$3,509	($341)	$3,168
(616) FUEL FOR POWER PRODUCTION	$0	$0	$0
(618) CHEMICALS	$5,170	($385)	$4,785
(620) MATERIALS AND SUPPLIES	$4,852	($3,000)	$1,852
(630) CONTRACTUAL SERVICES - BILLING		$0	$0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	$128,530	($127,080)	$1,450
(635) CONTRACTUAL SERVICES - TESTING	$254	$1,391	$1,645
(636) CONTRACTUAL SERVICES - OTHER	$8,266	($2,605)	$5,661
(640) RENTS	$0	$0	$0
(650) TRANSPORTATION EXPENSE	$597	$0	$597
(655) INSURANCE EXPENSE	$4,490	($184)	$4,306
(665) REGULATORY COMMISSION EXPENSE	$0	$332	$332
(670) BAD DEBT EXPENSE	$0	$0	$0
(675) MISCELLANEOUS EXPENSES	$15,416	($7,936)	$7,480
	$185,584	($142,356)	$43,228

PLANTATION LANDINGS, LTD | **SCHEDULE NO. 3-E**
TEST YEAR ENDING 12/31/06 | **DOCKET NO. 070416-WS**
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$16,523	($2,826)	$13,697
(703) SALARIES AND WAGES - OFFICERS		$0	$0
(704) EMPLOYEE PENSIONS AND BENEFITS		$0	$0
(710) PURCHASED SEWAGE TREATMENT		$0	$0
(711) SLUDGE REMOVAL EXPENSE	$6,550	$0	$6,550
(715) PURCHASED POWER	$10,077	($152)	$9,925
(716) FUEL FOR POWER PRODUCTION		$0	$0
(718) CHEMICALS	$9,603	($761)	$8,842
(720) MATERIALS AND SUPPLIES	$8,533	($464)	$8,069
(730) CONTRACTUAL SERVICES - BILLING		$0	$0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	$130,975	($130,275)	$700
(735) CONTRACTUAL SERVICES - TESTING	$0	$1,871	$1,871
(736) CONTRACTUAL SERVICES - OTHER	$3,068	$200	$3,268
(740) RENTS		$0	$0
(750) TRANSPORTATION EXPENSE	$597	$0	$597
(755) INSURANCE EXPENSE	$4,490	($184)	$4,306
(765) REGULATORY COMMISSION EXPENSES		$332	$332
(770) BAD DEBT EXPENSE		$0	$0
(775) MISCELLANEOUS EXPENSES	$15,154	($7,674)	$7,480
	$205,570	($139,933)	$65,637

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 MONTHLY WATER RATES			SCHEDULE NO. 4-A DOCKET NO. 070416-WS
-	UTILITY'S EXISTING RATES	STAFF PRELIMINARY RECOMMENDED RATES	MONTHLY RATE REDUCTION
Residential			
Base Facility Charge by Meter Size:			
5/8"X3/4"	$6.29	$6.93	$0.04
3/4"		$10.40	$0.06
1"		$17.33	$0.10
1-1/2"		$34.65	$0.20
2"		$55.44	$0.32
3"		$110.88	$0.65
4"		$173.25	$1.01
6"		$346.50	$2.02
Residential Service Gallonage Charge			
3,000+ Gallons	$0.63		
Per 1,000 Gallons		$1.47	$0.01
Multi-Residential and General Service			
Base Facility Charge by Meter Size:			
5/8"X3/4"	$0.00	$6.93	$0.04
3/4"		$10.40	$0.06
1"		$17.33	$0.10
1-1/2"		$34.65	$0.20
2"		$55.44	$0.32
3"		$110.88	$0.65
4"		$173.25	$1.01
6"		$346.50	$2.02
Multi-Residential General Service Gallonage Charge			
Per 1,000 Gallons		$1.47	$0.01
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$6.29	$11.34	
5,000 Gallons	$7.55	$14.28	
10,000 Gallons	$10.70	$21.63	

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4-B DOCKET NO. 070416-WS
	UTILITY'S** EXISTING RATES	STAFF PRELIMINARY RECOMMENDED RATES	MONTHLY RATE REDUCTION
Residential Service			
Base Facility Charge All Meter Sizes	$6.29	$13.13	$0.05
** Existing Rate Includes 3,000 Gal in BFC			
Gallonage Charge			
Over 3,000 Gallons	$0.63		
Per 1,000 Gallons (6,000 gallon cap)		$4.53	$0.02
Multi-Residential and General Service			
Base Facility Charge by Meter Size:			
5/8"X3/4"	$0.00	$13.13	$0.05
3/4"	$0.00	$19.70	$0.07
1"	$0.00	$32.83	$0.12
1-1/2"	$0.00	$65.65	$0.25
2"	$0.00	$105.04	$0.40
3"	$0.00	$210.08	$0.79
4"	$0.00	$328.25	$1.24
6"	$0.00	$656.50	$2.48
Gallonage Charge per 1,000 gallons	$0.00	$5.44	$0.02
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$6.29	$26.72	
5,000 Gallons	$7.55	$35.78	
10,000 Gallons	$10.70	$40.31	