

VOTE SHEET

August 18, 2009

Docket No. 080714-WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

Issue 1: Is the quality of service provided by Orange Lake satisfactory?

Recommendation: Yes. The overall quality of service provided by Orange Lake is satisfactory.

APPROVED *Commissioner Argenziano dissented.*

Issue 2: What are the used and useful percentages of Orange Lake’s water treatment plant, ground storage tank, water distribution lines, wastewater treatment plant, and wastewater collection system?

Recommendation: The Orange Lake water treatment plant, ground storage tank, water distribution system, wastewater treatment plant, and wastewater collection system are 100 percent used and useful.

APPROVED *Commissioner Argenziano dissented.*

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners: Katrina J. McMurrin, Matt G. F., Jim Coy

Handwritten signature of dissenting commissioner: Mary Argenziano

REMARKS/DISSENTING COMMENTS: Commissioner Argenziano participated in the conference by telephone. She will sign the vote sheet upon her return to the office.

Commissioner Argenziano dissented. Oral modification DN08507-09 attached.

DOCUMENT NUMBER-DATE

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Vote Sheet

August 18, 2009

Docket No. 080714-WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

(Continued from previous page)

Issue 3: Should the 2009 pro forma adjustment to water treatment plant be included?

Recommendation: Yes. The pro forma adjustment of \$1,875 for the replacement of valves should be included in rate base, and the corresponding retirement of the old valves should be removed from rate base.

APPROVED *Commissioner Argenziano dissented.*

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

Recommendation: The appropriate average test year rate base for the Utility is \$281,950 for water and \$181,769 for wastewater.

APPROVED *Commissioner Argenziano dissented.*

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

Recommendation: The appropriate return on equity is 11.14 percent with a range of 10.14 percent - 12.14 percent. The appropriate overall rate of return is 7.90 percent.

APPROVED *Commissioner Argenziano dissented.*

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

Recommendation: The appropriate amounts of test year revenues in this case are \$47,049 for the water system and \$47,452 for the wastewater system.

APPROVED *Commissioner Argenziano dissented.*

Vote Sheet

August 18, 2009

Docket No. 080714-WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

(Continued from previous page)

Issue 7: What are the appropriate operating expenses?

Recommendation: The appropriate amount of operating expense for the Utility is ~~\$63,805~~^{\$69,131} for water and ~~\$88,265~~^{\$97,805} for wastewater.

APPROVED; *oral modification attached. Commissioner Argenziano dissented.*

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is ~~\$87,918~~^{\$93,495} for water and ~~\$105,224~~^{\$115,214} for wastewater.

APPROVED; *oral modification attached. Commissioner Argenziano dissented.*

Issue 9: Does Orange Lake have excessive unaccounted for water and, if so, what adjustments are necessary?

Recommendation: Yes. Pursuant to Rule 25-30.4325(1)(e), F.A.C. Orange Lake has unaccounted for water in excess of 10 percent of the amount produced. A reduction of \$697 should be made to Purchased Power Acct. No. 615.

APPROVED *Commissioner Argenziano dissented.*

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

Recommendation: The appropriate rate structure for the water system's residential class is a monthly base facility charge (BFC) which includes a two-tier inclining block rate structure, with usage blocks set at 0-10 kgals and usage in excess of 10 kgals, and rate factors of 1.0 and 1.50. The appropriate rate structure for the water system's non-residential class is a traditional BFC/uniform gallonage charge. The water system's BFC cost recovery should be set at 35 percent. The appropriate rate structure for the wastewater system's residential and non-residential class is a monthly BFC/uniform gallonage. The non-residential gallonage charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent. The residential wastewater cap should remain set at 8,000 gallons (8 kgals).

APPROVED *Commissioner Argenziano dissented.*

Vote Sheet

August 18, 2009

Docket No. 080714-WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

(Continued from previous page)

Issue 11: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 8.9 percent resulting in a consumption reduction of approximately 1,154 ~~1,317~~ kgals. Purchased power expense should be reduced by \$363 ~~\$414~~, chemical expense should be reduced by \$206 ~~\$235~~, and regulatory assessment fees (RAFS) should be reduced by \$26 ~~\$31~~. The final post-repression revenue requirement for the water system should be \$87,323 ~~\$92,815~~. For the wastewater system, test year kgals sold should be reduced by 8.9 percent, resulting in a consumption reduction of approximately 958 ~~1,093~~ kgals. Sludge removal expense should be reduced by \$1,369 ~~\$1,557~~, purchased power expense should be reduced by \$808 ~~\$909~~, and RAFs should be reduced by \$98.00 ~~\$111~~. The final post-repression revenue requirement for the wastewater system should be \$102,948 ~~\$112,636~~.

In order to monitor the effect of the changes to rate structure and revenue, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with staff, on a semi-annual 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.

APPROVED; *Oral modification attached. Commissioner Argenziano dissented.*

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

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedules Nos. 4-A and 4-B, respectively, in staff's memorandum dated August 6, 2009. The recommended rates should be designed to produce revenues of \$87,323 ~~\$92,815~~ for water and \$102,948 ~~\$112,636~~ for wastewater, excluding miscellaneous service 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 on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED; *Oral modification attached. Commissioner Argenziano dissented.*

Vote Sheet

August 18, 2009

Docket No. 080714-WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

(Continued from previous page)

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

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, respectively, in staff's memorandum dated August 6, 2009, 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.

APPROVED *Commissioner Argemiano dissented.*

Issue 14: 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?

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 in the analysis portion of staff's memorandum dated August 6, 2009. 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.

APPROVED *Commissioner Argemiano dissented.*

Vote Sheet

August 18, 2009

Docket No. 080714-WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

(Continued from previous page)

Issue 15: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Orange Lake should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED *Commissioner Argenziano dissented.*

Issue 16: Should this docket be closed?

Recommendation: No. The docket should remain open until a final order has been issued, staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once staff has verified all of the above actions are complete, this docket should be closed administratively.

APPROVED *Commissioner Argenziano dissented.*

Ann Cole

From: Mary Bane
Sent: Monday, August 17, 2009 12:02 PM
To: Bart Fletcher
Cc: Tim Devlin; Marshall Willis; Cheryl Bulecza-Banks; Jared Deason; Paul Stallcup; Sonica Bruce; Patti Daniel; Richard Redemann; Jennifer Brubaker; Jean Hartman; Betty Ashby; Ann Cole; William C. Garner; Roberta Bass; Kay Posey; Larry Harris; Bill McNulty; Betty Ashby; Chuck Hill
Subject: Re: Request of Oral Modification to Item 16, August 18, 2009 Agenda, Docket No. 080714-WS - Hidden Valley SPE LLC d/b/a Orange Lake Utilities

Approved.

Sent from my BlackBerry Wireless Handheld

From: Bart Fletcher
To: Mary Bane
Cc: Tim Devlin; Marshall Willis; Cheryl Bulecza-Banks; Jared Deason; Paul Stallcup; Sonica Bruce; Patti Daniel; Richard Redemann; Jennifer Brubaker; Jean Hartman
Sent: Fri Aug 14 15:13:05 2009
Subject: Request of Oral Modification to Item 16, August 18, 2009 Agenda, Docket No. 080714-WS - Hidden Valley SPE LLC d/b/a Orange Lake Utilities

Staff requests approval to make an oral modification to Item 16 on the August 18, 2009 agenda. Item 16 relates to a SARC application of Hidden Valley SPE LLC d/b/a Orange Lake Utilities. The modification is necessary to correct an error in the CIAC amortization expense, which resulted from staff inadvertently reflecting its amortization expense adjustments as positive numbers of \$2,663 for water and \$4,770 for wastewater, instead of negative numbers of the same amounts. This one adjustment will result in fall-out changes to net operating income, revenue requirements, and rates.

The issues that will require modification are: Issues 7, 8, 11, and 12. The schedules requiring revision are: Schedule Nos. 3-A, 3-B, 3-C, 4-A, and 4-B.

The 15-month statutory time frame to process this case is March 24, 2010. Staff does not recommend deferring the item because if a protest was filed, the 15-month statutory deadline could be compromised.

The specific modifications are in type and strike format as follows:

1) Page 12, Issue 7

Issue 7: What are the appropriate operating expenses?

Recommendation: The appropriate amount of operating expense for the Utility is ~~\$63,805,669,131~~ for water and ~~\$88,265,97,805~~ for wastewater. (Deason, Redemann)

2) Page 14, Issue 7 - Last paragraph in Staff Analysis Section

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 ~~\$63,805,669,131~~ for water and ~~\$88,265,97,805~~ for wastewater. Operating expenses for water and wastewater are shown on Schedule Nos. 3-A and 3-B, respectively. The related adjustments are shown on Schedule 3-C.

3) Page 15, Issue 8

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is ~~\$87,918,593,495~~ for water and ~~\$105,224,115,214~~ for wastewater. (Deason)

Staff Analysis: The Utility should be allowed an annual increase of ~~\$40,869,546,446~~ (86.87 ~~98.72~~ percent) for water and ~~\$57,772,667,762~~ (121.75 ~~142.80~~ percent) for wastewater. This will allow Orange Lake the opportunity to recover its expenses and earn a 7.90 percent return on its investment. The calculation is as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$281,950	\$181,769
Rate of Return	x .0790	x .0790
Return on Rate Base	\$22,274	\$14,360
Adjusted O & M expense	43,035	59,883
Depreciation expense (Net)	19,842	28,136
Amortization	(2,663)2,663	(4,770)4,770
Taxes Other Than Income	5,4315,682	7,6168,065

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

**CLK AGENDA
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8/17/2009

Income Taxes	0	0
Revenue Requirement	\$87,918	\$105,224
	\$93,495	\$115,214
Less Test Year Revenues	47,049	47,452
Annual Increase	\$40,869	\$57,772
	\$46,446	\$67,762
Percent ncrease/(Decrease)	86.87%	121.75%
	98.72%	142.80%

4) Page 19, Issue 10 - Table 10-1 of Staff Analysis Section

TABLE 10-1

HIDDEN VALLEY d/b/a ORANGE LAKE UTILITIES STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC =58%		2-Tier Inclining Block Rate Structure Rate Factors 1.0 and 1.50 BFC = 35%	
BFC	\$9.14	BFC	\$10.46 \$11.12
All kgals	\$1.37	0-10 kgals	\$4.05 \$4.38
		10+ kgals	\$6.07 \$6.56
		3	
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$9.14	0	\$10.46 \$11.12
1	\$10.51	1	\$14.51 \$15.50
3	\$13.25	3	\$22.61 \$24.26
5	\$15.99	5	\$30.71 \$33.02
10	\$22.84	10	\$50.96 \$54.92
20	\$36.54	20	\$111.66 \$120.52
Alternative 1		Alternative 2	
2- Tier Inclining Block Rate Structure Rate Factors 1.0 and 1.50 BFC = 25%		2- Tier Inclining Block Rate Structure Rate Factors 1.0 and 1.50 BFC = 40%	
BFC	\$7.47 \$7.93	BFC	\$11.96 \$12.72
0-10 kgals	\$4.77 \$5.17	0-10 kgals	\$3.70 \$4.00
10 + kgals	\$7.15 \$7.75	10+ kgals	\$5.55 \$6.00
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$7.47 \$7.93	0	\$11.96 \$12.72
1	\$12.24 \$13.10	1	\$15.66 \$16.72
3	\$21.78 \$23.44	3	\$23.06 \$24.72
5	\$31.32 \$33.78	5	\$30.46 \$32.72
10	\$55.17 \$59.63	10	\$48.96 \$52.72
20	\$126.67 \$137.13	20	\$104.46 \$112.72

5) Page 20, Issue 10 - Third to the last paragraph in Staff Analysis Section

The accounting staff's initial allocation for the wastewater BFC cost recovery for the residential class is 56.50 percent. However, staff believes that the BFC cost recovery allocation be changed to 50 percent. Furthermore, staff recommends an allocation of 50 percent in order to increase the gallage charge and send a stronger price signal. Staff believes the accounting staff's BFC allocation is appropriate because it falls within Commission's practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants.

6) Page 21, Issue 10 - Table 10- 2 of Staff Analysis Section

TABLE 10-2

HIDDEN VALLEY d/b/a ORANGE LAKE UTILITIES STAFF'S RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC = 57%		BFC/uniform kgals charge BFC = 50%	
BFC	\$9.22	BFC	\$17.89 \$19.78
All kgals	\$1.74	All kgals	\$4.63 \$5.08
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$9.22	0	\$17.89 \$19.78
1	\$10.96	1	\$22.52 \$24.86
3	\$14.44	3	\$31.78 \$35.02
6	\$19.66	6	\$45.67 \$50.26
8	\$23.14	8	\$54.93 \$60.42
Alternative 1		Alternative 2	
BFC/uniform kgals charge BFC = 60%		BFC/uniform kgals charge BFC = 70%	
BFC	\$21.43 \$23.62	BFC	\$25.17 \$27.56
All kgals	\$3.73 \$4.08	All kgals	\$2.77 \$3.06
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$21.43 \$23.62	0	\$25.17 \$27.56
1	\$25.16 \$27.77	1	\$27.94 \$30.62
3	\$32.62 \$35.86	3	\$33.48 \$36.74
6	\$43.81 \$48.10	6	\$41.79 \$45.92
8	\$51.27 \$56.26	8	\$47.33 \$52.04

7) Page 22, Issue 11

Issue 11: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this Utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 8.9 percent resulting in a consumption reduction of approximately 1,154 ~~1,317~~ kgals. Purchased power expense should be reduced by \$363 ~~\$414~~, chemical expense should be reduced by \$206 ~~\$225~~, and regulatory assessment fees (RAFS) should be reduced by \$26 ~~\$31~~. The final post-repression revenue requirement for the water system should be \$87,323 ~~\$92,815~~. For the wastewater system, test year kgals sold should be reduced by 8.9 percent, resulting in a consumption reduction of approximately 958 ~~1,093~~ kgals. Sludge removal expense should be reduced by \$1,369 ~~\$1,557~~, purchased power expense should be reduced by \$808 ~~\$909~~, and RAFs should be reduced by \$98.00 ~~\$111~~. The final post-repression revenue requirement for the wastewater system should be \$102,948 ~~\$112,636~~.

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

Staff Analysis: Staff conducted a detailed analysis of the consumption patterns of the Utility's residential customers as well as the effect of increased revenue requirements on the amount paid by residential customers at varying levels of consumption. As discussed in Issue 10, the

customer's monthly overall consumption is 5.1 kgals. Also, as discussed in Issue 10, staff believes it is appropriate to set the threshold for the customer's essential usage to approximately 9.8 kgals per month. However, staff's billing data indicates that there is a small portion of the customers consume over 10 kgals a month. Staff's recommended repression adjustment therefore only applies to water consumption above 10 kgals per month.

Using our database of utilities that have previously had repression adjustments made, staff calculated a repression adjustment for this Utility based upon the recommended increase in revenues from monthly service in this case, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that the Commission has approved in prior cases. Based on this methodology, staff calculated test year residential water sold should be reduced by 1,154 ~~1,317~~ kgals. Purchased power expense should be reduced by \$363 ~~\$414~~, chemical expense should be reduced by \$206 ~~\$235~~, and regulatory assessment fees (RAFS) should be reduced by \$26 ~~\$31~~. The final post-repression revenue requirement for the water system should be \$87,323 ~~\$92,815~~. For the wastewater system, test year kgals sold should be reduced by 958 ~~1,093~~ kgals. Sludge removal expense should be reduced by \$1,369 ~~\$1,557~~, purchased power expense should be reduced by \$808 ~~\$909~~, and RAFs should be reduced by \$98.00 ~~\$111.00~~. The final post-repression revenue requirement for the wastewater system should be \$102,948 ~~\$112,636~~.

8) Page 24, Issue 12

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

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedules Nos. 4-A and 4-B, respectively. The recommended rates should be designed to produce revenue \$87,323 ~~\$92,815~~ for water and \$102,948 ~~\$112,636~~ for wastewater, excluding miscellaneous service 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 on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Bruce, Deason)

Staff Analysis: Excluding miscellaneous service revenues, the recommended rates should be designed to produce of revenue \$87,323 ~~\$92,815~~ for the water system and \$102,948 ~~\$112,636~~ for the wastewater system.

9) Page 26, Issue 14 - Second Paragraph in Staff Analysis Section

The Utility should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$65,893 ~~\$78,068~~. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

10) Pages 34 and 35, Schedule 3-A - Schedule of Water Operating Income and Schedule 3-B - Schedule of Wastewater Operating Income

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES				SCHEDULE NO. 3-A	
TEST YEAR ENDING 12/31/2008				DOCKET NO. 080714-W5	
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	\$44,665	\$2,384	\$47,049	<u>\$40,869</u> \$46,146	\$87,918 \$93,495
				<u>86.87%</u> 98.72%	
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$34,112	\$8,923	\$43,035	0	\$43,035
3. DEPRECIATION (NET)	0	19,842	19,842	0	19,842
4. AMORTIZATION	0	(2,663) <u>2,663</u>	(2,663) <u>2,663</u>	0	(2,663) <u>2,663</u>
5. TAXES OTHER THAN INCOME	2,890	702	3,592	<u>1,839</u> 2,090	<u>5,431</u> 6,682
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	\$37,002	<u>\$26,803</u> \$32,129	<u>\$63,805</u> \$69,131	<u>\$1,839</u> \$2,090	<u>\$65,644</u> \$71,221
8. OPERATING INCOME/(LOSS)	\$7,663	-	<u>(\$16,756)</u> (\$22,082)	-	<u>\$22,274</u>
9. WATER RATE BASE	<u>\$240,394</u>		<u>\$281,950</u>		<u>\$281,950</u>

10. RATE OF RETURN	3.19%	-5.94% -7.83%	7.90%
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HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES				SCHEDULE NO. 3-B	
TEST YEAR ENDING 12/31/2008				DOCKET NO. 080714-WS	
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	\$46,291	\$1,161	\$47,452	\$57,772 \$67,762 121.75% 142.80%	\$105,224 \$115,214
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$60,336	(\$453)	\$59,883	0	\$59,883
3. DEPRECIATION (NET)	0	28,136	28,136	0	28,136
4. AMORTIZATION	0	(4,770) 4,770	(4,770) 4,770	0	(4,770) 4,770
5. TAXES OTHER THAN INCOME	2,828	2,188	5,016	2,600 3,049	7,616 8,065
6. INCOME TAXES	0	0	0	0	0
7. TOTAL OPERATING EXPENSES	\$63,164	\$25,101 34,641	\$88,265 97,805	\$2,600 3,094	\$90,864 100,854
8. OPERATING INCOME/(LOSS)	(\$16,873)		(\$40,813) (\$50,353)		\$14,360
WASTEWATER RATE					
9. BASE	\$51,880		\$181,769		\$181,769
10. RATE OF RETURN	-32.52%		-22.45% -27.70%		7.90%

11) Page 36, Schedule 3-C - Adjustments to Operating Income

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES		SCHEDULE NO. 3-C	
TEST YEAR ENDING 12/31/2008		DOCKET NO. 080714-WS	
ADJUSTMENTS TO OPERATING INCOME			
		WATER	WASTEWATER
OPERATING REVENUES			
To reflect the appropriate test year annualized revenue		\$2,384	\$1,161
OPERATION AND MAINTENANCE EXPENSES			
1. Purchased Power Expense (615,715)			
To remove overstated purchased power expense		\$0	(\$884)
To include understated Purchased Power		5,229	0
To adjust for excessive unaccounted for water		(697)	0
Subtotal		\$4,532	(\$884)
2. Contractual Services - Testing (635,735)			
To reflect annual DEP testing		\$528	\$0
3. Contractual Services - Other (636,736)			
To include understated Contractual Services		\$2,232	\$0
To amortize DEP required tank inspection and cleaning		1,200	0
Subtotal		\$3,432	\$0
4. Regulatory Commission Expense (665,765)			
To amortize rate case expense		\$431	\$431
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		\$8,923	(\$453)
DEPRECIATION EXPENSE			
1. To reflect net depreciation calculated per 25-30.140, FAC		\$19,748	\$28,136
2. To reflect 2009 pro forma Depreciation Expense		94	0
Total		(\$19,842)	(\$28,136)
AMORTIZATION OF CIAC			
To reflect appropriate amortization of CIAC		(\$2,663) \$2,663	(\$4,770) 4,770

8/17/2009

TAXES OTHER THAN INCOME

1. To reflect test year RAFs	\$36	\$149
2. To reflect test year property taxes	824	2,197
3. Payroll Tax	(158)	(158)
Total	\$702	\$2,188

12) Page 38, Schedule 4-A - Schedule of Water Rates

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES TEST YEAR ENDING 12/31/2008 MONTHLY WATER RATES		SCHEDULE NO. 4-A DOCKET NO. 080714-WS	
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
General and Residential Service			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$9.14	\$10.46 \$11.42	\$0.05
3/4"	\$9.14	\$15.69 \$16.68	\$0.08
1"	\$9.14	\$26.15 \$27.80	\$0.13
1-1/2"	\$9.14	\$52.30 \$55.60	\$0.27
2"	\$9.14	\$83.68 \$88.96	\$0.43
3"	\$9.14	\$167.36 \$177.92	\$0.86
4"	\$9.14	\$261.50 \$278.00	\$1.34
6"	\$9.14	\$523.00 \$556.00	\$2.68
Residential Gallonage Charge			
Per 1,000 gallons	\$1.37		
Per 1,000 gallons, 0-10 kgal		\$4.05 \$4.38	\$0.02
Per 1,000 gallons, 10+ kgal		\$6.07 \$6.56	\$0.03
General Service Gallonage Charge			
Per 1,000 gallons	\$1.37	\$4.14 \$4.46	\$0.02
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	\$13.25	\$22.61 \$24.26	
5,000 Gallons	\$15.99	\$30.71 \$33.02	
10,000 Gallons	\$22.84	\$50.96 \$54.92	

13) Page 38, Schedule 4-B -

Schedule of Wastewater Rates

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES TEST YEAR ENDING 12/31/2008 MONTHLY WASTEWATER RATES		SCHEDULE NO. 4-B DOCKET NO. 080714-WS	
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential Service			
(all meter sizes)	\$9.22	\$17.89 \$19.78	\$0.08
General Service			
Base Facility Charge by Meter Size:			
5/8"X3/4"	\$9.22	\$17.89 \$19.78	\$0.08
3/4"	\$9.22	\$26.84 \$29.67	\$0.11
1"	\$9.22	\$44.73 \$49.45	\$0.19
1-1/2"	\$9.22	\$89.45 \$98.90	\$0.38
2"	\$9.22	\$143.12 \$158.24	\$0.61
3"	\$9.22	\$286.24 \$316.48	\$1.23
4"	\$9.22	\$447.25 \$494.50	\$1.92
6"	\$9.22	\$894.50 \$989.00	\$3.83
Residential Gallonage Charge			
Per 1,000 gallons	\$1.74		
Per 1,000 gallons (capped at 8,000 gallons)		\$4.63 \$5.08	\$0.02
General Gallonage Charge			
Per 1,000 gallons	\$1.74	\$5.56 \$6.10	\$0.02
Typical Residential 5/8" x 3/4" Meter Bill			

<u>Comparison</u>		
3,000 Gallons	\$14.44	\$31.78 \$35.02
5,000 Gallons	\$17.92	\$41.04 \$45.18
10,000 Gallons	\$26.62	\$54.93 \$50.26