

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Pasco County by Orangeland Water Supply.

DOCKET NO. 070601-WU
ORDER NO. PSC-08-0309-PAA-WU
ISSUED: May 13, 2008

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION APPROVING INCREASE IN RATES
AND
FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates in the event of a protest and reducing rates at the end of the four year amortization period, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

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 our jurisdiction since July 11, 1972, when Pasco County transferred jurisdiction to us. On April 28, 1977, we granted the utility certificate No. 179-W to operate a water utility in Pasco County in Docket No. 760763-W by Order No. 7790, In re: Application of ORANGELAND WATER SUPPLY for a certificate to operate a water utility in Pasco County, Florida, pursuant to Section 367.171, Florida Statutes. There has been no further Commission 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 increase with us.

DOCUMENT NUMBER-DATE

03957 MAY 13 8

FPSC-COMMISSION CLERK

We have audited Orangeland's records for compliance with our rules and orders, and examined all components necessary for rate setting. We have 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 the reasonableness of maintenance expenses, regulatory compliance, plant in service, and quality of service. We have selected a historical test year ended June 30, 2007.

This order also addresses the utility's request for temporary rates. Our decision on Orangeland's application is explained in detail below. We have jurisdiction pursuant to Section 367.0814, Florida Statutes (F.S.).

DECISION

QUALITY OF SERVICE

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 department's officials' testimony concerning quality of service as well as the comments and testimony of the utility's customers shall be considered.

Quality of Utility's Product

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

Operating Condition of the Water Treatment Facilities

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

Utility's Attempt to Address Customer Satisfaction

We have reviewed the Commission's complaint records and found that there were no complaints recorded during the test year. A review of the DEP's records found no customer

complaints on file. However, on March 13, 2008, we received a letter from an Orangeland customer that expressed concerns that the rate increase was too high.

On March 20, 2008, our staff conducted a customer meeting in New Port Richey, Florida. Earlier that day, during the review of the utility's service territory, our staff talked to several residents and discussed their views regarding the rate case. The customers stated they did not have an issue with a possible 800 percent water cost increase because for almost 40 years they have paid five dollars per month for water service. In addition, several customers who talked to the engineer stated they are satisfied with the water product and service provided by Orangeland. Further, the residents stated they were not planning to attend the afternoon meeting because they were not in opposition to the rate increase. There was only one customer that attended the evening meeting and she spoke. The customer is a new resident and her concern was that 800 percent is a very high increase. Commission staff explained the rate making process to the customer and the customer appeared to understand staff's explanation.

However, on April 7, 2008, we received a signed petition from several customers opposing the amount of the increase.

Conclusion

Based on our review of the water treatment plant and the distribution system, we find that the water product complies with regulatory standards, condition of the plant is sufficient, and the majority of the customers are satisfied with the utility. Therefore, we find the overall quality of service provided by Orangeland shall be considered satisfactory.

USED AND USEFUL

Water Treatment Plant

Orangeland has two wells with a total capacity of 210 gallons per minute (gpm). Consistent with our past 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 our practice.¹ 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 / 1440) * 2). This amount was divided by the firm reliable capacity (100 gpm), which results in a 50% used and useful (U&U) (see Attachment A, Page 1 of 2). Although the calculation results in a 50% U&U, Orangeland's service territory appears to be built-out. In accordance with our practice, if the service territory the system is designed to serve is built-out and there is no potential for expansion of the service territory, the plant is considered 100% U&U. Therefore, we find the water treatment plant shall be considered 100% U&U.

¹ See 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.

Water Distribution System

We reviewed the utility's service territory and stated that all of the current mains are providing service for the existing customers only. As such, we consider this system built-out. In accordance with our practice, we find the service territory the system is designed to serve is built-out when there is no potential for expansion of the service territory. Therefore, we find the water distribution system shall be considered 100% U&U (see Attachment A, Page 2 of 2).

RATE BASE

We 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 our 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 background, the utility has never had a rate case nor had rate base been established by this Commission since Pasco County relinquished jurisdiction. Due to a lack of utility records, the Commission 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, adjustments were made to increase plant in service by \$5,615.

Additionally, PIS Account Nos. 311, 320, and 334 by \$1,971, \$183, and \$317, respectively, were increased to reclassify plant items that were recorded in operation expense accounts pursuant to Audit Finding Nos. 2 and 4. Therefore, we find that 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. No adjustments were made to Acct. No. 303. Therefore, we find the appropriate amount of test year plant in service is \$1,000.

Non-used and Useful Plant

As discussed above, the utility's water treatment plant shall be considered 100% used and useful. Therefore, we find 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. CIAC was decreased by \$1,937 to reflect this adjustment. Therefore, we find CIAC of \$7,350 is appropriate.

Accumulated Depreciation

The utility recorded a balance for accumulated depreciation of \$31,701 for the test year. We calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, accumulated depreciation was increased by \$8,222 to reflect its calculated balance. We also decreased accumulated depreciation by \$310 to reflect an averaging adjustment. These adjustments resulted in an average accumulated depreciation of \$39,613, which we find to be appropriate.

Accumulated Amortization of CIAC

The utility did not record accumulated amortization of CIAC balances. Amortization of CIAC was calculated using composite rates prescribed in Rule 25-30.140, F.A.C. Based on this calculation, we increased accumulated amortization of CIAC by \$5,071. Additionally, we decreased accumulated amortization of CIAC by \$24 to reflect an averaging adjustment. These adjustments result in accumulated amortization of CIAC of \$5,047, which we find to be appropriate.

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., we determined that the one-eighth of the O&M expense formula approach is appropriate for calculating working capital allowance. Applying this formula, we approve a working capital allowance of \$2,769 (based on O&M of \$22,151).

Conclusion

We find that the appropriate test year average rate base is \$8,438. Rate base is shown on Schedule No. 1-A, and our adjustments are shown on Schedule 1-B.

RATE OF RETURN

According to its 2006 annual report, the utility's capital structure consists of \$2,212 for proprietary capital. Using our most recent approved leverage formula,² we find that the appropriate rate of return on equity is 9.07%. The utility's capital structure has been reconciled with our decision as to rate base. We find that a return on equity of 9.07%, with a range of 8.07% to 10.07%, and an overall rate of return of 9.07% is appropriate. The return on equity and overall rate of return are shown on Schedule No. 2.

TEST YEAR REVENUE

Orangeland reported test year revenues of \$5,668. 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. We performed a revenue test to confirm the revenues reported by the utility. Based on the foregoing, we find that the appropriate amount of test year revenues is \$5,668.

OPERATING EXPENSES

Orangeland recorded operating expenses of \$8,031 during the test year ending June 30, 2007. The test year Operations and Maintenance (O&M) expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. We 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 operations. Orangeland stated that the following work was performed but not charged to the utility:

Clerical – The utility recorded 12 hours of clerical work monthly consisting of preparing the billing register, sending monthly bills, receiving payments, and making deposits.

Read meters – The utility recorded 12 hours monthly.

Other – The utility recorded 30 hours monthly consisting of checking on water plant daily, ordering new meters when needed, and turning on a generator if there is a power outage.

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

However, as stated in the case background, Orangeland only has 76 customers. Therefore, we find that that the meter reading for Orangeland can be performed in 4 hours on a monthly basis, not 12 as suggested by the utility.

Given the above, we find salaries should be imputed for Orangeland. We 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 the 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	192	\$5,242
Other	\$56,649.00	\$27.24	\$30.34	360	\$10,921
				Total	\$16,163

Based on the above, we find that Acct. No. 601 should be increased by \$16,163 to recognize the work performed by the owner and non-utility employees.

Purchased Power – (615) – Orangeland recorded a balance of \$0 in Acct. No. 615 – Purchased Power for the 12 months ended June 30, 2007. Pursuant to Audit Finding No. 4, we determined that the owner paid \$1,447 for power expense. To recognize the power purchased by the owner, we find purchased power expense for the test year of \$1,447 is appropriate.

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, we determined that the owner paid \$122 for chemicals. To recognize the chemicals purchased by the owner, we find chemicals expense of \$122 for the test year is appropriate.

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, we have determined that the materials and supplies were not purchased during the test year. We decreased materials and supplies expense by \$162 to remove the out of period expenses. We find Materials and Supplies expense of \$0 for the test year is appropriate.

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, we find that the \$2,471 billing expense should have been classified to UPIS. We have decreased Contractual Services - Billing expense by \$2,471 to remove the expenses

reclassified to UPIS. We find Contractual Services - Billing expense of \$0 for the test year is appropriate.

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, we determined that \$480 for contractual services were not incurred during the test year. We have decreased Contractual Services - Testing expense by \$480 to remove the out of period expenses. We find Contractual Services - Testing expense of \$2,430 for the test year is appropriate.

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, we determined that \$300 for contractual services were not incurred during the test year. We decreased Contractual Services - Other expense by \$300 to remove the out of period expenses. We find Contractual Services - Other expense of \$1,200 for the test year is appropriate.

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

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M shall be increased \$16,390 as shown on Schedule No. 3-B. We find O&M expenses of \$24,985, as shown on Schedule No. 3-A, are appropriate.

Depreciation Expense (Net of Amortization of CIAC) – The utility recorded \$0 for depreciation expense. We calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. We find net depreciation expense of \$1,067 is appropriate.

Taxes Other Than Income – Orangeland's records reflect a balance of \$564 for Acct. No. 408 – TOTI. Pursuant to Audit Finding No. 5, the utility provided documents to indicate the utility paid property taxes of \$284. The utility did not take advantage of the discounted property tax of \$275. We reduced property taxes by \$8 to reflect the discounted property tax amount. We decreased the TOTI balance by \$25 for decreases in regulatory assessment fees based on the revenue adjustment discussed previously in this order. We increased the TOTI balance by \$1,236, for increases in payroll taxes based on the salary amounts approved herein. Based on the above, we find test year TOTI of \$1,767 is appropriate

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, we shall not make an adjustment to this account.

In summary, the application of our adjustments to the audited test year operating expenses results in calculated operating expenses of \$24,985, which we find are appropriate. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule 3-B.

REPRESSION ADJUSTMENT

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 indicates a moderately seasonal customer base.

The 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, we 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 we have approved in prior cases. Based on this methodology, we determined that test year residential water sold shall be reduced by 3,238. Purchased power expense shall be reduced by \$766, chemical expense shall be reduced by \$65, and regulatory assessment fees (RAFs) shall be reduced by \$39. We find the final post-repression revenues from monthly service, which excludes miscellaneous revenues of \$461, shall be \$25,366.

In order to monitor the effect of the changes to rate structure and revenue, the utility shall file reports detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. In addition, the reports shall be prepared by customer class and meter size. The reports shall be filed with us, 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 shall file a revised monthly report for that month within 30 days of any revision.

RATE STRUCTURE

We performed a detailed analysis of the utility's billing data in order to evaluate various base facility charge (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 SWFWMD in the Southern Use Caution Area. Our 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 SWFWMD'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, we do not believe it is appropriate to continue the kgal allotment in the BFC. Based on our 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. However, we believe the customers will exhibit a reduction in consumption due to the high magnitude of the revenue requirement increase alone. Therefore, we order that a BFC/uniform gallonage charge rate structure be implemented.

Furthermore, we find that the fixed cost recovery shall be reduced to 50% from the initial accounting allocation of 62.69%. We 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, we find that the current water system rate structure, which includes a 5,000 (5 kgal) water allotment in the BFC, shall be changed to a traditional BFC/uniform gallonage charge rate structure with no usage allotments. The BFC cost recovery percentage for the water system shall be set at 50%.

MONTHLY RATES

As discussed above, the appropriate pre-repression revenue requirement is \$26,236 for the water system. As discussed above, we find that the appropriate rate structure for the water systems' residential and non-residential class is a traditional base facility base charge (BFC)/gallonage charge rate structure with no usage allotments. The BFC cost recovery percentage for the water system should be set at 50%. We have also found that repression adjustments shall 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 Schedule No. 4. These rates are designed to recover a post-repression revenue requirement for the water system of \$25,366.

The appropriate monthly water rates are shown on Schedule No. 4, and produce revenues of \$25,366. The utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The rates shall 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 shall not be implemented until Commission staff has approved the proposed customer notice and the notice has been received by the customers. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

FOUR YEAR RATE REDUCTION

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 regulatory assessment fees, 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, which is appended to this order.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall 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 shall 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.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order approves 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, we find that the rates shall be implemented as temporary rates. The rates collected by the utility shall be subject to the refund provisions discussed below.

The utility is authorized to collect the temporary rates upon the Commission staff's approval of appropriate security for the potential refund and the proposed customer notice. Security may be in the form of a bond or letter of credit in the amount of \$14,480. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall 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 shall 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 shall 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 shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall 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 shall be maintained by the utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The utility shall 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 shall 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Orangeland Water Supply's application for increased rates and charges is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated herein by reference. It is further

ORDERED that Orangeland Water Supply is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the approved rates shall not be implemented until proper notice has been received by the customers. The utility shall provide our staff with proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notice is adequate. It is further

ORDERED that rates shall be reduced at the end of the four-year rate case expense amortization period as set forth in the body of this Order. The utility shall file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reductions 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 shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in rates due to the amortized rate case expense. It is further

ORDERED that, pursuant to Section 367.0814(7), Florida Statutes, the rates approved herein shall 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. It is further

ORDERED that prior to implementation of any temporary rates, the utility shall provide appropriate security. If the rates are implemented on a temporary basis, the rates collected by the utility shall be subject to the refund provisions set forth in the body of this Order. It is further

ORDERED that after any temporary rates are in effect, pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility shall 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 reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that the Utility's rate structure shall be changed to a traditional base facility charge/uniform gallonage rate structure with no usage allotments. It is further


ORDERED that the provisions of this Order, issued as proposed agency action, except for the granting of temporary rates, subject to refund, in the event of a protest and reducing rates at the end of the four-year amortization period, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no timely protest is filed by a person whose interest is substantial, this docket shall be closed upon the issuance of a Consummating Order. If a protest is filed within 21 days of the issuance of the Order, the tariffs shall remain in effect with any increase held subject to refund pending resolution of the protest, and the docket shall remain open.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 13th day of May, 2008.



ANN COLE
Commission Clerk

(S E A L)

JEH

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action herein, except for the granting of temporary rates, subject to refund, in the event of a protest and reducing rates at the four year amortization period, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 3, 2008. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Orangeland Water Supply
Docket No: 070601-WU

Attachment A, Page 1 of 2

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
	Fire flow Capacity (FF)		
4)	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
	Customer Growth in ERCs using Regression		
b)	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

$$\frac{(((\text{Max days} - \text{EUW}) / 1,440) \times 2) + \text{FF} + \text{Growth})}{1 \text{ Well (gpm)}}$$

$$(((36,000 - 0) / 1,440) \times 2) + 0 + 0 / 100 \text{ gpm} = 50 \% \text{ Used \& Useful}$$

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		SCHEDULE NO. 1-A	
TEST YEAR ENDING 6/30/2007		DOCKET NO. 070601-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$38,499	\$8,086	\$46,585
2. LAND & LAND RIGHTS	\$1,000	\$0	\$1,000
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0
4. CIAC	(\$9,287)	\$1,937	(\$7,350)
5. ACCUMULATED DEPRECIATION	(\$31,701)	(\$7,912)	(\$39,613)
6. AMORTIZATION OF CIAC	\$0	\$5,047	\$5,047
7. WORKING CAPITAL ALLOWANCE	\$0	<u>\$2,769</u>	<u>\$2,769</u>
8. WATER RATE BASE	<u>(\$1,489)</u>	<u>\$9,927</u>	<u>\$8,438</u>

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

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

	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
1. To reflect Commission's plant per original cost study	\$5,615
2. Increase Acct. No. 311 – Pumping Equipment	\$1,971
3. Increase Acct. No. 320 – Water Treatment Equipment	\$183
4. Increase Acct. No. 334 – Meters & Meter Installation	<u>\$317</u>
Total	<u>\$8,086</u>
 <u>CIAC</u>	
To reflect CIAC	<u>\$1,937</u>
 <u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation per rule	(\$8,222)
2. To reflect averaging adjustment	<u>\$310</u>
Total	<u>(\$7,912)</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>\$2,769</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 ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER COMMISSION	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	\$6,185	\$8,397	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>\$6,185</u>	<u>\$8,397</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 TEST YEAR ENDING 6/30/2007 SCHEDULE OF WATER OPERATING INCOME		SCHEDULE NO. 3-A DOCKET NO. 070601-WU			
	TEST YEAR PER UTILITY	COMMISSION ADJ. PER UTILITY	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$5,668</u>	<u>\$0</u>	<u>\$5,668</u>	<u>\$21,023</u> 370.92%	<u>\$26,696</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$8,031	\$14,120	\$22,151	0	\$22,151
3. DEPRECIATION (NET)	\$0	\$1,067	\$1,067	0	\$1,067
4. AMORTIZATION	\$0	\$0	\$0	\$0	\$0
5. TAXES OTHER THAN INCOME	\$564	\$1,203	\$1,767	\$946	\$2,713
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>\$16,390</u>	<u>\$24,985</u>	<u>\$946</u>	<u>\$25,931</u>
8. OPERATING INCOME/(LOSS)	<u>(\$2,928)</u>		<u>(\$19,317)</u>		<u>\$765</u>
9. WATER RATE BASE	<u>(\$1,489)</u>		<u>\$8,438</u>		<u>\$8,438</u>
10. RATE OF RETURN	<u>(196.61%)</u>		<u>(228.93%)</u>		<u>9.07%</u>

ORANGELAND WATER SUPPLY	SCHEDULE NO. 3-B
TEST YEAR ENDING 6/30/2007	DOCKET NO. 070601-WU
ADJUSTMENTS TO OPERATING INCOME	
	<u>WATER</u>
OPERATION AND MAINTENANCE EXPENSES	
1. Salaries and Wages - Employees (601)	
a. To impute salaries	<u>\$16,163</u>
2. Purchased Power Expense (615)	
a. Purchased Power paid by owner	<u>\$1,447</u>
3. Chemical Expense(618)	
a. Chemicals paid by owner	<u>\$122</u>
4. Materials and Supplies (620)	
a. out of period maintenance & supplies	<u>(\$162)</u>
5. Contractual Services - Billing (630)	
a. reclassified to UPIS	<u>(2,471)</u>
6. Contractual Services - Testing (635)	
a. out of period testing	<u>(\$480)</u>
7. Contractual Services - Other (636)	
a. out of period services	<u>(\$300)</u>
8. Miscellaneous Expense (675)	
a. customer refund	(\$34)
b. bank charges	399
c. reclassify to TOTI	<u>(564)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$14,120</u>
DEPRECIATION EXPENSE	
1. To reflect net depreciation calculated per 25-30.140, FAC	\$1,267
2. To reflect test year CIAC amortization calculated by Commission	<u>(200)</u>
Total	<u>\$1,067</u>
TAXES OTHER THAN INCOME	
1. To reduce RAFs per audit	(\$25)
2. To reduce property taxes per audit	(8)
3. Payroll Tax	1,236
Total	<u>\$1,203</u>

ORANGELAND WATER SUPPLY

SCHEDULE NO. 3-C

TEST YEAR ENDING 6/30/2007

DOCKET NO. 070601-WU

**ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSE**

	TOTAL PER UTILITY	COMMISSION PER ADJUST.	TOTAL PER PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$16,163	\$16,163
(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>
	<u>\$8,031</u>	<u>\$14,120</u>	<u>\$22,151</u>

**ORANGELAND WATER SUPPLY
 TEST YEAR ENDING 6/30/2007
 MONTHLY WATER RATES**

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

	UTILITY'S* EXISTING RATES	COMMISSION APPROVED 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*	\$14.36	\$0.15
3/4"	\$0.00	\$21.54	\$0.23
1"	\$0.00	\$35.90	\$0.38
1-1/2"	\$0.00	\$71.80	\$0.76
2"	\$0.00	\$114.88	\$1.22
3"	\$0.00	\$229.76	\$2.44
4"	\$0.00	\$359.00	\$3.82
6"	\$0.00	\$718.00	\$7.64
* Existing rates include 5,000 gallons in the Base Facility Charge for.			
<u>General and Residential Gallonage Charge</u>			
Per 0 – 5,000 gallons		\$4.29	\$0.05
Per 1,000 gallons over 5,000	\$.25	\$5.36	\$0.05
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$5.00	\$27.23	
5,000 Gallons	\$5.00	\$35.81	
10,000 Gallons	\$6.25	\$62.61	