State of Florida

Public Service Commission

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STATE OF FLORIDA

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

Public Service Commission

March 18, 2008

Mr. Fred Brown
Raintree Utilities, Inc.
2100 Lake Eustis Drive
Tavares, Florida, 32778

Re: Docket No. 070627-WU – Application for staff-assisted rate case in Lake County by Raintree Utilities, Inc.

Dear Mr. Brown:

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:

City of Tavares Civic Center
100 East Caroline Street
Tavares, Florida, 32778

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6642. In addition, you may contact Lydia Roberts at (850) 413-6877, with any questions.

Sincerely,

Cheryl Bulecza-Banks
Chief, Bureau of Rate Filings

Enclosures

CBB/LR
cc: Division of Economic Regulation (Bulecza-Banks, Fletcher, Massoudi, Lingo, Roberts)
Office of the General Counsel (Hartman)

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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 June 5, 2008 for the June 17, 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.

Raintree Utilities, Inc. (Raintree or utility) is a Class C water utility providing service to approximately 119 customers in Lake County. The utility has two distinct service areas which include the Raintree Harbor and Bentwood subdivisions. At this time, Raintree does not have any customers connected to its Bentwood water system. Wastewater service is provided through septic tanks. According to Raintree's 2006 Annual Report, the utility reported operating revenues of $45,950 and a net operating income (loss) of $600.

On September 8, 1987, this Commission issued Order No. 18131 granting Raintree an exemption from Commission jurisdiction pursuant to Section 367.022(6), Florida Statutes (F.S.) Section 367.022(6), F.S., exempts those systems with the capacity or proposed capacity to serve 100 or fewer persons. The Commission found the utility exempt based upon the initial 29 lot subdivision and associated capacity of the water plant. Raintree began operation in January 1988 and implemented rates and charges in January 1990.

On July 18, 1991, Raintree advised the Commission that it was in the process of expanding the distribution system to serve 119 lots and had received Lake County's approval for the second phase of the development. The utility further advised that it was preparing to file an application with the Commission for an original certificate.

On October 10, 1991, Raintree filed its application for a water certificate. The Commission granted Water Certificate 539-W to the utility in Order No. PSC-92-0019-FOF-WU, issued March 10, 1992.[1] The utility has never had rate base established and currently operates under the same rates that were established in Order No. PSC-92-0019-FOF-WU.

On April 28, 2000, the Commission issued Order No. PSC-00-0843-FOF-WU, approving the transfer of majority organizational control from Mr. Donn Monn to Mr. Keith J. Shamrock. Rate base was not established because the sale was accomplished by the transfer of stock.

On June 29, 2005, the Commission issued Order No. PSC-05-0706-PAA-WU which amended the utility's certificate to include the additional territory of Bentwood. In addition, the Commission also approved an $800 plant capacity charge and a meter installation charge of $125.

On September 27, 2007, Raintree filed an application for a staff assisted rate case. This is the utility's first staff assisted rate case. In its application, Raintree requested authority to increase its plant capacity charge from $800 to $2,900. By Order No. PSC-07-0981-PCO-WU,

[1] See Order No. PSC-92-0019-FOF-WU, issued March 10, 1992, in Docket No. 911039-WU, In re: Application for Raintree Utilities, Inc. for a water certificate in Lake County, Florida.

issued December 10, 2007, in this docket, the Commission approved a temporary plant capacity charge of $2,900 subject to refund with interest pending the determination of final rates and charges in this proceeding. As Raintree Harbor is built out, the proposed plant charges will only apply to Bentwood and future developments.

Raintree Harbor's rates should be set using the traditional rate setting method. Because the Bentwood water system is newly installed and no customers have connected to date, Bentwood rates should be established using same method applied in original certificate cases, which is 80% of design capacity.

Staff has audited the utility's records for compliance with Commission rules and orders and determined the components necessary for rate setting. The staff engineer also conducted a field investigation of the utility's plant and service area. A review of the utility's operation expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating cost. With regard to the utility's Raintree Harbor water system, staff has selected a historical test year ending September 30, 2007, for this rate case.

This recommendation addresses Raintree's request for authority to collect revised plant capacity charges and to establish rates for both Raintree Harbor and Bentwood. The Commission has jurisdiction pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, F.S.

Discussion of Issues

Issue 1: Should the quality of service provided by Raintree Utilities, Inc. be considered satisfactory?

Preliminary Recommendation: The determination of the quality of water service provided by Raintree Utilities, Inc. will be deferred until after the customer meeting scheduled for April 14, 2008. (Massoudi)

Staff Analysis: Rule 25-30.433(1), Florida Administrative Code (F.A.C.), 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.

QUALITY OF UTILITY'S PRODUCT

The water treatment plants (WTPs) of Raintree are regulated by the Department of Environmental Protection (DEP). The DEP inspected Raintree Harbor's WTP on August 30, 2007. Raintree has conformed to all testing and chemical analyses required by this agency and the test results have been satisfactory.

OPERATIONAL CONDITIONS AT THE PLANT

Raintree Harbor WTP

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. According to the DEP's Sanitary Survey Report dated August 30, 2007, the DEP's inspector observed the following deficiencies during her site inspection:

1. There is a gap in the sanitary seal plate on well No.1.
2. The above ground check valve for Well No. 3 is not functioning as intended.
3. The 8" Fire Well No. 2 is not designed to supplement the existing wells for the normal domestic demands due to the required minimum five-minute contact time in filters.

Per staff's phone conservation with the utility on December 5, 2007, Raintree is in process of responding to DEP regarding the above issues. The utility will mail a copy of the letter to staff after it is signed.

Maintenance at the plant site appeared to have been given adequate attention. However, during the engineering field inspection, there were no local emergency phone numbers posted at the Raintree Harbor or Bentwood water plants. Although, the operational condition at the water treatment plant is satisfactory, it is recommended that a local emergency phone numbers, which can be easily seen, be posted at the both water plants. The emergency phone numbers 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 determination on the operational conditions at the WTP until after further information is obtained from DEP.

UTILITY'S ATTEMPT TO ADDRESS CUSTOMER SATISFACTION

An informal customer meeting is scheduled to be held on April 14, 2008. That meeting will give the customers of Raintree 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 be heard by the Commissioners at the June 17, 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: What portions of Raintree utility are used and useful?

Preliminary Recommendation: Both the water treatment plants and water distribution systems should be considered 100% used and useful (Massoudi)

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

Raintree Harbor Water Treatment Plant

The existing water system at Raintree Harbor subdivision consists of three active wells, three 70-cubic foot activated carbon filters and one hydro pneumatic tank. These three existing wells are designated as Well Nos. 1, 2 and 3. Well No. 1 has a diameter of 4 inches. This well is equipped with a 5 horsepower (hp) submersible pump with a capacity of 90 gallons per minute (gpm). Well No. 2 has a diameter of 8 inches. This well is equipped with a 50 hp vertical turbine pump with a capacity of 600 gpm. This well is designed for fire protection purposes. Well No. 3 has a diameter of 4 inches. This well is equipped with a 7.5 hp submersible pump with a capacity of 90 gpm. The three activated carbon filters are rated at 150 gpm each. These carbon filters were installed in 1992 to remove the maximum contaminant level of ethylene dibromide EDB from the groundwater wells. The raw water from the three operating wells is currently pumped into three activated carbon filters. Then, the filtered and purified water is chlorinated using a liquid sodium hypochlorite solution and pumped into a 5,000-gallon hydro pneumatic tank. The filtered backwash water is charged to an on-site retention/percolation dry pond.

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 firm reliable capacity. By removing the largest well (600 gpm), the firm reliable capacity of water plant was determined to be 180 gpm.

During the 12-month test year review period, the peak month of water usage occurred during February 2007. Consistent with the Commission's past practice, the single maximum day (SMD) flow during the test year, as reflected in the utility's DEP monthly operating reports MORs, would normally be used to quantify demand unless the flows appear to be caused by some extraordinary event, such as a main break or a fire. If such an anomaly is believed to have occurred during the SMD, the average of the five highest days within a 30-day period during the test year should be used. The single maximum day occurred on February 2007, with a usage of 167,000 gallons per day (gpd). Because the average daily flow was only 61,192 gpd and the next nearest day usage was only 56,000 gpd, we believe that the 167,000 gallons of usage of water is an anomaly. Therefore, we find it appropriate to use the average of the five highest days within the month of May 2007, which equates to 119,000 gpd or 82.64 gpm. Since the water plant is a closed system operation having one hydro pneumatic tank (no storage tank), the actual peak hours of the maximum days should be considered. Therefore, the actual peak hours {2 x (maximum day less excessive unaccounted water)} was used in the used and useful formula. The average daily flow was 42.49 gpm. The utility provides fire protection via fire hydrants throughout the distribution system. The Lake County fire code requires a minimum of 600 gpm which is considered in the calculations. A regression analysis was performed based on an anticipate growth of 3.3 ERCs for the next year which results in a projection of 19.21 gpm for

the statutory growth period as defined in Section 367.081(2)(a)2.b., F.S. Based on utility-provided information and from flow analyses there does not appear to be excessive unaccounted for water in the test year period. In accordance with the formula method and the calculation methodology used (Attachment A, Page 1 of 2), the used and useful for the water treatment plant is calculated to be 100%.

Raintree Harbor Water Distribution System

The water distribution system had the potential of serving 125 customers (estimated to be 149 ERCs) in the test year period. The average number of customers served during the test year was 118 customers (estimated to be 142 ERCs). A regression analysis of growth over the past five years indicates that next years' growth would be 3.3 ERCs per year. When the 3.3 ERCs are applied to the statutory growth period, the future growth is calculated to be 16.5 ERCs. By the formula approach, the staff calculates the distribution system to be 100% used and useful (Attachment A, Page 2 of 2).

Bentwood Water Treatment Plant and Water Distribution System

The water treatment plant at Bentwood is a closed system with one 12" well (Well No. 1) that is drilled to a depth of 375 feet. The well is equipped with a 75 hp vertical turbine pump that resources the ground water table at a rate of 1,100 gpm. The raw water is treated with liquid sodium hypochlorite solution which is injected prior to entry into the 15,000 gallon hydro pneumatic tank. The WTP in the Bentwood subdivision was constructed in November 2007 and became operational in January 2008. During the engineering site visit, only one residential house was under construction in the subdivision.

Since there is no data available at this point to calculate the used and useful, staff recommends that the used and useful be based on the original certificate application methodology which establishes rates at 80 percent of design capacity.

Issue 3: 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 $47,442 for Raintree Harbor and $213,166 for Bentwood. (Roberts)

Staff Analysis: Staff selected a test year ending September 30, 2007 for this rate case. As discussed in the case background, Raintree Harbor's rates should be set using the traditional rate setting method and Bentwood rates should be established using the same method applied used in original certificate cases which is 80% of design capacity. A summary of each component and the adjustments for Raintree Harbor and Bentwood are as follows:

Utility Plant in Service (UPIS): The utility recorded UPIS for Raintree Harbor of $68,550 and $655,411 for Bentwood for the test year ending September 30, 2007.

Pursuant to Audit Finding No. 1, the utility was unable to provide any original cost records to substantiate its 2007 plant balances. As stated in the case background, the utility has never filed a rate case with this Commission since becoming jurisdictional in 1991. An original cost study was completed by the staff engineer due to the lack of records for the time period prior to Raintree purchasing the plant. The staff engineer's cost estimate was determined by using available maps, invoice records, and information obtained during an inspection of the visible facilities during the engineering field investigation. Based on the original cost study, staff has made an adjustment to increase plant in service by $141,213 for Raintree Harbor. The following table illustrates the plant adjustments by primary account.

Account # 304	Increase	$5,700	Structure and improvements
Account # 309	Increase	$991	Master meter
Account # 311	Increase	$23,168	Pumping equipment
Account # 320	Increase	$46,622	Water treatment
Account # 330	Increase	$11,448	Reservoirs - Hydro Tank
Account # 331	Increase	$49,878	Distribution mains
Account # 333	Increase	$6,290	Lateral services
Account # 335	Increase	$8,344	Fire Hydrants
Account # 340	Increase	$2,920	Office equipment and furniture
Account # 303	Decrease	($5,740)	Reclassify land recorded in plant
Account # 305	Decrease	($2,520)	Reclassified to Acct. # 304
Account # 307	Decrease	($3,063)	Well purchased in 2002
Account # 334	Decrease	($2,825)	Reclassified to Acct. # 309

Staff decreased Bentwood's UPIS (Account No. 334) by $12,309 to reflect the appropriate plant-in-service at 80% build-out. The appropriate average amount of test year plant-in-service is $209,763 for Raintree Harbor and $643,102 for Bentwood.

Non-used and Useful Plant: As discussed in Issue No. 2 of this recommendation, the utility's water systems should be considered 100% used and useful. Therefore, no adjustments are necessary.

Contribution in Aid of Construction (CIAC): The utility recorded CIAC of $0 for Raintree Harbor and $200,386 for Bentwood for the test year ending September 30, 2007. Rule 25-30.570, F.A.C., addresses the imputation of CIAC when a company has not recorded any amount on the utility's books and the company does not submit competent substantial evidence as to the amount of CIAC. Staff has determined that CIAC should be imputed in the amount of $29,750 for Raintree Harbor. In addition, based on staff's recommended plant capacity charge of $2,600, staff has increased CIAC by $155,320 for Bentwood.

Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of $17,919 for Raintree Harbor and $0 for Bentwood 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 $120,135 for Raintree Harbor and $141,566 for Bentwood to reflect depreciation calculated per staff. These adjustments result in average accumulated depreciation of $138,054 for Raintree Harbor and $141,566 for Bentwood.

Accumulated Amortization of CIAC: The utility did not record accumulated amortization of CIAC balances for Raintree Harbor but they did record accumulated amortization of CIAC for Bentwood of $51,339. Staff calculated the amortization of CIAC using composite rates prescribed in Rule 25-30.140, F.A.C. Based on this calculation, staff decreased accumulated amortization of CIAC by $5,207 for Raintree Harbor to reflect an averaging adjustment. Based on this recalculation, staff increased Bentwood by $7,177 to reflect the appropriate plant in service decrease at 80% build-out. These adjustments result in an average accumulated amortization of CIAC of $5,207 for Raintree Harbor and $58,516 for Bentwood.

Working Capital Allowance: Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or ongoing-concern requirements of the utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of O&M expense formula approach for calculating the working capital allowance. Applying this formula, staff calculated a working capital allowance of $4,950 for Raintree Harbor and $3,947 for Bentwood to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the forgoing, staff believes the appropriate test year average rate base is $47,442 for Raintree Harbor and $213,166 for Bentwood. Raintee Harbor and Bentwood rate bases are shown on Schedule No. 1-A and 1-B, respectively. Staff's adjustments for Raintree Harbor and Bentwood are shown on Schedule 1-C and 1-D.

Issue 4: What is the appropriate return on equity and overall rate of return for this utility?

Preliminary Recommendation: The appropriate return on equity is 12.01% for Raintree with a range of 11.01% - 13.01%. The appropriate overall rate of return is 8.25%. (Roberts)

Staff Analysis: According to staff's audit, the utility recorded common stock of $100 and negative retained earnings of $8,195. This results in a negative common equity balance of $8,095. Because including a negative common equity balance in the capital structure would penalize the utility by understating the overall rate of return, we have adjusted the negative common equity balance to zero. Based on Commission practice[2], Raintree's negative common equity balance should be set to zero.

In addition, with regard to Raintree Harbor, the utility's long-term debt as of September 30, 2007, was $490,000. With regard to Bentwood, the utility's proforma long-term debt amount is $450,000. The utility reflected a long-term debt cost rate of 8.25%, which was supported through documentation provided to the staff auditors.

The appropriate rate of return on equity is 12.01% based on the most recent Commission-approved leverage formula.[3] 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% - 13.01%, and an overall rate of return of 8.25%. The return on equity and overall rate of return are shown on Schedule No. 2-A and 2-B for Raintree Harbor and Bentwood, respectively.

[2] See Order No. PSC-06-1027-PAA-WU, issued December 11, 2006, in Docket No.050563-WU, In re: Application for increase in water rates in Polk County by Park Water Company. and Order No. PSC-01-1488-PAA-WS,I issued July 18,2001, in Docket No. 981147-WS, In re: Investigation into potential overearnings in Highlands County by Highlands Ridge Associates Inc.

[3] 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 5: What are the appropriate test year revenues?

Preliminary Recommendation: The appropriate amount of test year revenue is $47,425 for the Raintree Harbor system and $61,834 for the Bentwood system. (Roberts, Lingo)

Staff Analysis: Per Audit Finding No. 5, the utility reported test year revenues of $47,425 for the Raintree Harbor system and $1,147 for the Bentwood system. Bentwood expects to have only one customer taking service in 2007, four customers in 2008, and then add thirteen customers per year until the utility has reached 80% of design capacity. Based on the foregoing, staff recommends that the appropriate amount of test year revenues in this case are $47,425 for Raintree Harbor system and $61,834 for the Bentwood system. Test year revenues are shown on Schedule No. 3-A and 3-B and adjustments are shown on Schedule 3-C.

Issue 6: What is the appropriate test year operating expense?

Preliminary Recommendation: The appropriate amount of operating expense for the utility is $49,525 for Raintree Harbor and $45,744 for Bentwood. (Roberts)

Staff Analysis: The utility recorded operating expense of $44,786 for Raintree Harbor and $31,546 for Bentwood during the test year ending September 30, 2007. Adjustments have been made to reflect unrecorded test year expenses and to adjust annual operating costs. The test year operating and maintenance expense (O&M) 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:

Purchased Power – (615) – For the test year, the utility recorded purchased power expense of $5,277 for Raintree Harbor and $5,300 for Bentwood. Based on Audit Finding No. 6, Raintree Harbor's purchased power expense should be reduced by $735 to remove a utility deposit that was paid outside of the test period.

Regulatory Commission Expense– (665) – During the test year, the utility recorded $152 in regulatory commission expense for Raintree Harbor as well as $152 for Bentwood. Staff has increased regulatory expense for each system by $27 to account for the cost of preparing and mailing customer notices related to this rate case.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M expense should be reduced by $708 for Raintree Harbor and increased by $27 for Bentwood. Staff's recommends O&M expenses of $39,596 for Raintree Harbor and $31,573 for Bentwood. The O&M expenses are shown on Schedules No. 3-E and 3-F.

Depreciation Expense (Net of Amortization of CIAC) – The utility recorded $0 for both Raintree Harbor and Bentwood for depreciation expense. Staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Staff's calculated test year net depreciation expense is $7,220 for Raintree Harbor and $10,923 for Bentwood. Staff recommends net depreciation expense of $7,220 for Raintree Harbor and $10,923 for Bentwood.

Taxes Other Than Income (TOTI) – The utility's records reflect a TOTI balance for Raintree Harbor of $4,482 for the test year. Based on Audit Finding No. 7, regulatory assessment fees for Raintree Harbor were increased by $66 to reflect the appropriate test year amount. In addition, staff increased property taxes by $440 to reflect the appropriate test year amount. Moreover, staff has reduced Raintree Harbor's TOTI by $1,400 to remove the cost of documentary stamps associated with long-term debt that is included in the capital structure. Staff has increased Raintree Harbor's TOTI for the effect of staff's proposed revenue increase. No TOTI was incurred during the test year for Bentwood. Staff has included $3,247 in Bentwood's TOTI for projected property taxes at 80 percent build out. TOTI for Raintree and Bentwood are $2,992 and $3,318, respectively.

Income Tax – The utility recorded income tax of $0 for both Raintree Harbor and Bentwood. As Raintree is a limited partnership, the tax liability is passed on to the owners' 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 $49,525 for Raintree Harbor and $45,744 for Bentwood. Operating expenses are shown on Schedule No. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C and 3-D.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate test year revenue requirement in this case is 53,723 for Raintree Harbor and $63,400 for Bentwood. (Roberts)

Staff Analysis: The utility should be allowed an annual increase of $6,298 (13.28%) for Raintree Harbor and $1,566 (2.53%) for Bentwood. This will allow the utility the opportunity to recover its expenses and earn a 12.01% return on its investment. The calculations are as follows:

	Raintree Harbor	Bentwood
Adjusted Rate Base	$47,442	$213,166
Rate of Return	x .1201	x .1201
Return on Rate Base	$ 3,914	$ 17,586
Adjusted O & M expense	39,596	31,573
Depreciation expense (Net)	7,220	10,923
Amortization	$0	$0
Taxes Other Than Income	2,992	3,318
Income Taxes	$0	$0
Revenue Requirement	$53,723	$63,400
Less Test Year Revenues	47,425	61,834
Annual Increase	$6,298	$1,566
Percent Increase/(Decrease)	13.28%	2.53%

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

Issue 8: What are the appropriate rate structures for the utility's Raintree Harbor and Bentwood water systems?

Preliminary Recommendation: The appropriate rate structure for both the Raintree Harbor and Bentwood water systems is the base facility charge (BFC)/uniform gallonage charge rate structure. The billing cycle for both systems should be on a monthly basis. The BFC cost recovery allocations should be set at 36.15% for the Raintree Harbor system and 25% for the Bentwood system. (Lingo, Roberts)

Staff Analysis: The current rate structure for the utility's Raintree Harbor system is the base facility charge (BFC)/uniform gallonage charge rate structure, with a quarterly BFC of $39.00. Customers are also charged $1.40 for each 1,000 gallons (kgal) used. This rate structure is considered usage-sensitive, because customers are charged for all gallons consumed. However, the current rate structure is also considered nonconserving, because customers receive only four price signals (bills) per year, rather than twelve. The current BFC cost recovery allocation is 41%. The Bentwood system has recently become operational, and its initial rates will be set in this proceeding.

Staff takes several things into consideration when designing rates, including the current rate structure, characteristics of the utility's customer base, various conditions of the utility's Consumptive Use Permit, and current and anticipated climatic conditions in the utility's service area. The discussion of staff's preliminary rate structure methodology is contained in Attachment B.

Based on the foregoing and the discussion contained in Attachment B, staff recommends that the appropriate rate structure for both the Raintree Harbor and Bentwood water systems is the base facility charge (BFC)/uniform gallonage charge rate structure. The billing cycle for both systems should be on a monthly basis. The BFC cost recovery allocations should be set at 36.15% for the Raintree Harbor system and 25% for the Bentwood system.

STAFF'S PRELIMINARY RATES
RESIDENTIAL AND GENERAL SERVICE

	Raintree Harbor System	Bentwood System
Base Facility Charge, per Month	**Rate**	**Rate**
Meter Sizes		
5/8" x 3/4"	$13.00	$22.97
¾"	$19.50	$34.46
1"	$32.50	$57.43
1 1/2"	$65.00	$114.85
2"	$104.00	$183.76
3"	$208.00	$367.52
4"	$325.00	$574.25
6"	$650.00	$1,148.50
Gallonage Charge		
Per 1,000 Gallons	$1.77	$1.87

Issue 9: 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 the Raintree Harbor system are appropriate. Residential water consumption should be reduced by 4.3%, resulting in a consumption reduction of approximately 869.5 kgal. Total water consumption for rate setting is 19,263.5 kgals, which represents a 4.3% reduction in overall consumption. The resulting water system reductions to revenue requirements are $150 in purchased power expense, $44 in chemicals and $9 in regulatory assessment fees (RAFs). The resulting water system reductions to revenue requirements are $150 in purchased power expense, $44 in chemicals and $9 in RAFs. The post-repression revenue requirement for the water system is $53,521. There are no repression-related adjustments associated with the Bentwood 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 repression adjustments for this utility based upon the recommended increases in revenue requirements for the 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. [4]

Based on staff's analysis, repression adjustments to the Raintree Harbor system are appropriate. Residential water consumption should be reduced by 4.3%, resulting in a consumption reduction of approximately 869.5 kgal. Total water consumption for rate setting is 19,263.5 kgals, which represents a 4.3% reduction in overall consumption. The resulting water system reductions to revenue requirements are $150 in purchased power expense, $44 in chemicals and $9 in RAFs. The post-repression revenue requirement for the water system is $53,521.

As discussed previously, the Bentwood system is a new system, whose rates were designed based on 80% of designed capacity. There is neither current anticipated price change data nor customer consumption data from that system that is available to use in a repression calculation. Therefore, no repression adjustment is appropriate for the Bentwood 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

[4] 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.

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 10: What are the appropriate rates for this utility?

Preliminary Recommendation: The appropriate monthly water rates are shown on Schedule 4. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of $53,521. 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, Roberts)

Staff Analysis: Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of $53,521. The recommended rates are shown on Schedule No. 4. Approximately 36.15% (or $19,348) of the water monthly service revenues is recovered through the base facility charges, while approximately 63.85% (or $34,173) 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 11: What are the appropriate amount the 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 for both Raintree Harbor and Bentwood as shown on Schedule No. 4-A and 4-B, 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. (Roberts)

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 $152 each, annually for Raintree and Bentwood water system. 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-A and 4-B.

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 12: 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. (Roberts)

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 $4,285 for Raintree Harbor and $40,858 for Bentwood. 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.

Raintree Utilities, Inc **Docket No: 070627-WU**			**Attachment A, Page 1 of 2** **Historical Test Year** **October 06- September 07**	
WATER TREATMENT SYSTEM - USED AND USEFUL DATA				
1)		Capacity of Plant	180	gallons per min
2)	a)	Single Maximum Day (SMD) in the Test Year (It was an anomaly)	116	gallons per min
	b)	Ave. 5 Highest Days within 30-day Period	82.64	gallons per min
	c)	Maximum day @ peak	165.28	gallons per min
3)		Average Daily Flow	42.49	gallons per min
4)		Fire flow Capacity (FF) Required Fire Flow: 600 gallons per minute for 2 hours in Lake County	600	gallons per min
5)		Growth	19.21	
	a)	Average Test Year Customers in ERCs: Historical Test Year: (Oct 06- Sept 07)	142	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	3.3	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (5b)x(5c)X[2c\(5a)]	19.21	gallons per min
6)		Excessive Unaccounted for Water (EUW)	0	gallons per min
	a)	Percentage of Excessive amount		
	b)	Total Unaccounted for Water	2.63	gallons per min
	c)	Reasonable Amount (10% of average Daily Flow)	4.25	gallons per min
	d)	Excessive Amount	0	gallons per min

USED AND USEFUL FORMULA

[2 X (Max days – EUW) + FF + Growth] / Capacity of Plant

[2 X (82.64 – 0) + 600+ 19.21] / 180 = 100% Used & Useful

Raintree Utilities, Inc **Docket No: 070627-WU**			**Attachment A, Page 2 of 2** **Historical Test Year** **October 06- September 07**	
WATER DISTRIBUTION SYSTEM – USED AND USEFUL DATA				
1)		Capacity of System (ERCs)	149	ERCs
2)		Test Year Connections Average Test Year	142	ERCs
3)		Growth	16.5	
	a)	Customer growth in connections for last 5 years including test year using Regression Analysis	3.3	ERCs
	b)	Statutory Growth Period	5	Years
	c)	Growth = (a)x(b) Connections allowed for growth	16.5	ERCs

USED AND USEFUL FORMLA

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

RAINTREE UTILITIES, INC.
HISTORICAL TEST YEAR ENDED
SEPTEMBER 30, 2007

ATTACHMENT B
PAGE 1

DETERMINATION OF APPROPRIATE RATE STRUCTURES

HISTORY OF CURRENT RATES

(1) The utility's current rates were approved in the utility's request for a certificate to provide service.[5] The utility's current rate structure for the Raintree Harbor system (Raintree Harbor) is a BFC/uniform gallonage charge rate structure. Under this usage-sensitive rate structure, customers are charged a quarterly BFC of $39.00, plus $1.40 for each 1,000 gallons (kgal) used. The current BFC cost recovery percentage is 41%.

(2) Although usage sensitive, the utility's current rate structure is considered a non-conserving rate structure, because customers receive only four price signals (bills) regarding their water consumption each year, rather than twelve. The more often a customer receives a consumption-driven price signal, the more rapidly that customer is able to respond to the price signal by adjusting consumption habits, thereby reducing wasteful, uneconomical, impractical, or unreasonable use of water resources.

(3) The Bentwood system is under construction to serve the new Bentwood subdivision. The initial rates for the Bentwood system will be set in this proceeding.

PRACTICES WITH THE WATER MANAGEMENT DISTRICTS

(4) The Commission has a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs or Districts). A guideline of the five Districts is to set the base facility charges such that they recover no more than 40% of the revenues to be generated from monthly service.[6] The Commission follows the WMD guideline whenever possible.[7]

(5) The utility is located in the St. Johns River Water Management District in a Priority Water Resource Caution Area.[8]

WATER CONSERVATION INITIATIVE

(6) In response to growing water demands and water supply problems, coupled with one of the worst droughts in Florida's history, the Florida Department of Environmental Protection (FDEP) led a statewide Water Conservation Initiative (WCI) to find ways to improve efficiency in all categories of water use. In the WCI's final report, issued in April 2002, a high-priority recommendation was that the base facility charge portion of the bill usually should not represent more than 40% of the utility's total revenues.[9]

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[5] Order No. PSC-92-0019-FOF-WU, issued March 10, 1992 in Docket No. 911039-WU, In re: Application of Raintree Utilities, Inc. for a water certificate in Lake County, Florida.

[6] Order No. PSC-02-0593-FOF-WS, issued April 30, 2002 in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.; Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In Re: Application for rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.)

[7] Order No. PSC-94-1452-FOF-WU, issued November 28, 1994, in Docket No. 940475-WU, In re: Application for rate increase in Martin County by Hobe Sound Water Company; Order No. PSC-01-0327-PAA-WU, issued January 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.; Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, In re: Application for staff-assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc.; Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.

[8] St. Johns River Water Management District, Water Supply Assessment and Water Supply Plan, May 2006.

[9] Florida Department of Environmental Protection, Florida Water Conservation Initiative, April 2002.

RAINTREE UTILITIES, INC.
HISTORICAL TEST YEAR ENDED
SEPTEMBER 30, 2007

ATTACHMENT B
PAGE 2

DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)

WATER CONSERVATION INITIATIVE (cont.)	(7)	Many participants in the WCI, including the Florida Department of Environmental Protection, the Florida Public Service Commission, the five Florida Water Management Districts, the Florida Rural Water Association, the Florida Water Environment Association, and the Florida section of the American Water Works Association are signatories on the Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply (JSOC) and its associated Work Plan.[10]
FLORIDA STATUES re: WATER CONSERVATION	(8)	Section 373.227(1), Florida Statutes, states in part: "The Legislature recognizes that the proper conservation of water is an important means of achieving the economical and efficient utilization of water necessary, in part, to constitute a reasonable-beneficial use. The overall water conservation goal of the state is to prevent and reduce wasteful, uneconomical, impractical, or unreasonable use of water resources."
CLIMATIC CONDITIONS	(9)	Staff evaluates available drought information to better design rates that achieve conservation. Based on information from the U.S. Drought Monitor, the utility is located in an abnormally dry area of Florida.
	(10)	Based on information from the National Weather Service's Climate Prediction Center, drought conditions are expected to develop over the next several months in the utility's service area.
USAGE PATTERNS: RAINTREE HARBOR SYSTEM	(11)	The utility has a nonseasonal customer base. The average monthly consumption per customer is approximately 10.6 kgal. A review of the utility service area indicates that most of the customers' lawns are well kept. Many homes are well landscaped and well irrigated.
BFC COST RECOVERY FOR THE RAINTREE HARBOR SYSTEM	(12)	Staff performed detailed analyses of Raintree Harbor'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 rate structures.
	(13)	As discussed in Issue 7, staff's preliminary recommended revenue requirement increase is 13.28%. Based on the level of recommended revenue increase, staff believes it is appropriate, for conservation purposes, to place all of the increase in the gallonage charge for cost recovery. This results in a BFC cost recovery percentage of 36.15%.
INITIAL RATES FOR THE BENTWOOD SYSTEM	(14)	Staff calculated the initial preliminary rates for the Bentwood system based on 80% of its design capacity. This is consistent with how initial rates for new utilities are established in certificate cases. This equates to initial rates of $69.89 per ERC per month and a gallonage charge of $.60 per kgal. The BFC cost recovery percentage under this scenario is 76.07%.
BFC COST RECOVERY FOR THE BENTWOOD SYSTEM	(15)	Staff's evaluation of different BFC cost recovery percentages for the Bentwood system is consistent with the discussion for the Raintree Harbor system in number (12) above. Based on this evaluation, staff recommends that the BFC cost recovery percentage be set at 25%.

[10] Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply, February 2004; Work Plan to Implement Section 373.227, F.S. and the Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply, December 2004.

RAINTREE UTILITIES, INC.
HISTORICAL TEST YEAR ENDED
SEPTEMBER 30, 2007

ATTACHMENT B
PAGE 3

DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)

STAFF'S PRELIMINARY RECOMMENDATION	The appropriate rate structure for both the Raintree Harbor and Bentwood water systems is the base facility charge (BFC)/uniform gallonage charge rate structure. The billing cycle for both systems should be on a monthly basis. The BFC cost recovery allocations should be set at 36.15% for the Raintree Harbor system and 25% for the Bentwood system.

RAINTREE — **SCHEDULE NO. 1-A**
TEST YEAR ENDING 9/31/07 — **DOCKET NO. 070627-WU**
SCHEDULE OF WATER RATE BASE

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$68,550	$141,213	$209,763
2.	LAND & LAND RIGHTS	5,740	0	5,740
3.	NON-USED AND USEFUL COMPONENTS	0	0	0
4.	CIAC	0	(29,750)	(29,750)
5.	ACCUMULATED DEPRECIATION	(17,919)	(120,135)	(138,054)
6.	AMORTIZATION OF CIAC	0	(5,207)	(5,207)
7.	WORKING CAPITAL ALLOWANCE	0	4,950	4,950
8	WATER RATE BASE	$56,371	($8,929)	$47,442

BENTWOOD — **SCHEDULE NO. 1-B**
DOCKET NO. 070627-WU

80% DESIGNED CAPACITY YEAR ENDING 4/30/2014
SCHEDULE OF WATER RATE BASE

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$655,411	($12,309)	$643,102
2.	LAND & LAND RIGHTS	5,800	(927)	4,873
3.	NON-USED AND USEFUL COMPONENTS	0	0	0
4.	CIAC	(200,386)	(155,320)	(355,706)
5.	ACCUMULATED DEPRECIATION	0	(141,566)	(141,566)
6.	AMORTIZATION OF CIAC	51,339	7,177	58,516
7.	WORKING CAPITAL ALLOWANCE	0	3,947	3,947
8	WATER RATE BASE	$512,164	($298,998)	$213,166

	RAINTREE TEST YEAR ENDING 9/31/07 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-C DOCKET NO. 070627-WU
		WATER
	UTILITY PLANT IN SERVICE	
1.	To Increase Account 304 structure and improvements	$5,700
2.	To decrease Account 307 well purchased in 2002	(3,063)
3.	To Increase Account 309 Supply mains for master meter	991
4.	To Increase Account 311 for pumping equipment	23,168
5.	To Increase Account 320 for water treatment	46,622
6.	To Increase Account 330 for distribution reservoirs- Hydro Tank	11,448
7.	To Increase Account 331 for distribution mains	49,878
8.	To Increase Account 333 for Services- Lateral	6,290
9.	To Increase Account 335 for fire hydrants	8,344
10.	To reclassify land recorded in plant Account 303	(5,740)
11.	To reclassify Account 334 to Account 309	(2,825)
12.	To reclassify Account 305 to Account 304	(2,520)
13.	To increase Account 340 for office equipment and furniture	2,920
	To reflect Staff engineer Original Cost study Total	$141,213
	CIAC	
	To reflect the imputation of CIAC pursuant to Audit Finding No 4	($29,750)
	ACCUMULATED DEPRECIATION	
	To reflect accumulated depreciation per Rule 25-30.0140	($120,135)
	AMORTIZATION OF CIAC	
	To reflect the appropriate amort of CIAC	($5,207)
	WORKING CAPITAL ALLOWANCE	
	To reflect 1/8 of test year O & M expenses.	$4,950

BENTWOOD 80% DESIGNED CAPACITY YEAR ENDING 4/30/2014 SCHEDULE OF WATER RATE BASE ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-D DOCKET NO. 070627-WU
	WATER
UTILITY PLANT IN SERVICE	
To reflect the appropriate plant in service at 80% build-out.	($12,309)
LAND AND LAND RIGHTS	
To remove wrong allocation for land	($927)
CIAC	
To reflect the appropriate CIAC balance at 80% build-out.	($155,320)
ACCUMULATED DEPRECIATION	
To reflect test year depreciation calculated per 25-30.140 FAC.	($141,566)
AMORTIZATION OF CIAC	
To reflect the appropriate amort of CIAC	($7,177)
WORKING CAPITAL ALLOWANCE	
To reflect 1/8 of test year O & M expenses.	$3,947

RAINTREE
TEST YEAR ENDING
9/31/07
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2-A
DOCKET NO. 070627-WU

	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	$100	($100)	$0					
2.	RETAINED EARNINGS	(8,195)	8,195	0					
3.	PAID IN CAPITAL	0	0	0					
4.	OTHER COMMON EQUITY	0	0	0					
5.	TOTAL COMMON EQUITY	($8,095)	$8,095	$0	$0	$0	0.00%	12.01%	0.00%
6.	LONG TERM DEBT	$490,000	$0	$490,000	($442,558)	$47,442	100.00%	8.25%	8.25%
7.	TOTAL	$481,905	$8,095	$490,000	($442,558)	$47,442	100.00%		8.25%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	11.01%	13.01%
OVERALL RATE OF RETURN	8.25%	8.25%

SCHEDULE NO. 2-B
DOCKET NO. 070627-WU

BENTWOOD
80% DESIGNED CAPACITY YEAR ENDING
4/30/2014
SCHEDULE OF CAPITAL STRUCTURE

	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	$100	($100)	$0					
2.	RETAINED EARNINGS	(8,195)	8,195	0					
3.	PAID IN CAPITAL	0	0	0					
4.	OTHER COMMON EQUITY	0	0	0					
5.	TOTAL COMMON EQUITY	($8,095)	$8,095	$0	$0	$0	0.00%	12.01%	0.00%
6.	LONG TERM DEBT	$450,000	$0	450,000	(236,834)	213,166	100.00%	8.25%	8.25%
7.	TOTAL	$441,905	$8,095	$450,000	($236,834)	$213,166	100.00%		8.25%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	11.01%	13.01%
OVERALL RATE OF RETURN	8.25%	8.25%

RAINTREE
TEST YEAR ENDING 9/31/07
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 070627-WU

		TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$47,425	$0	$47,425	$6,298 13.28%	$53,723
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$40,304	($708)	$39,596	$0	$39,596
3.	DEPRECIATION (NET)	0	7,220	7,220	0	7,220
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	4,482	(1,774)	2,708	283	2,992
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$44,786	$4,739	$49,525	$283	$49,809
8.	**OPERATING INCOME/(LOSS)**	$2,639		($2,100)		$3,914
9.	**WATER RATE BASE**	$56,371		$47,442		$47,442
10.	**RATE OF RETURN**	4.68%		-4.43%		8.25%

BENTWOOD **SCHEDULE NO. 3-B**
80% DESIGNED CAPACITY YEAR ENDING 4/30/2014 **DOCKET NO. 070627-WU**
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**	$1,147	$60,687	$61,834	$1,566 2.53%	$63,400
2.	**OPERATING EXPENSES:** OPERATION & MAINTENANCE	$31,546	$27	$31,573	$0	$31,573
3.	DEPRECIATION (NET)	0	10,923	10,923	0	10,923
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	0	3,247	3,247	70	3,318
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$31,546	$14,198	$45,744	$70	$45,814
8.	**OPERATING INCOME/(LOSS)**	($30,399)		$16,091		$17,586
9.	**WATER RATE BASE**	$512,164		$213,166		$213,166
10	**RATE OF RETURN**	-5.94%		7.55%		8.25%

	RAINTREE TEST YEAR ENDING 9/31/07 SCHEDULE OF WATER OPERATING INCOME	SCHEDULE NO. 3-C DOCKET NO. 070627-WU
	OPERATION AND MAINTENANCE EXPENSES	
1.	Purchased Power – (615)	
	To reflect a deposit made in March 2007, the deposit was not in the test year	($735)
2.	Regulatory Expense – (665)	
	Regulatory Commission Expense	$27
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	($708)
	DEPRECIATION EXPENSE	
1.	To reflect test year depreciation calculated per 25-30.140, F.A.C.	$8,414
2.	Test year amortization of CIAC.	(1,193)
	Total	$7,220
	TAXES OTHER THAN INCOME	
1.	To include regulatory assessment fees for test year revenue.	$66
2.	To reflect the appropriate property taxes	(440)
3.	Remove Doc. Stamp associated w/ L -T debt in the Capital structure	(1,400)
	Total	($1,774)

BENTWOOD 80% DESIGNED CAPACITY YEAR ENDING 4/30/2014 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-D DOCKET NO. 070627-WU
	WATER
REVENUES	
Reflect 80% build-out revenues based on revenue per bill of Raintree Harbor system.	$60,687
OPERATION AND MAINTENANCE EXPENSES	
Regulatory Expense – (665)	
Regulatory Commission Expense	$27
DEPRECIATION EXPENSE	
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	$24,443
2. Test year amortization of CIAC.	($13,520)
Total	$10,923
TAXES OTHER THAN INCOME	
To reflect the projected property taxes at 80% build-out.	$3,247

RAINTREE **TEST YEAR ENDING 9/31/07** **ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE**				**SCHEDULE NO. 3-E** **DOCKET NO. 070627-WU**
	TOTAL PER UTILITY	STAFF PER ADJUST.		TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$0	$0	[1]	$0
(603) SALARIES AND WAGES - OFFICERS	0	0	[2]	0
(604) EMPLOYEE PENSION & BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	5,277	(735)	[3]	4,542
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	654	0	[4]	654
(620) MATERIALS AND SUPPLIES	0	0	[5]	0
(630) CONTRACTUAL SERVICES - BILLING	2,204	0	[6]	2,204
(631) CONTRACTUAL SERVICES – PROFESSIONAL	2,650	0	[7]	2,650
(635) CONTRACTUAL SERVICES - TESTING	2,315	0	[8]	2,315
(636) CONTRACTUAL SERVICES - OTHER	13,381	0	[9]	13,381
(640) RENTS	5,617	0		5,617
(650) TRANSPORTATION EXPENSE	816	0	[10]	816
(655) INSURANCE EXPENSE	1,500	0	[11]	1,500
(665) REGULATORY COMMISSION EXPENSE	152	27	[12]	179
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	(5,738)	(708)	[13]	5,738
	$40,304	**($708)**		**$39,596**

BENTWOOD

SCHEDULE NO. 3-F
DOCKET NO. 070627-WU

80% DESIGNED CAPACITY YEAR ENDING 4/30/2014
ANALYSIS OF WATER OPERATION
MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF PER ADJUST.		TOTAL PER PER STAFF
(601) SALARIES AND WAGES – EMPLOYEES	$0	$0	[1]	$0
(603) SALARIES AND WAGES – OFFICERS	0	0	[2]	0
(604) EMPLOYEE PENSION & BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	5,300	0	[3]	5,300
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	655	0	[4]	655
(620) MATERIALS AND SUPPLIES	0	0	[5]	0
(630) CONTRACTUAL SERVICES – BILLING	155	0	[6]	155
(631) CONTRACTUAL SERVICES – PROFESSIONAL	2,392	0	[7]	2,392
(635) CONTRACTUAL SERVICES – TESTING	995	0	[8]	995
(636) CONTRACTUAL SERVICES - OTHER	10,875	0	[9]	10,875
(640) RENTS	4,717	0		4,717
(650) TRANSPORTATION EXPENSE	500	0	[10]	500
(655) INSURANCE EXPENSE	2,500	0	[11]	2,500
(665) REGULATORY COMMISSION EXPENSE	152	27	[12]	179
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	5,738	27	[13]	3,305
	$39,596	**$27**		**$31,573**

RAINTREE TEST YEAR ENDING 9/31/07 MONTHLY WATER RATES			SCHEDULE NO. 4-A DOCKET NO. 070627-WU
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
Residential			
and General Service			
Base Facility Charge by Meter Size:			
5/8"X3/4"	$39.00	$13.00	$0.04
3/4"	$58.50	$19.50	$0.06
1"	$97.50	$32.50	$0.10
1-1/2"	$195.00	$65.00	$0.19
2"	$312.00	$104.00	$0.31
3"	$585.00	$208.00	$0.62
4"	$975.00	$325.00	$0.96
6"	$1,950.00	$650.00	$1.92
Residential Service Gallonage Charge			
Per 1,000 Gallons	$1.40	1.77	$0..01
General Service Gallonage Charge			
Per 1,000 Gallons	$1.40	1.77	$0.01

BENTWOOD 80% DESIGNED CAPACITY YEAR ENDING 4/30/2014 MONTHLY WATER RATES			SCHEDULE NO. 4-B DOCKET NO. 070627-WU
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
Residential			
and General Service			
Base Facility Charge by Meter Size:			
5/8"X3/4"	$0.00	$22.97	$0.06
3/4"	$0.00	$34.46	$0.09
1"	$0.00	$57.43	$0.14
1-1/2"	$0.00	$114.85	$0.29
2"	$0.00	$183.76	$0.46
3"	$0.00	$367.52	$0.92
4"	$0.00	$574.25	$1.44
6"	$0.00	$1,148.50	$2.88
Residential Service Gallonage Charge			
Per 1,000 Gallons	$0.00	$187.00	$0.00
General Service Gallonage Charge			
Per 1,000 Gallons	$0.00	$1.87	$0.00