

**Kimberley Pena**

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**From:** Ann Cole  
**Sent:** Tuesday, June 24, 2008 2:05 PM  
**To:** Kimberley Pena  
**Subject:** FW: Item 14, Plantation Landings, Ltd., Staff Assisted Rate Case Docket No. 070416-WS - Omitted Attachment C  
**Attachments:** PLand chg attch B to attch C (4).doc

Kim,

Please file this email and attachment in the docket file as Attachment C to Document Number 05244-08.

If you have any questions, please let me know.

Thank you.

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**From:** Ann Cole  
**Sent:** Tuesday, June 24, 2008 1:25 PM  
**To:** Mary Bane  
**Cc:** Cheryl Bulecza-Banks; Tim Devlin; William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bridget Grimsley; Betty Ashby  
**Subject:** RE: Item 14, Plantation Landings, Ltd., Staff Assisted Rate Case Docket No. 070416-WS - Omitted Attachment C

Thank you for this information.

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**From:** Mary Bane  
**Sent:** Tuesday, June 24, 2008 1:13 PM  
**To:** Ann Cole  
**Cc:** Cheryl Bulecza-Banks; Tim Devlin; William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bridget Grimsley; Betty Ashby; Mary Bane  
**Subject:** RE: Item 14, Plantation Landings, Ltd., Staff Assisted Rate Case Docket No. 070416-WS - Omitted Attachment C

Ann, Tim and Cheryl spoke with me before sending the e-mail and we agreed that providing the additional pages via e-mail was the simplest way to deal with the omission. The information is background info, not critical to the content of the rec. , and does not need to be provided to the parties. Please consider this e-mail my approval of that approach.

Cheryl, you will need to make a verbal modification at the agenda conference to correct the reference to Attachment B on pages 24 and 25.

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**From:** Ann Cole  
**Sent:** Tuesday, June 24, 2008 12:52 PM  
**To:** Cheryl Bulecza-Banks  
**Cc:** Mary Bane; Marshall Willis; Bart Fletcher; Jennie Lingo; Shannon Hudson; Martha Brown; Betty Ashby; William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bridget Grimsley  
**Subject:** RE: Item 14, Plantation Landings, Ltd., Staff Assisted Rate Case Docket No. 070416-WS - Omitted Attachment C

DOCUMENT NUMBER-DATE

05424 JUN 24 8

6/24/2008

FPSC-COMMISSION CLERK

Thanks Cheryl,

Please be sure to follow the APM 2.11 procedures on *Supplementing or Revising Agenda Recommendations Already Filed (on page 2.11-6)*.

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**From:** Cheryl Bulecza-Banks

**Sent:** Tuesday, June 24, 2008 11:42 AM

**To:** William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bridget Grimsley; Ann Cole

**Cc:** Mary Bane; Marshall Willis; Bart Fletcher; Jennie Lingo; Shannon Hudson; Martha Brown; Betty Ashby

**Subject:** Item 14, Plantation Landings, Ltd., Staff Assisted Rate Case Docket No. 070416-WS - Omitted Attachment C

**Good Morning All,**

**Attachment C was inadvertently omitted from the recommendation filed for Plantation Landings, Ltd., Docket No. 070416-WS. This relates to Item 14 on the July 1, 2008 agenda. Attachment C is the supporting analyses for rate design and provides detail as to how staff arrived at its recommended rates. Staff's recommended rates and rate design remain as filed. The pages of Attachment C have been number 46A, 46B, and 46C.**

**In Issue 10, that relates to rate structure, staff references Attachment B. (referenced on pages 24 and 25) This is an incorrect reference. The reference should be Attachment C.**

**Attached to this e-mail is Attachment C.**

**If you have questions, please let me know.**

**Thank you,**

**Cheryl B-Banks**

<b>PLANTATION LANDINGS, LTD.</b>		
<b>HISTORICAL TEST YEAR ENDED DECEMBER 31, 2006</b>		<b>ATTACHMENT C PAGE 1</b>
<b>DETERMINATION OF APPROPRIATE RATE STRUCTURES</b>		
<b>HISTORY OF CURRENT RATES</b>	(1)	The utility's current rates were approved in the utility's request for a certificate to provide service. <sup>1</sup> The utility's current rate structure is a BFC/uniform gallonage charge rate structure. Under this usage-sensitive rate structure, customers are charged a BFC of \$12.57 per month for combined water and wastewater service, including a monthly allotment of the first 3 kgal used. For monthly consumption in excess of 3 kgal, customers are charged \$1.26 for each kgal used, with no cap on the number of kgal billed for residential wastewater service. The current BFC cost recovery percentage is 72.4%.
	(2)	Although usage sensitive, the utility's current rate structure is considered a non-conserving rate structure, because of the kgal allotment in the BFC.
<b>PRACTICES WITH THE WATER MANAGEMENT DISTRICTS</b>	(3)	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. <sup>2</sup> The Commission follows the WMD guideline whenever possible. <sup>3</sup>
	(4)	The utility is located in the Southwest Florida Water Management District, in the Southern Water Use Caution Area (SWUCA). This area is experiencing environmental impacts associated with depleted aquifer levels caused by an overreliance on ground water that has spanned decades. <sup>4</sup>
	(5)	On January 9, 2007, a public hearing was held at the headquarters of the Southwest Florida Water Management District (SWFWMD or District). Based upon the testimony, data, District staff recommendations and public comments, the Executive Director of the SWFWMD signed Order No. SWF-07-02 (Order). In that Order, a Phase II Severe Water Shortage was declared for all ground and surface waters within the District's 16 county area. Subsequently, the District's Governing Board twice determined that a modification to extend the expiration of the Order was necessary. The Second Modification to the Order was set to expire on November 30, 2007. <sup>5</sup>

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Southwest Florida Water Management District, West-Central Florida Water Restoration Action Plan.

<sup>5</sup> Southwest Florida Water Management District, Third Board Order Modifying Water Shortage Order No. SWF 07-02, November 26, 2007.

<b>PLANTATION LANDINGS, LTD.</b>		
<b>HISTORICAL TEST YEAR ENDED DECEMBER 31, 2006</b>		<b>ATTACHMENT C PAGE 2</b>
<b>DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)</b>		
<b>PRACTICES WITH THE WATER MANAGEMENT DISTRICTS (cont.)</b>	(6)	<p>The Governing Board, during a public hearing held on November 26, 2007, again received testimony regarding the existence of an ongoing water shortage within the District. Specific data presented at the hearing included, but were not limited to, the following items: 1) rainfall data indicated that the deficits in several counties, including Polk County, were categorized as critically abnormal; 2) all counties within the District were experiencing drought or drought-like conditions; 3) the Standard Precipitation Index indicated that several counties, including Polk County, were experiencing moderately abnormal conditions; 4) both the U.S. Drought Monitor and the Long-Term Palmer Index indicated that several counties, including Polk County, were experiencing critically abnormal conditions; and 5) the National Oceanic and Atmospheric Administration's Climate Prediction Center predicted below-normal rainfall from December 2007 through May 2008.</p> <p>Based upon the testimony, data, District staff recommendations and public comments, the District's Governing Board further extended the Order declaring a severe water shortage through June 30, 2008.<sup>6</sup></p>
<b>WATER CONSERVATION INITIATIVE</b>	(7)	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 BFC portion of the bill usually should not represent more than 40% of the utility's total revenues. <sup>7</sup>
	(8)	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 <u>Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply (JSOC)</u> and its associated Work Plan. <sup>8</sup>
<b>FLORIDA STATUTES re: WATER CONSERVATION</b>	(9)	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."
<b>CURRENT AND ANTICIPATED CLIMATIC CONDITIONS</b>	(10)	Staff evaluates available drought information to better design rates that achieve conservation. Based on information from the U.S. Drought Monitor, moderate drought conditions exist in the utility's service area.

<sup>6</sup> Ibid.

<sup>7</sup> Florida Department of Environmental Protection, Florida Water Conservation Initiative, April 2002.

<sup>8</sup> 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.

<b>PLANTATION LANDINGS, LTD.</b>		
<b>HISTORICAL TEST YEAR ENDED DECEMBER 31, 2006</b>		<b>ATTACHMENT C PAGE 3</b>
<b>DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)</b>		
<b>CURRENT AND ANTICIPATED CLIMATIC CONDITIONS (cont.)</b>	(11)	Based on information from the National Weather Service's Climate Prediction Center, for the period of June through August 2008, higher than average temperatures will be mitigated by greater than average rainfall, thereby improving the drought situation in the central portion and the southwestern portion of Florida
<b>CUSTOMER USAGE PATTERNS</b>	(12)	The utility has a seasonal customer base consisting of retirees. The average monthly consumption per customer is approximately 4.8 kgals. A review of the utility's service area indicates that the majority of the customers' lawns are well kept and well irrigated.
<b>WATER SYSTEM BFC COST RECOVERY AND DESIGN OF RATE STRUCTURE</b>	(13)	Staff performed detailed analyses of the 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.
	(14)	Staff's evaluation criteria excluded any rate structure that: 1) resulted in price decreases at any level of consumption; or 2) that resulted in revenue deficits during the year. These criteria eliminated the majority of rate structures from further consideration.
	(15)	A water rate structure that contains an allotment of usage in the BFC is considered a nonconserving rate structure. Based on the District's declared severe water shortage, and consistent with both the results of the WCI and the WMDs' desire to eliminate nonconserving water rate structures, staff does not believe it is appropriate to continue the utility's current water and wastewater rate structures. Instead, staff recommends that the 3 kgals allotments in both the water and wastewater BFCs be eliminated.
	(16)	The 3 kgals allotment in the BFC was eliminated due to its nonconserving nature. Using BFC cost recovery percentages of 25%, 30% and 40%, staff calculated uniform gallonage rate structures. Although staff rehabilitated the billing data to the extent possible, it was not possible to design with confidence an inclining-block rate structure. Based on the criteria discussed in (13) above, staff recommends a BFC/uniform gallonage charge rate structure, with the BFC set at 40%. These three rate structures are presented on Table 9-1.
<b>WASTEWATER SYSTEM BFC COST RECOVERY AND DESIGN OF RATE STRUCTURE</b>	(17)	Using BFC cost recovery percentages of 50% and 75%, staff calculated wastewater rates. Using the criteria consistent with those discussed in (13) and (14) above, staff believes the appropriate BFC cost recovery percentage for the wastewater system is 75%.
<b>STAFF RECOMMENDATION</b>		The appropriate rate structure for the utility's water system is the BFC/uniform gallonage charge rate structure. The water system's 3 kgals allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 40%. The appropriate rate structure for the utility's wastewater system is the BFC/gallonage charge rate structure. The wastewater system's 3 kgals allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 75%. The general service gallonage charge should be set at 1.2 times the corresponding residential gallonage charge. Charges for residential wastewater service should be capped at 6 kgals of consumption.