

COMMISSIONERS:
MATTHEW M. CARTER II, CHAIRMAN
LISA POLAK EDGAR
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

STATE OF FLORIDA



GENERAL COUNSEL
MICHAEL G. COOKE
(850) 413-6199

Public Service Commission

February 22, 2008

RECEIVED-FPSC
08 FEB 22 AM 10:42
COMMISSION
CLERK

Scott Findlay, Operator
Phoenix Environmental Technologies
1103 Ashland Ave.
Tarpon Springs, FL 34689

Re: Docket No. 070601-WU –Application for staff-assisted rate case in Pasco County by Orangeland Water Supply

Dear Mr. Findlay:

This will confirm that Commission Staff will hold a customer meeting at the West Pasco Government Center–Commission Chambers Board Room on March 20, 2008, at 6:00 p.m. We ask that, if at all possible, you or another knowledgeable representative of the utility attend the meeting in order to answer customer questions. The location of the meeting will be the:

West Pasco Government Center– Commission Chambers Board Room
7530 Little Road
New Port Richey, FL 34654

The original customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. All customers, including the customers of Orangeland Water Supply, 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.

DOCUMENT NUMBER-00000000
01382 FEB 22 08
FPSC-COMMISSION CLERK

Scott Findlay
Page 2
February 22, 2008

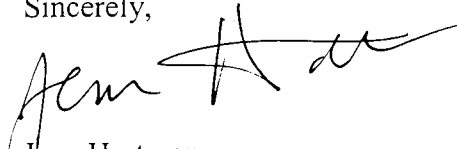
Two copies of the staff report are also enclosed. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407 (9)(b), F.A.C., by all interested persons at the following location:

8821 Ridge Road
New Port Richey, FL 34654
Phone: (727) 841-7672

If customers wish to review the staff report at another location other than Mr. Snell's place of business, accommodations must be made for the customers to review the staff report at a public venue such as a library, post office, etc. For your convenience, I have also enclosed a copy of Rule 25-22.0407, F.A.C.

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6193. In addition, you may contact Jared Deason, Regulatory Analyst, at (850) 413-6844, with any questions.

Sincerely,



Jean Hartman
Senior Attorney

Enclosures

JH:jd

cc: Division of Economic Regulation (Bulecza-Banks, Rendell, Deason, Edwards)
Office of Commission Clerk (Docket No. 070601-WU)
Office of Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
NOTICE OF CUSTOMER MEETINGS
TO THE CUSTOMERS OF ORANGELAND WATER SUPPLY
AND
ALL OTHER INTERESTED PERSONS
DOCKET NO. 070601-WU
APPLICATION OF ORANGELAND WATER SUPPLY
FOR A STAFF-ASSISTED RATE CASE IN
PASCO COUNTY

Issued: February ____, 2008

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

6:00 p.m., Thursday, March 20, 2008
West Pasco Government Center – Commission Chambers Board Room
7530 Little Road
New Port Richey, FL 34654

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.

The Public Service Commission staff is also attempting to meet with representatives of customer groups and homeowners associations on March 20, 2008, between 2:00p.m. and 4:00p.m. at the West Pasco Government Center. If you are a representative of a customer group or homeowners association and you have not been contacted by the Public Service Commission staff, and wish to meet with staff, please contact Jared Deason at (850) 413-6844 of the Public Service Commission staff prior to March 18, 2008.

DOCUMENT NUMBER DATE

01382 FEB 22 8

FPSC-COMMISSION CLERK

All persons who wish to participate in individual meetings are urged to make an appointment, since the individual meeting session may be canceled if no appointments are made.

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(s) 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(s). Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to the Public Service Commission Staff regarding the quality of service the utility provides, the proposed rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Orangeland'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

Orangeland Water Supply (Orangeland) is a Class C water utility located in Pasco County serving approximately 76 customers. Orangeland is located in the Southwest Florida Water Management District (SWFWMD). The utility's 2006 annual report reflects operating revenues of \$6,214 and an operating loss of (\$3,930).

Orangeland has been under Commission jurisdiction since July 11, 1972, when Pasco County transferred jurisdiction to the Public Service Commission (PSC). The utility began operations in 1969. On April 28, 1977, Orangeland was granted a certificate to operate a water utility in Pasco County. By Order No. 7790, the Commission granted Certificate No. 179-W to

the utility. On September 17, 2007, Orangeland applied for a staff-assisted rate case (SARC). The utility has not previously been subject to a rate case.

Staff has audited Orangeland's records for compliance with Commission rules and orders, and examined all components necessary for rate setting. The staff engineer has also conducted a field investigation, which included a visual inspection of the water and wastewater facilities along with the service area. The Utility's operating expenses, maps, files, and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, Orangeland's plant in service, and quality of service. Staff has selected a historical test year ended June 30, 2007.

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:

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY WATER RATES</u>	<u>PRELIMINARY RECOMMENDED RATES</u>
<u>BASE FACILITY CHARGE:</u>	<u>EXISTING RATES*</u>	<u>PRELIMINARY RECOMMENDED RATES</u>
Meter Size:		
5/8"X3/4"	\$5.00*	\$16.05
3/4"	\$0.00	\$24.08
1"	\$0.00	\$40.13
1-1/2"	\$0.00	\$80.25
2"	\$0.00	\$128.40
3"	\$0.00	\$256.80
4"	\$0.00	\$401.25
6"	\$0.00	\$802.50
GALLONAGE CHARGE*:		
PER 1,000 GALLONS		\$4.92
Over 5,000 gallons	\$0.25	
* The existing base facility charge includes 5,000 gallons.		

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated February 22, 2008. Copies of the report may be examined by interested members of the public from 9:00a.m. to 5:00p.m., Monday through Friday at the following location:

8821 Ridge Road
New Port Richey, FL 34654
Phone: (727) 841-7672

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 April 10, 2008. The Public Service Commission will then vote on staff's recommendation at its April 22, 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:

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

All correspondence should refer to "Docket No. 070601-WU, Orangeland Water Supply".

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.

State of Florida



W.F.

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: February 22, 2008

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

FROM: Jared Deason, Regulatory Analyst
Gerald Edwards, Engineer
Sonica Bruce, Regulatory Analyst

RE: Docket No. 070601-WU – Application for staff-assisted rate case in Pasco County by Orangeland Water Supply

– STAFF REPORT –

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

Table of Contents

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Case Background.....	3
1	Quality of Service (Edwards).....	4
2	Used and Useful (Edwards).....	6
3	Rate Base (Deason).....	7
4	Rate of Return (Deason).....	9
5	Test Year Revenue (Deason).....	10
6	Operating Expense (Deason).....	11
7	Repression Adjustment and Revenue Requirement (Bruce).....	14
8	Rate Structure (Bruce).....	16
9	Rates (Bruce, Deason).....	17
10	Four Year Rate Reduction (Deason).....	18
11	Rates Subject to Refund (Deason).....	19
	Attachment A.....	21
	Schedule No. 1-A.....	23
	Schedule No. 1-B.....	24
	Schedule No. 2.....	25
	Schedule No. 3-A.....	26
	Schedule No. 3-B.....	27
	Schedule No. 3-C.....	28
	Schedule No. 4.....	29

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 April 10, 2008 for the April 22, 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.

Orangeland Water Supply (Orangeland or utility) is a Class C water utility located in Pasco County serving approximately 76 water customers. Orangeland is located in the Southwest Florida Water Management District (SWFWMD). The utility's 2006 annual report reflects operating water revenues of \$6,214 and an operating loss of (\$3,930).

Orangeland has been under Commission jurisdiction since July 11, 1972, when Pasco County transferred jurisdiction to the Commission. On April 28, 1977, the utility was granted certificate No. 179-W to operate a water utility in Pasco County in Docket No. 760763-W, Order No. 7790. There has been no further activity since the utility was issued its certificate. On September 17, 2007, Orangeland applied for a staff-assisted rate case (SARC). The utility has not previously filed for a rate case with the Commission.

Staff has audited Orangeland's records for compliance with Commission rules and orders, and examined all components necessary for rate setting. The staff engineer has also conducted a field investigation, which included a visual inspection of the facilities along with the service area. Orangeland's operating expenses, maps, files, and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, plant in service, and quality of service. Staff has selected a historical test year ended June 30, 2007.

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

Discussion of Issues

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

Preliminary Recommendation: The determination of the quality of water service provided by Orangeland will be deferred until after the customer meeting scheduled for January 31, 2008. (Edwards)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (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 above 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. Staff's preliminary analysis below addresses each of these three components.

Orangeland is a class "C" utility that provides water services to approximately 72 residential and 4 commercial service connections in Pasco County. The utility's service area is located at the Orangeland subdivision, in New Port Richey, Florida. The raw water source is ground water, which is obtained from two wells. The processing sequence for this water treatment system is to pump raw water from the aquifer, inject liquid chlorine, pressurize in a tank, and then distribute.

Quality of Utility's Product

Staff reviewed the utility's and DEP's records. According to DEP, the utility's finished water product complies with regulatory standards. Therefore, it appears the quality of the finished water product is satisfactory.

Operating Condition of the Water Treatment Facilities

According to DEP's last inspection (on April 20, 2005), the condition of the water treatment plant (WTP) meets regulatory standards. Based on the above, it appears that the conditions of the water facilities are satisfactory.

Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's complaint records, and found there were no complaints recorded during the test year. Further, staff reviewed the DEP's records and found no customer complaints on file.

On March 20, 2008, staff will conduct a customer meeting in New Port Richey, Florida. This meeting will give the customers an opportunity to go on record with specific concerns regarding the utility's attitude and responsiveness to quality of service issues. All valid quality

Docket No. 070601-WU
Date: February, 13, 2008

of service complaints will be investigated and will be taken into consideration during the preparation of staff's final recommendation. The recommendation is scheduled to be heard by the Commissioners at the April 22, 2008, Agenda Conference.

Summary

Staff has reviewed the past three years of DEP's WTP annual inspection reports. These reports indicate no water quality compliance problems. During the on-site engineering investigation, staff reviewed the operating condition of the water plant along with the water distribution system and found them to be functional. A complete determination of customer satisfaction cannot be made until after the March 20, 2008 customer meeting.

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

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

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

Water Treatment Plant	100%
Water Distribution 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 -- U&U

The utility has two wells with a total capacity of 210 gallons per minute (gpm). Consistent with past Commission practice and in accordance with the American Waterworks Association Manual of Water Supply Practices, if a water system has more than one well, the highest capacity well should be removed from the calculation to determine the plant's reliability (firm reliable capacity). By taking one of the wells (110 gpm) out of service, the utility reflected a firm reliable capacity of 100 gpm, which is the capacity of the smaller well. The calculation of firm reliable capacity is consistent with Commission practice¹. Peak demand was determined by taking the single maximum day in the test year (36,000 gallons), less excessive unaccounted for water, divided by 1,440 minutes in a day, multiplied by 2 to equal a demand of 50 gpm ((36,000 / 1,440) * 2). Dividing the demand by the firm reliable capacity results in a 50% U&U. (See Attachment A, Page 1 of 2) Although the calculated results shows 50% U&U, Orangeland's service territory appears to be built-out. In accordance with Commission practice, when the service territory the system is designed to serve is built-out and there is no potential for expansion of the service territory, the water treatment plant should be considered 100% U&U.² As such, staff is recommending a U&U percent of 100%.

Water Distribution System

Staff reviewed the service territory and believes all of the current mains are providing service for the existing customers only. As such, staff considers this system built-out. In accordance with Commission practice, the service territory the system is designed to serve is built-out and there is no potential for expansion of the service territory. Therefore, staff recommends the water distribution system be considered 100% U&U³. (See Attachment A, Page 2 of 2)

¹ Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In Re: Application for rate increase filed by Utilities, Inc., of Florida.

² Ibid

³ Ibid

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

Preliminary Recommendation: The appropriate average test year water rate base for the utility is \$8,724. (Deason)

Staff Analysis: Staff selected a test year ending June 30, 2007 for this rate case. Rate base components have been updated through June 30, 2007 using information obtained from staff's SARC audit and engineering reports. A summary of each component and the adjustments follows.

Utility Plant in Service (UPIS): The utility recorded \$38,499 plant in service (PIS) for the test year. Pursuant to Audit Finding No. 2, the utility was unable to provide any original cost records to substantiate its June 30, 2007 plant balances. As stated in the case background, the utility has never had a rate case or had rate base established by this Commission since becoming jurisdictional. Due to a lack of utility records, the staff engineer performed an original cost study to determine the appropriate amount of PIS. The engineer's cost estimate was performed by the use of available maps, partial invoice records, and visible facilities noted during the engineering field investigation. Based on the original cost study, staff has made an adjustment to increase plant in service by \$5,615.

Additionally, staff has decreased PIS account Nos. 311, 320 and 334 by \$1,927, \$183 and \$317, respectively, to reclassify plant items that were recorded in operation expense accounts pursuant to Audit Finding Nos. 2. Therefore, the appropriate amount of test year PIS is \$46,541.

Land & Land Rights: The utility's records reflect balances of \$1,000 in Acct No. 303 – Land and Land Rights. Staff did not make any adjustments to Acct. No. 303, therefore, the appropriate amount of test year plant in service is \$1,000.

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.

Contribution in Aid of Construction (CIAC): The utility recorded CIAC of \$9,287 for the test year. The utility owner recorded \$1,735 in 1988 and \$202 in 1991 on the Annual Reports as CIAC. These amounts should have been recorded as owner equity. Staff has decreased CIAC by \$1,937 to reflect this adjustment. This adjustment results in CIAC of \$7,350.

Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of \$31,701 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 increased accumulated depreciation by \$8,219 to reflect its calculated balance. Staff has also decreased the accumulated depreciation by \$310 to reflect an averaging adjustment. These adjustment results in an average accumulated depreciation of \$39,610.

Accumulated Amortization of CIAC: The utility did not record accumulated amortization of CIAC balances. Staff calculated amortization of CIAC using composite rates prescribed in Rule 25-30.140, F.A.C. for the CIAC. Based on this calculation, staff increased accumulated amortization of CIAC by \$5,071. Additionally, staff decreased accumulated amortization of

Docket No. 070601-WU
Date: February, 13, 2008

CIAC by \$24 to reflect an averaging adjustment. These adjustments result in accumulated amortization of CIAC of \$5,047.

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 \$3,096 (based on O&M of \$24,770).

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year average rate base is \$8,724. Rate base is shown on Schedule No. 1-A and staff's adjustments are shown on Schedule 1-B.

Issue 4: 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 ~~9~~⁹.07% with a range of 8.07% - 10.07%. The appropriate overall rate of return is 9.07%. (Deason)

Staff Analysis: The utility's capital structure according to its 2006 annual report consists of \$2,212 for proprietary capital. Using the most recent Commission-approved leverage formula⁴, the appropriate rate of return on equity is 9.07%. The utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends a return on equity of 9.07%, with a range of 8.07% - 10.07%, and an overall rate of return of 9.07%. The return on equity and overall rate of return are shown on Schedule No. 2.

⁴ 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.

Docket No. 070601-WU

Date: February, 13, 2008

Issue 5: What are the appropriate amount of test year revenues in this case?

Preliminary Recommendation: The appropriate amount of test year revenues in this case are \$5,668. (Deason)

Staff Analysis: Orangeland reported test year revenues of \$5,688. Pursuant to Audit Finding No. 1, revenues are recorded on a cash basis as received. The utility also has customers who prepay for water use.

Orangeland charges \$5.00 for the first 5,000 gallons of use and \$0.25 for each additional gallons per month. The utility charges 10% of the outstanding balance on past due bills. These rates are authorized in the utility's tariff. A revenue test was performed by staff to confirm the revenues reported by the utility. Based on the foregoing, staff recommends that the appropriate amount of test year revenues is \$5,688.

Issue 6: What are the appropriate operating expense?

Preliminary Recommendation: The appropriate amount of operating expense for the utility is \$24,770. (Deason)

Staff Analysis: Orangeland recorded operating expenses of \$8,031 during the test year ending June 30, 2007. 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) – The utility recorded \$0 for Acct. No. 601 during the test year. Pursuant to Audit Finding No. 4, the utility did not charge for work performed by the owner and non-utility employees for clerical, meter reading and operation. Orangeland stated that the following work was performed but not charged to the utility.

Clerical – 12 hours monthly. Prepare billing register, send monthly bills, receive payments and make deposits.

Read meters -- 12 hours monthly.

Other – 30 hours monthly. Check on water plant daily, order new meters when needed, turns on generator if there is a power outage.

Given the above, staff believes salaries should be imputed for Orangeland. Staff arrived at its imputed salaries by using the appropriate salary levels found in the 2003 Water Utility Compensation Survey published by the American Water Works Association. The salaries were, then, indexed to 2007, and multiplied by the number of hours performed on a yearly basis. The chart below shows staffs calculation of salaries:

Work Performed	2003 Survey of salaries	Hourly Cost	Indexed Hourly Cost	Hours per year	Cost per year
Clerical and Meter Reading	\$50,972.00	\$24.51	\$27.30	288	\$7,861.15
Other	\$56,649.00	\$27.24	\$30.34	360	\$10,920.86
				Total	\$18,782.02

Based on the above, staff recommends Acct. No. 601 should be increased by 18,782.02 to recognize the work performed by the owner and non-utility employees.

Purchased Power – (615) – Orangeland recorded a balance of \$0 in Acct. No. 715 – Purchased Power for the 12 months ended June 30, 2007. Pursuant to Audit Finding No. 4, staff

determined that the owner paid \$1,447 for power expense. To recognize the power purchased by the owner, staff recommends purchased power expense for the test year of \$1,447.

Chemicals – (618) – The utility recorded balances of \$0 in Acct. No. 618 – Chemicals, for the 12 months ended June 30, 2007. Pursuant to Audit Finding No. 4, staff determined that the owner paid \$122 for chemicals. To recognize the chemicals purchased by the owner, staff recommends chemicals of \$122 for the test year.

Materials and Supplies – (620) – Orangeland recorded \$162 for Acct. No. 620 – Materials and Supplies for the 12 months ended June 30, 2007. Pursuant to Audit Finding No. 4, staff has determined that the materials and supplies were not purchased during the test year. Staff has decreased materials and supplies expense by \$162 to remove the out of period expenses. Staff recommends Materials and Supplies expense of \$0 for the test year.

Contractual Services - Billing – (630) – The utility recorded \$2,471 for Acct. No. 630 – Contractual Services - Billing for the 12 months ended June 30, 2007. Pursuant to Audit Finding Nos. 2 and 4, staff has determined that the \$2,471 billing expense should have been classified to UPIS. Staff has decreased contractual services - billing expense by \$2,471 to remove the expenses reclassified to UPIS. Staff recommends contractual services - billing expense of \$0 for the test year.

Contractual Services - Testing – (635) – Orangeland recorded \$2,910 for Acct. No. 635 – Contractual Services - Testing for the 12 months ended June 30, 2007. Pursuant to Audit Finding No. 4, staff has determined that \$480 for contractual services were not incurred during the test year. Staff has decreased contractual services - testing expense by \$480 to remove the out of period expenses. Staff recommends contractual services - testing expense of \$2,430 for the test year.

Contractual Services - Other – (636) – The utility recorded \$1,500 for Acct. No. 636 – Contractual Services - Other for the 12 months ended June 30, 2007. Pursuant to Audit Finding No. 4, staff has determined that \$300 for contractual services were not incurred during the test year. Staff has decreased contractual services - other expense by \$300 to remove the out of period expenses. Staff recommends contractual services - other expense of \$1,200 for the test year.

Miscellaneous Expense – (675) – Orangeland recorded \$988 for Acct. No. 675 for the test year ending June 30, 2007. Pursuant to Audit Finding No. 4, staff has decreased miscellaneous expense by \$34 and \$564 to remove customer refunds and to reflect the reclassification to TOTI, respectfully. In addition, miscellaneous expenses have been increased \$399 to reflect bank charges. Staff recommends miscellaneous expenses of \$789 for the test year.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M should be increased \$16,739 as shown on Schedule No. 3-B. Staff's recommended O&M expenses of \$24,770 are shown on Schedule No. 3-A.

Depreciation Expense (Net of Amortization of CIAC) – The utility recorded \$0 for depreciation expense. Staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Staff recommends net depreciation expense of \$1,065.

Taxes Other Than Income (TOTI) – Orangeland’s records reflect a balance of \$564 for Acct. No. 408 – TOTI. Pursuant to Audit Finding No. 5, staff’s audit of company provided documents indicate that included were amounts for property taxes of \$284. The utility did not take advantage of the discounted property tax of \$275.48. Staff has reduced property taxes by \$8 to reflect the discounted property tax amount. Staff has decreased the TOTI balance by \$25 for decreases in regulatory assessment fees based on the revenue adjustment discussed in Issue No. 3. Staff has increased the TOTI balance by \$1,407, for increases in payroll taxes based on staff’s recommended salary amounts. Based on the above, staff recommends test year TOTI of \$1,968.

Income Tax – The utility recorded income tax of \$0 for water. The utility is a sole proprietorship. 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 \$27,803. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule 3-B.

Issue 7: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

Preliminary Recommendation: Yes, a repression adjustment is appropriate for this utility. Test year consumption should be reduced by 3,238 kgals. Purchased power expense should be reduced by \$766, chemical expense should be reduced by \$65, and regulatory assessment fees (RAFs) should be reduced by \$39. The final post-repression revenues derived from monthly service, excluding miscellaneous revenues of \$461, should be \$28,344. The final revenue requirement should be \$28,805.

In order to monitor the effect of the changes to rate structure and revenue, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. 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. (Bruce)

Staff Analysis: Staff conducted a detailed analysis of the consumption patterns of the utility's residential customers as well as the effect of increased revenue requirements on the amount paid by residential customers at varying levels of consumption. This analysis showed that approximately 39% the residential bills rendered during the test year were for consumption levels at or below 3 kgal per month. This does not indicate a highly seasonal customer base.

Staff's analysis also showed that average residential monthly consumption per customer was approximately 6.6 kgal, indicating that there is some level of discretionary, or non-essential, consumption, such as outdoor irrigation. Non-essential consumption is relatively responsive to changes in price, and is therefore subject to the effects of repression.

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 revenues from monthly service in this case, 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. Based on this methodology, staff calculated that test year residential water sold should be reduced by 3,238. Purchased power expense should be reduced by \$766, chemical expense should be reduced by \$65, and regulatory assessment fees (RAFs) should be reduced by \$39. The final post-repression revenues from monthly service, which excludes miscellaneous revenues of \$461, should be \$28,344. The final revenue requirement should be \$28,805.

In order to monitor the effect of the changes to rate structure and revenue, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. 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

Docket No. 070601-WU
Date: February, 13, 2008

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 8: Should the utility's current water system rate structure be changed, and, if so, what the appropriate rate structure?

Preliminary Recommendation: Yes, the utility's current water system rate structure, which includes a 5,000 (5 kgal) water allotment in the base facility charge (BFC), should be changed to a traditional BFC/uniform gallonage charge rate structure with no usage allotments. The water system's BFC cost recovery percentage should be set at 50%. (Bruce)

Staff Analysis: The utility's current water rate structure consists of a monthly BFC/gallonage charge rate structure, in which the BFC of \$5.00 includes 5 kgal allotment, and all gallons in excess of 5 kgal used are charged \$0.25 per kgal.

Staff performed a detailed analysis of the utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: 1) allow the utility to recover its revenue requirement; 2) equitably distribute cost recovery among the utility's customers; and 3) implement, where appropriate, water conserving rate structures consistent with the Commission's Memorandum of Understanding with the state's five Water Management Districts.

Orangeland Water Supply is located in Pasco County within the Southwest Florida Water Management District (SWFWMD or District) in the Southern Use Caution Area. The Commission's preferred rate structure had traditionally been the BFC/uniform gallonage charge rate structure. However, over the past several years, the Water Management Districts have requested whenever possible that an inclining block rate structure be implemented.

Based on the District's declared severe water shortage, and consistent with the results of the statewide Water Conservation Initiative and Water Management District's desire to eliminate non-conserving water rate structures, staff does not believe it is appropriate to continue the kgal allotment in the BFC. Based on staff's analysis of the utility's billing data, the customers' average monthly consumption of 6.6 kgal would suggest that implementing an inclining-block rate structure is appropriate. Staff believes the customers will exhibit a reduction in consumption due to the high magnitude of the revenue requirement increase alone. Therefore, staff recommends that a BFC/uniform gallonage charge rate structure be implemented.

Furthermore, staff recommends that the BFC allocation be set at 50%. The Commission typically set BFC cost recovery no greater than 40%. However, setting the BFC cost recovery at 40% or below would increase the gallonage charge significantly due to the magnitude of the revenue requirement increase.

Based on the foregoing, staff recommends that the current water system rate structure, which includes a 5,000 (5 kgal) water allotment in the BFC be changed to a traditional BFC/uniform gallonage charge rate structure with no usage allotments. The BFC cost recovery percentage for the water system should be set at 50%.

Issue 9: What are the appropriate monthly rates for the utility?

Preliminary Recommendation: The appropriate monthly water rates are shown on Schedule No. 4. The recommended water rates produce revenues of \$28,344. 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 on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Bruce, Deason)

Staff Analysis: The appropriate pre-repression revenue requirement is 28,805 for the water system. As discussed in Issue 7, staff recommends that the appropriate rate structure for the water systems' residential and non-residential class is a traditional base facility charge (BFC)/gallage charge rate structure with no usage allotments. The BFC cost recovery percentage for the water system should be set at 50%. As discussed in Issue 7, staff recommends that repression adjustments be made to the water system. Applying these rate design and repression adjustments to the recommended pre-repression revenue requirements results in the final rates contained in Schedules No. 4. These rates are designed to recover a post-repression revenue requirement for the water system of \$28,344.

Issue10: 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 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 of \$271 annually 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. (Deason)

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 \$271 annually. Using the utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

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

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

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

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), 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. (Deason)

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 \$16,536. 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'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.

WATER TREATMENT SYSTEM USED & USEFUL

1)		Capacity of Plant	100	gallons per minute
2)		Maximum 5 Days Average		gallons per day
	a)	Maximum day @ peak	50	gallons per minute
3)		Average Daily Flow		gallons per day
4)		Fire flow Capacity (FF) Required Fire Flow: gallons per minute for hours	n/a	gallons per day
5)		Growth	n/a	
	a)	Average Test Year Customers in ERCs: Historical Test Year: 2005	72	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	0	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (5b)x(5c)X[2a\ (5a)]	0	gallons per day
6)		Excessive Unaccounted for Water (EUW)	n/a	gallons per day
	a)	Percentage of Excessive amount	n/a	
	b)	Total Unaccounted for Water	n/a	gallons per day
	c)	Reasonable Amount (10% of average Daily Flow)	n/a	gallons per day
	d)	Excessive Amount	n/a	gallons per day

USED AND USEFUL FORMULA

$$\begin{aligned}
 &(((\text{Max days} - \text{EUW}) / 1,440) \times 2) + \text{FF} + \text{Growth} \\
 &\quad / \text{1 Well (gpm)} \\
 &(((36,000 - 0) / 1,440) \times 2) + 0 + 0) / 100 \text{ gpm} = 50 \% \text{ Used \& Useful}
 \end{aligned}$$

The utility's service territory is built-out; therefore, the facility is 100% U&U.

Name of Utility: Orangeland Water Supply
Docket No: 070601-WU

Attachment A, Page 2 of 2

DISTRIBUTION SYSTEM – USED AND USEFUL DATA

1)		Capacity of System (ERCs)	76	ERCs
2)		Test Year Connections Average Test Year	76	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	0	ERCs

USED AND USEFUL FORMULA

$$[2+3]/(1) = 100\% \text{ Used and Useful}$$

The utility's service territory is built-out; therefore, the facility is 100% U&U.

ORANGELAND WATER SUPPLY TEST YEAR ENDING 6/30/2007 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 070601-WU		
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF	
1. UTILITY PLANT IN SERVICE	\$38,499	\$8,042	\$46,541	
2. LAND & LAND RIGHTS	\$1,000		\$1,000	
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0	
4. CIAC	(\$9,2870)	\$1,937	(\$7,350)	
5. ACCUMULATED DEPRECIATION	(\$31,701)	(\$7,909)	(\$39,610)	
6. AMORTIZATION OF CIAC	\$0	\$5,047	\$5,047	
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$3,096</u>	<u>\$3,096</u>	
8. WATER RATE BASE	(\$1,489)	<u>\$10,213</u>	\$8,724	

ORANGELAND WATER SUPPLY

**SCHEDULE NO. 1-B
 DOCKET NO.
 070601-WU**

**TEST YEAR ENDING 6/30/2007
 ADJUSTMENTS TO RATE BASE**

	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
1. To reflect staff's plant per original cost study	\$5,615
2. Increase Acct. No. 311 – Pumping Equipment	\$1,927
3. Increase Acct. No. 320 – Water Treatment Equipment	\$183
4. Increase Acct. No. 334 – Meters & Meter Installation	<u>\$317</u>
Total	<u>\$8,042</u>
<u>CIAC</u>	
To reflect CIAC	<u>\$1,937</u>
<u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation per rule	(\$8,219)
2. To reflect averaging adjustment	<u>\$310</u>
Total	<u>(\$7,909)</u>
<u>AMORTIZATION OF CIAC</u>	
1. To impute CIAC	\$5,071
2. To reflect an averaging adjustment	<u>(\$24)</u>
Total	<u>\$5,047</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O & M expenses.	<u>\$3,096</u>

**ORANGELAND WATER
 SUPPLY**
TEST YEAR ENDING 6/30/2007
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 070601-WU

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. PARTNERSHIP EQUITY	\$0	\$0	\$0					
2. RETAINED EARNINGS	\$0	\$0	\$0					
3. PAID IN CAPITAL	\$0	\$0	\$0					
4. OTHER COMMON EQUITY	<u>\$2,212</u>	<u>\$0</u>	<u>\$2,212</u>					
5. TOTAL COMMON EQUITY	\$2,212	\$0	\$2,212	\$6,512	\$8,724	100%	9.07%	9.07%
6. LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
TOTAL LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
7. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
8. TOTAL	<u>\$2,212</u>	<u>\$0</u>	<u>\$2,212</u>	<u>\$6,512</u>	<u>\$8,724</u>	<u>100.00%</u>		<u>9.07%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>8.07%</u>	<u>10.07%</u>	
OVERALL RATE OF RETURN						<u>8.07%</u>	<u>10.07%</u>	

ORANGELAND WATER SUPPLY		SCHEDULE NO. 3-A DOCKET NO. 070601-WU				
TEST YEAR ENDING 6/30/2007						
SCHEDULE OF WATER OPERATING INCOME						
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE		REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$5,668</u>	<u>\$0</u>	<u>\$5,668</u>	<u>\$24,007</u> 423.58%		<u>\$29,675</u>
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$8,031	\$16,739	\$24,770	0		\$24,770
3. DEPRECIATION (NET)	\$0	\$1,065	\$1,065	0		\$1,065
4. AMORTIZATION	\$0	\$0	\$0	\$0		\$0
5. TAXES OTHER THAN INCOME	\$564	\$1,404	\$1,968	\$1,080		\$3,048
6. INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>		<u>\$0</u>
7. TOTAL OPERATING EXPENSES	<u>\$8,595</u>	<u>\$19,208</u>	<u>\$27,803</u>	<u>\$1,080</u>		<u>\$28,884</u>
8. OPERATING INCOME/(LOSS)	<u>(\$2,928)</u>		<u>(\$22,136)</u>			<u>\$791</u>
9. WATER RATE BASE	<u>(\$1,489)</u>		<u>\$8,724</u>			<u>\$8,724</u>
10. RATE OF RETURN	<u>(196.61%)</u>		<u>(253.72%)</u>			<u>9.07%</u>

ORANGELAND WATER SUPPLY	SCHEDULE NO. 3-B DOCKET NO. 070601-WU
TEST YEAR ENDING 6/30/2007 ADJUSTMENTS TO OPERATING INCOME	
	<u>WATER</u>
OPERATION AND MAINTENANCE EXPENSES	
1. Salaries and Wages - Employees (601)	
a. To impute salaries	<u>\$18,782</u>
2. Purchased Power Expense (615)	
a. Purchased Power paid by owner	\$1,447
3. Chemical Expense(618)	
a. Chemicals paid by owner	<u>\$122</u>
4. Materials and Supplies (620)	
a. out of period maintenance & supplies	(\$162)
5. Contractual Services - Billing (630)	
a. reclassified to UPIS	(2,471)
6. Contractual Services - Testing (635)	
a. out of period testing	(\$480)
7. Contractual Services - Other (636)	
a. out of period services	(\$300)
8. Miscellaneous Expense (675)	
a. customer refund	(\$34)
b. bank charges	399
c. reclassify to TOTI	(564)
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	\$16,739
DEPRECIATION EXPENSE	
1. To reflect net depreciation calculated per 25-30.140, FAC	\$1,265
2. To reflect test year CIAC amortization calculated by staff	<u>(200)</u>
Total	\$1,065
TAXES OTHER THAN INCOME	
1. To reduce RAFs per audit	(\$25)
2. To reduce property taxes per audit	(8)
3. Payroll Tax	<u>1,437</u>
Total	\$1,404

ORANGELAND WATER SUPPLY
TEST YEAR ENDING 6/30/2007
ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSE

SCHEDULE NO. 3-C
DOCKET NO. 070601-WU

	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$18,782	\$18,782
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	0	1,447	1,447
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	122	122
(620) MATERIALS AND SUPPLIES	162	(162)	0
(630) CONTRACTUAL SERVICES - BILLING	2,471	(2,471)	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	0	0
(635) CONTRACTUAL SERVICES - TESTING	2,910	(480)	2,430
(636) CONTRACTUAL SERVICES - OTHER	1,500	(300)	1,200
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	0	0
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>988</u>	<u>(199)</u>	<u>789</u>
	\$8,031	\$16,739	\$24,770

ORANGELAND WATER SUPPLY

**SCHEDULE NO. 4
DOCKET NO. 070601-
WU**

TEST YEAR ENDING 6/30/2007
MONTHLY WATER RATES

	UTILITY'S* EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>General and Residential Service</u>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$5.00*	\$16.05	\$0.15
3/4"	\$0.00	\$24.08	\$0.23
1"	\$0.00	\$40.13	\$0.38
1-1/2"	\$0.00	\$80.25	\$0.77
2"	\$0.00	\$128.40	\$1.23
3"	\$0.00	\$256.80	\$2.46
4"	\$0.00	\$401.25	\$3.84
6"	\$0.00	\$802.50	\$7.68
* Existing rates include 5,000 gallons in the Base Facility Charge for.			
 <u>General and Residential Gallonage Charge</u>			
Per 1,000 gallons over 5,000	\$.25		
Per 1,000 gallons		\$4.92	\$0.05
 <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$5.00	\$30.81	\$30.51
5,000 Gallons	\$5.00	\$40.65	\$40.25
10,000 Gallons	\$6.25	\$65.25	\$64.60

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.