

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Lake County by Hidden Valley SPE LLC d/b/a
Orange Lake Utilities. DOCKET NO. 080714-WS
ORDER NO. PSC-09-0647-PAA-WS
ISSUED: September 24, 2009

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
ORDER APPROVING INCREASE IN RATES AND CHARGES
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, except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), the action discussed herein 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 (F.A.C.).

BACKGROUND

Hidden Valley SPE LLC d/b/a Orange Lake Utilities (Orange Lake or Utility) is a Class C water and wastewater utility located in Lake County serving approximately 248 water and 242 wastewater customers in Orange Lake Mobile Home Community. Orange Lake is located in the St. Johns River Water Management District (SJRWMD or District). The Utility's 2008 annual report reflects operating revenues of \$44,665 for water and \$46,291 for wastewater service and an operating loss of \$12,425 for water and \$41,153 for wastewater.

Orange Lake has been under our jurisdiction since December 22, 2004. The Utility began operations in 1985. On September 24, 2004, Orange Lake applied for original certificates to operate a water and wastewater utility in Lake County. Certificate Nos. 625-W and 536-S were granted to Orange Lake in 2004.¹ Prior to that time, the Utility provided water and wastewater service solely to

¹ See Order No. PSC-04-1270-PAA-WS, issued December 22, 2004, in Docket No. 041141-WS, In Re: Application for certificates to provide water and wastewater service in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake.

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FPSC-COMMISSION CLEAR

the rental community tenants as a part of the rent, and was therefore exempt from our regulation pursuant to Section 367.022(5), Florida Statutes (F.S.). On December 19, 2008, Orange Lake applied for a staff-assisted rate case (SARC). The Utility has not previously filed a request for a rate case.

We have audited Orange Lake's records for compliance with our rules and orders, and examined all components necessary for rate setting. The Commission staff engineer has also conducted a field investigation, which included a visual inspection of the water and wastewater facilities along with the service area. The Utility's operating expenses, maps, files, and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, plant in service, and quality of service. We have selected a historical test year ended December 31, 2008.

We have the authority to consider this rate case pursuant to Section 367.0814, F.S.

QUALITY OF SERVICE

Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), we determine the overall quality of service provided by a utility by evaluating three separate components of water operations, including the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received by us from customers are reviewed. The utility's current compliance with the Florida Department of Environmental Protection (DEP) is also considered.

Orange Lake's water and wastewater plants are regulated by the DEP Central District office in Orlando. The Utility is current in all of the required chemical analyses and the Utility has met all required standards for both water and wastewater. The quality of drinking water delivered to the customers and the wastewater effluent quality are both considered satisfactory by the DEP.

A field investigation of the Utility's service areas was conducted on February 25, 2009. The water and wastewater plants appeared to be operating normally and were well-maintained. Based on review of the maintenance records and a physical inspection, the general condition of the facilities appeared to be adequate. Therefore, we find that the operational conditions of the water and wastewater plants are satisfactory.

A customer meeting was held on June 29, 2009, in Clermont. Utility representatives and nine customers attended. Most customers were concerned with the water and wastewater rate increases, particularly during the current economic times. One customer was concerned about a wastewater backup, but stated the Utility resolved the problem. In addition, she was concerned with boil water notices and the quality of the water.

According to the DEP, the Utility provided incident reports when a boil water notice was needed and when the wastewater line became plugged. All boil water notices have been closed out and the wastewater line has been repaired. Further, DEP received no complaints regarding the Orange Lake water system from 2007 to 2009, and they have no concerns over the finished water quality.

There are no outstanding complaints on the Commission's Complaint Tracking System and the Utility indicated that they did not receive any customer complaints during the test year. Therefore, we find that the Utility's attempts to address customer concerns are satisfactory.

The quality of the product and the condition of the Utility's water and wastewater plants are in compliance with regulatory standards. In addition, the Utility addresses customer concerns on a timely basis and there are no outstanding complaints at this time. Therefore, we find that the Utility's overall quality of service is satisfactory.

USED AND USEFUL PERCENTAGES

The Orange Lake water treatment system has two wells which are rated at 230 and 650 gallons per minute (gpm). Raw water is treated with aeration and liquid chlorine and then pumped into the water distribution system from the ground storage tank. The ground storage tank has a usable capacity of 67,500 gallons. The single maximum day in the test year of 156,000 gallons occurred on June 24, 2008; however, because flows before and after that day and through the whole month of June 2008 were significantly lower, we find it appropriate to use the second single maximum day in the test year of 108,000 gallons, which occurred on May 7, 2008. It does not appear that there was a fire, line break, or other unusual occurrence on that day. The Utility's records indicate that 36 percent of the water produced during the test year was unaccounted for. Therefore, 26 percent of the water produced (16,430 gallons) is considered excessive unaccounted for water. An adjustment for unaccounted for water is addressed in Issue 8. The Utility's fire flow requirement is 500 gpm for 2 hours or 60,000 gallons. There has been no growth in the service area since the Utility became certificated; therefore, it appears to be built out.

Based on a peak day of 108,000 gallons per day (gpd), an excessive unaccounted for water adjustment of 16,430 gpd, a fire flow allowance of 60,000 gpd and a firm reliable capacity of 220,800 gpd, the water treatment plant is 69 percent used and useful. However, we find that the water treatment plant shall be considered 100 percent used and useful because the system is built out. In addition, because the usable storage capacity is less than the peak day demand, the storage tank shall be considered 100 percent used and useful pursuant to Rule 25-30.4325(8), F.A.C. The distribution system was designed to serve the existing customers and is built out; therefore, we find that the water distribution system is 100 percent used and useful.

The Utility's wastewater collection system is composed of PVC, with one lift station located in the service area. The lift station transfers the influent by a force main to the wastewater treatment plant. In June 2006, the Utility signed a consent order with DEP agreeing to increase the plant capacity by 30,000 gpd because the wastewater flows were exceeding the 50,000 gpd permitted capacity and the plant could not properly treat the flows. The wastewater treatment plant is now permitted by the DEP at 80,000 gallons per day (gpd) based on average annual daily flow (AADF) using extended aeration. Liquid chlorine disinfection is applied prior to the wastewater effluent flowing into the percolation ponds. There does not appear to be excessive infiltration or inflow at this time.

Pursuant to Rule 25-30.432, F.A.C., the wastewater treatment plant is 36 percent used and useful based on the AADF of 29,100 gpd and the permitted capacity of 80,000 gpd, although it should be noted that flows have declined significantly since 2005. However, because the service territory is built out, we find that the wastewater treatment plant and wastewater collection system shall be considered 100 percent used and useful.

2009 PRO FORMA ADJUSTMENT TO WATER TREATMENT PLANT

As mentioned in the unaccounted for water issue discussed subsequently, the Utility had some malfunctioning check valves connected to the high service pumps. The valves did not close properly and caused unaccounted for water. On March 23, 2009, the Utility replaced the valves. We find this was a prudent decision to replace the defective check valves. The cost of these valves of \$1,875 shall be included in rate base, and the corresponding retirement of the old valves shall be removed from rate base.²

TEST YEAR RATE BASE

The Utility recorded \$587,230 for water UPIS and \$422,847 for wastewater UPIS for the test year ending December 31, 2008. By Order No. PSC-04-1270-PAA-WS, we established the beginning balances of the rate base as of December 31, 2004, based on an original cost study performed in connection with the original certificate filing. The following is a breakdown of the plant additions and retirements since December 31, 2004:

	<u>Water</u>		
	Per Utility	Difference	Per Audit
2005 Additions	\$0	\$0	\$0
2006 Additions	\$60,742	(\$4,406)	\$56,336
2007 Additions	\$0	\$30,168	\$30,168
2008 Additions	\$0	\$2,148	\$2,148
12/31/2008 Balance	\$587,229	\$27,910	\$615,139

² We could not determine the original cost of the old valves. Pursuant to our practice, we used 75 percent of the replacement cost. Therefore, plant in service shall be reduced by \$1,406 (\$1,875 X 0.75). Also, accumulated depreciation shall be reduced by the same amount. The net effect on rate base of the decrease in plant in service and accumulated depreciation is \$0.

	<u>Wastewater</u>		
	Per Utility	Difference	Per Audit
2005 Additions	\$0	\$0	\$0
2006 Additions	\$64,100	\$0	\$64,100
2007 Additions	\$0	\$133,031	\$133,031
2008 Additions	\$0	\$9,831	\$9,831
12/31/2008 Balance	\$422,849	\$142,862	\$565,711

As such, we find that plant in service shall be increased by \$27,910 for water and \$142,862 for wastewater. We have also reduced both the water and wastewater plant in service accounts by \$1,074 and \$4,916, respectively, to reflect an averaging adjustment. As discussed above, we have increased water plant by \$1,875 to reflect pro forma valves. Therefore, the appropriate amount of test year plant in service is \$615,941 ($\$587,230 + \$27,910 - \$1,074 + \$1,875$) for water and \$560,795 ($\$422,849 + 142,862 - \$4,916$) for wastewater.

Land & Land Rights

The Utility's records reflect balances of \$4,600 and \$3,750, respectively, in Acct Nos. 303 and 353 – Land and Land Rights as of December 31, 2008. The National Association of Utility Commissioners Uniform System of Accounts (NARUC USOA), Balance Sheet Acct. Nos. 303 and 353 – Land and Land Rights, states that the cost of land shall be recorded at its original cost when it was first dedicated to utility service. Our staff auditors confirmed that the Utility recorded the land at its original cost when it was first dedicated to utility service. Therefore, no adjustment is unnecessary.

Non-used and Useful Plant

As discussed above, the Utility's water treatment, wastewater treatment, water distribution, and wastewater collection plants shall be considered 100 percent used and useful. Therefore, a non-used and useful adjustment is unnecessary.

Contribution in Aid of Construction (CIAC)

The Utility recorded CIAC of \$107,789 for water and \$178,699 for wastewater, respectively, for the test year ended December 31, 2008. Our staff auditors confirmed that the CIAC balance is correct. Thus, no adjustment is necessary.

Accumulated Depreciation

The Utility recorded a balance for accumulated depreciation of \$305,376 for water and \$306,707 for wastewater for the test year ending December 31, 2008. We have calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, we have decreased this account by \$4,083 for water and \$30,285 for wastewater to reflect our calculated depreciation. We have also increased both the water and wastewater accumulated depreciation by \$9,352 and \$13,493, respectively, to reflect an averaging adjustment. Additionally, we have increased accumulated depreciation for water by \$94 to reflect the depreciation associated with the 2009 pro forma replacement valves. These adjustment results in average accumulated depreciation of \$299,969 for water and \$323,499 for wastewater.

Accumulated Amortization of CIAC

The Utility recorded accumulated amortization of CIAC balances of \$61,729 for water and \$110,689 and wastewater for the test year. We calculated amortization of CIAC using composite rates prescribed in Rule 25-30.140, F.A.C. Based on this calculation, we increased accumulated amortization of CIAC by \$3,390 for water and \$3,634 for wastewater. We have also decreased accumulated amortization of CIAC by \$1,332 for water and \$2,385 for wastewater, to reflect an averaging adjustment. These adjustment results in total accumulated amortization of CIAC adjustment of \$2,059 for water and \$1,249 for wastewater.

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 used the one-eighth of the Operation and Maintenance (O&M) expense formula approach for calculating working capital allowance. Applying this formula, we find that a working capital allowance of \$5,379 for water and \$7,485 for wastewater (based on O&M of \$43,035 for water and 59,883 for wastewater) is appropriate. Working capital has been increased by \$5,379 for water and \$7,485 for wastewater to reflect one-eighth of our approved O&M expenses.

Rate Base Summary

Based on the forgoing, we find that the appropriate test year average rate base is \$281,950 for water and \$181,769 for wastewater. Water and Wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. Our adjustments are shown on Schedule 1-C.

RATE OF RETURN ON EQUITY AND OVERALL RATE OF RETURN

According to our audit, Orange Lake recorded the following items in its capital structure: common equity of \$1,292,779,443; negative retained earnings of \$0; and paid-in-capital of \$0. The Utility's capital structure consists of long term debt in the amount of \$1,753,785,919. All investor sources of capital are from the Utility's parent company, Hometown America. Using

the most recent Commission-approved leverage formula³ and with an equity ratio of 42.43 percent, the appropriate return on equity (ROE) is 11.14 percent. Orange Lake's capital structure has been reconciled with our approved rate base. We find that an ROE of 11.14 percent with a range of 10.14 percent - 12.14 percent, and an overall rate of return of 7.90 percent is appropriate. The ROE and overall rate of return are shown on Schedule No. 2.

TEST YEAR REVENUES

Orange Lake reported test year revenues of \$44,665 for the water system and \$46,291 for the wastewater system. Based on detailed billing information obtained from the Utility, we recalculated test year revenues. We approve revenue imputations of \$2,384 for the water system and \$1,161 for the wastewater system. Based on the foregoing, we find that the appropriate amounts of test year revenues in this case are \$47,049 for the water system and \$47,452 for the wastewater system.

OPERATING EXPENSES

Orange Lake recorded operating expenses of \$37,002 for water and \$63,164 for wastewater during the test year ending December 31, 2008. The test year O&M expenses have been reviewed, through an examination of invoices, canceled checks, and other supporting documentation. We made several adjustments to the Utility's operating expenses, as summarized below:

Purchased Power – (615,715)

Orange Lake recorded a water balance of \$136 in Account No. 615 – and a wastewater balance of \$10,987 in Account No. 715 for the 12 months ended December 31, 2008. Pursuant to Audit Finding No. 6, our review revealed that Account No. 615 is understated by \$5,229 (\$5,291 - \$62) based on our review of all vendor invoices for 2008. The Utility did not include in the general ledger all twelve months of electric bills from Progress Energy for the water generator which totaled \$5,291. Also, Orange Lake overstated the gas bills from Lake Apopka Natural Gas District by \$62. Additionally, the Utility included a late payment penalty in the amount of \$18, and double booked an invoice amount of \$866 for the electric invoices for Progress Energy in Acct. No. 715. As discussed previously, we approved a reduction of \$697 related to excessive unaccounted for water. Based on these adjustments, we find that purchased power expense for the test year shall be \$4,668 (\$136 + \$5,229 - \$697) for Acct. No. 615 and \$10,103 (\$10,987 - \$18 - \$866) for Acct. No. 715.

Contractual Services - Testing – (635,735)

Orange Lake recorded \$13,408 in Acct. No. 635 and \$10,279 in Acct. No. 735 for the test year. We have increased Account No. 635 by \$528 for water. State and local authorities require that several analyses be submitted in accordance with Chapter 62-550, F.A.C. The list below describes other less frequent tests required by DEP:

³ See Order No. PSC-09-0430-PAA-WS, issued June 19, 2009, in Docket No. 090006-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.

Water

<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost per year</u>
62-550.310(1) F.A.C.	Primary	36 months	\$229
62-550.513 F.A.C.	& Inorganics	36 months	Included in Primary
62-550.320 F.A.C.	Secondary	36 months	\$200
62-550.516 F.A.C.	Synthetic Organics	36 months	\$1,000
62-550.512(1) F.A.C.	Nitrate & Nitrite	Annually	\$150
62-550.515 F.A.C.	Volatile Organics	36 months	\$125
62-550.310(3) F.A.C.	Radionuclide's	36 months	\$561
EPA L & C Rule, 40	Lead & Copper	36 months	\$600
62-550.514 F.A.C.	TTHM	36 months	<u>\$250</u>
	Total Cost		\$3,115
	Yearly Cost		\$1,038
Lead & Copper		Tested on 10/31/08	<u>(\$510)</u>
Adjustment to the test year 2008			\$528.

Therefore, we find that increasing Account No. 635 by \$528 to reflect annual DEP testing for water is appropriate.

Contractual Services - Other – (636,736)

The Utility recorded \$1,046 in Acct. No. 636 and \$0 in Acct. No. 736 for the test year. Pursuant to Audit Finding No. 6, we discovered that Acct. No. 636 is understated by \$2,232 (\$186 x 12) based on our review of all vendor invoices for the year 2008. Orange Lake did not include the invoices for FewTek, Inc. that represents the meter reading service, for each month of \$186. In addition, DEP Rule 62-555.350(2), F.A.C., Permitting Construction, Operation and Maintenance of Public Water Systems, requires hydropneumatic tanks and finished water storage tanks to be cleaned from the inside and inspected for structural and coating integrity at least once every 5 years. The tanks were inspected in 2007 at a cost of \$6,000. This cost shall be amortized over 5 years for a yearly amount of \$1,200. Based on these adjustments, Acct. No. 636 shall be increased by \$3,432 (\$2,232 + \$1,200).

Regulatory Commission Expense – (665,765)

The Utility recorded \$0 for Acct. No. 675 and \$0 for Acct. No. 775 for the test year. Pursuant to Audit Finding No. 6, we note that Orange Lake did not include an invoice from Excel Engineering in the amount of \$1,536 that represents the preparation of this rate case. This results in an increase to Acct. Nos. 675 and 775 of \$192 (\$1,536/4 years/2). Also, we have included the filing fee of \$1,500, which results in an increase of \$188 (\$1,500/4 years/2) to Acct. Nos. 675 and 775. Additionally, we have included the costs associated with the notices for this rate case which result in an increase of \$51 (\$407/4/2) to Acct. Nos. 675 and 775. These adjustments result in an increase of \$431 (\$192 + \$188 + \$51) to Acct. Nos. 675 and 775.

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, O&M shall be increased \$8,923 for water and reduced \$453 for wastewater as shown on Schedule No. 3-C. Our approved O&M expenses of \$43,035 for water and \$59,883 for wastewater as shown on Schedule Nos. 3-D and 3-E.

Depreciation Expense (Net of Amortization of CIAC)

The Utility recorded \$0 in water and \$0 in wastewater for depreciation expense. We calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Our calculated test year net depreciation expense is \$19,748 for water and \$28,136 for wastewater. Thus, we have increased water by \$19,748 and wastewater by \$28,136. Also, we have included an increase of \$94 to water to reflect the depreciation expense associated with the 2009 pro forma replacement valves. Therefore, we approve net depreciation expense of \$19,842 (\$19,748 + \$94) for water and \$28,136 for wastewater.

Taxes Other Than Income (TOTI)

Orange Lake's records reflect water and wastewater balances of \$2,890 and \$2,828, respectively, for Acct. No. 408 – TOTI. Based on our audit, TOTI is understated by \$702 and \$2,188.

Further, based on the tax bill provided by the Utility, the total property tax amount of 38.4 acres is \$95,888. The property tax bill covers the property that covers 38.4 acres; the water system sits on 0.33 acres, and the wastewater system sits on 0.88 acres of the total 38.4 acres. We calculated the property taxes to be \$824 ($\$95,888 \times 0.33/38.4$) and \$2,197 ($\$95,888 \times 0.88/38.4$) for water and wastewater, respectively. No consideration for the assessed values of the structures on the property were considered because the information was not available.

The Utility included in the 2008 general ledger the 2007 Regulatory Assessment Fees (RAFs) return amount. We calculated the 2008 RAFs amount based on the calculated revenues which are \$2,048 and \$2,099 for water and wastewater, respectively. These amounts reflect an increase of \$36 and \$149 for water and wastewater, respectively.

We recalculated the Federal Insurance Contributions Act (FICA) tax to be \$720 each for water and wastewater, for the test year. The total payroll of \$18,824 x (6.2 percent Social Security Rate plus 1.45 percent Medicare Rate) equals \$720 ($\$1,440/2$). This represents a decrease of \$158 each for water and wastewater.

Based on these adjustments, TOTI shall be increased by \$702 ($\$824 + \$36 - \158) and \$2,188 ($\$2,197 + \$149 - \158) for water and wastewater, respectively. We find that TOTI of \$3,592 ($\$2,890 + 702$) for water and \$5,016 ($\$2,828 + 2,188$) for wastewater is appropriate.

Income Tax

The Utility recorded income tax of \$0 for water. Orange Lake is a limited partnership. The tax liability is passed on to the owner's personal tax returns. Therefore, we did not make an adjustment to this account.

Operating Expenses Summary

The application of our approved adjustments to the audited test year operating expenses results in our calculated operating expenses of \$63,805 for water and \$88,265 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.

REVENUE REQUIREMENT

The Utility shall be allowed an annual increase of \$40,869 (86.87 percent) for water and \$57,772 (121.75 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)	(4,770)
Taxes Other Than Income	5,431	7,616
Income Taxes	0	0
Revenue Requirement	\$87,918	\$105,224
Less Test Year Revenues	47,049	47,452
Annual Increase	\$40,869	\$57,772
Percent Increase/(Decrease)	86.87%	121.75%

UNACCOUNTED FOR WATER

Pursuant to Rule 25-30.4325(1)(e), F.A.C., it is our practice to allow 10 percent of the total water treated as an acceptable amount of unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by small leaks, meter inaccuracy, unrecorded line flushing, and plant usage.

The total treated water from the production meter (23,065,000) was compared with the total water sold to the customers (14,454,700). The total unaccounted for water was determined to be 36 percent. Therefore, the excessive unaccounted for water was calculated to be 26 percent. This percentage shows the difference between treated water leaving the plant and the metered water sold to the customers. We contacted the Utility and its consultants to determine what action it was taking to reduce the amount of unaccounted for water and to determine if it knew the cause of the unaccounted for water. It believes the high service check valves were faulty.

Water is pumped from the wells to the ground storage tank and is chlorinated when the well pumps are activated. Since the wells activate the chlorine pumps, no additional chlorine was used. After storage, high service pumps distribute the water into the hydropneumatic tank and into the water distribution system. It appears that the lack of working check valves connected to the high service pumps allowed water from the hydropneumatic tank to backflow through the production water meter and high service pumps into the ground storage tank. On March 25, 2009, the check valves were replaced. The Utility has requested a pro forma addition for the valves, which is addressed above. The backflow of water caused the high service pumps to re-pump the water; however, the well pumps were not affected, since they only pump the water into the storage tank one time. We have estimated that the electric usage from the well pumps and the high service pumps are about equal. Therefore, about 13 percent additional electricity was used due to the excessive amount of unaccounted for water. We find it appropriate to reduce Purchased Power Acct. No. 615 by \$697 ($\$5,364 \times .13$).

RATE STRUCTURE

The Utility currently has a BFC uniform/gallonage charge rate structure for the water system's residential and non-residential class. The monthly BFC is \$9.14 and the usage charge is \$1.37 per kgals.

Water Rates

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

Orange Lake Mobile Home Park is located in the SJRWMD. Prior to 2001, Orange Lake experienced high water usage, and the District required the Utility to submeter all individual

homes and miscellaneous uses within the mobile home park. As a part of the Orange Lake's consumptive use permit (CUP), the Utility had been required by the District to form a private utility capable of charging for water and wastewater to promote water conservation. According to District staff, as a result of the water conservation efforts, the Utility had reduced its usage.

As discussed in above, currently the Utility has excessive unaccounted for water. The Utility reported in its 2008 annual report that 23,065,000 gallons were pumped and 14,448,010 gallons were sold. However, our analysis of the consumption data provided by the Utility indicates the total gallons sold in 2008 were 14,454,700. We used these gallons for rate setting purposes. Representatives of the Utility believed that the check valves on the high service pumps were faulty and were the cause of the unaccounted for water. The check valves were replaced on March 25, 2009. Since the replacement, according to an analysis recently performed by the engineer, the unaccounted for water has decreased. However, it is still greater than ten percent. We have been in contact with District staff and indicated that they will be conducting a water audit.

Furthermore, as indicated in the CUP, Condition No. 21 states that the permittee must maintain a BFC/uniform gallonage charge rate structure. Again, we have been in contact with the District and it has indicated that it is in favor of implementing an inclining block rate structure as the choice of rate structure.

Based on our analysis, the customer base is non-seasonal and the average customer's monthly overall consumption is approximately 5.1 kgals. According to representatives of the Utility, the mobile home park is comprised of families that consist of at least four to five people. For this reason, we find it is appropriate to increase the threshold for a customer's essential usage to approximately 9.8 kgals per month. This number is derived based on the average number of persons per household, gallons per day, and days per month ($5.0 \times .065 \times 30$). Our billing data indicates there is a small portion of customers who consume over 10 kgals a month. Based on the above, we find it is appropriate to set a two-tier inclining block rate structure, with usage blocks set at 0-10 kgals and usage in excess of 10 kgals. The two-tiered rate structure will lower bills for customers using less than 10 kgals per month, while also sending a water conserving price signal to customers using more than 10 kgals per month.

Our approved rate design for the water system is shown on Table 1, set out below.

TABLE 1

HIDDEN VALLEY d/b/a ORANGE LAKE MOBILE HOME PARK WATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Approved 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
All kgals	\$1.37	0-10 kgals	\$4.05
		10+ kgals	\$6.07
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$9.14	0	\$10.46
1	\$10.51	1	\$14.51
3	\$13.25	3	\$22.61
5	\$15.99	5	\$30.71
10	\$22.84	10	\$50.96
20	\$36.54	20	\$111.66

Furthermore, we find that the initial BFC cost recovery of 58.6 percent shall be reduced to 35 percent. Our analysis indicates that this BFC cost recovery allocation allows us to design a more effective conserving rate structure that will target usage above 10 kgals without lowering the BFC. Also, this BFC allocation is consistent with the District's request to cover no more than 40 percent in the base charge.

Based on the foregoing, we find that the current water system rate structure be changed to a two tier inclining block rate structure with usage blocks set at 0-10 kgals and usage in excess of 10 kgals. The appropriate usage rate factors shall be 1.0 and 1.50. The appropriate rate structure for the water system's non-residential class is a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system shall be set at 35 percent.

Wastewater Rates

The Utility's current rate structure consists of a BFC/gallonage rate structure for the wastewater systems' residential and non-residential class. The monthly BFC is \$9.22 and the usage charge is \$1.74.

Our initial allocation for the wastewater BFC cost recovery for the residential class is 56 percent. However, we find it appropriate that the BFC cost recovery allocation shall be changed to 50 percent. Furthermore, we find that allocation of 50 percent is appropriate in order to increase the gallonage charge and set a stronger price signal.

Furthermore, a review of the billing data indicates that setting the residential monthly wastewater cap at 8 kgals is appropriate. Therefore, we find that the Utility's current residential monthly wastewater cap of 8 kgals remains unchanged. Also, we find that general service gallonage charge is 1.2 times greater than the residential charge.

Our approved rate design for the wastewater system is shown on Table 2.

TABLE 2

HIDDEN VALLEY d/b/a ORANGE LAKE MOBILE HOME PARK WASTEWATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Approved Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC =57%		BFC/uniform kgals charge BFC = 50%	
BFC	\$9.22	BFC	\$17.89
All kgals	\$1.74	All kgals	\$4.63
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$9.22	0	\$17.89
1	\$10.96	1	\$22.52
3	\$14.44	3	\$31.78
6	\$19.66	6	\$45.67
8	\$23.14	8	\$54.93

Based on the foregoing, we find that the appropriate rate structure for the wastewater system's residential and non-residential is a monthly BFC/uniform gallonage charge rate structure. The wastewater gallonage cap shall remain set at 8 kgals per month. The general service gallonage charge shall be 1.2 times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system shall be set at 50 percent.

REPRESSION ADJUSTMENTS AND FINAL REVENUE REQUIREMENTS

We 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 above, the average customer's monthly overall consumption is 5.1 kgals. Also, as discussed above, we find it is

appropriate to set the threshold for the customer's essential usage to approximately 9.8 kgals per month. However, our billing data indicates that there is a small portion of customers who consume over 10 kgals a month. Our approved 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, we calculated a repression adjustment for this utility based upon the approved 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, calculated test year residential water sold shall be reduced by 1,154 kgals. Purchased power expense shall be reduced by \$363, chemical expense shall be reduced by \$206, and RAFS shall be reduced by \$26. The final post-repression revenue requirement for the water system shall be \$87,323. For the wastewater system, test year kgals sold shall be reduced by 958 kgals. Sludge removal expense shall be reduced by \$1,369, purchased power expense shall be reduced by \$808, and RAFs shall be reduced by \$98. The final post-repression revenue requirement for the wastewater system shall be \$102,948.

RATES

Excluding miscellaneous service revenues, the approved rates shall be designed to produce revenue of \$87,323 for the water system and \$102,948 for the wastewater system.

We find that the current water system rate structure shall be changed to a two tier inclining block rate structure with usage blocks set at 0-10 kgals and usage in excess of 10 kgals. The appropriate usage rate factors shall be 1.0 and 1.50. The appropriate rate structure for the water system's non-residential class is a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system shall be set at 50 percent. We find that the appropriate rate structure for the wastewater system's residential and non-residential shall be changed to a monthly BFC/uniform gallonage charge rate structure. The wastewater gallonage cap shall be set at 8 kgals per month. The general service gallonage charge shall be 1.2 times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system shall be set at 50 percent.

The approved rates shall be effective for service rendered on or after 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.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Based on the foregoing, the appropriate rates for monthly service for the water and wastewater systems are shown on Schedules 4-A and 4-B.

FOUR-YEAR AMORTIZATION PERIOD

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, the associated return included in working capital, and the gross-up for RAFs which is \$431 annually for both water and wastewater. 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 Nos. 4-A and 4-B.

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

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data 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

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 that the approved rates shall be approved as temporary rates. The approved rates collected by the Utility shall be subject to the refund provisions discussed below.

The Utility shall be authorized to collect the temporary rates upon Commission staff's approval of appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$65,893. Alternatively, the Utility could 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 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 our 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.

ADJUSTMENT OF BOOKS FOR ALL THE APPLICABLE NARUC USOA
PRIMARY ACCOUNTS

To ensure that the Utility adjusts its books in accordance with our decision, we find it appropriate that Orange Lake 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Hidden Valley SPE LLC's application for a staff assisted rate case 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 are 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 Hidden Valley SPE LLC shall file revised tariff sheets and the proposed customer notices to reflect the approved rates. It is further

ORDERED that the approved rates shall not be implemented until our staff has approved the proposed customer notices. The Utility shall provide our staff with proof of the date each notice was given within 10 days after the date of the notice. It is further

ORDERED that the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. It is further

ORDERED that the Utility shall provide proof of the date notice was given no less than 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), F.A.C. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notices are adequate. It is further

ORDERED that the 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. It is further

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. It is further

ORDERED that 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), F.S., the rates approved herein shall be approved for the Utility on a temporary basis, subject to the refund provisions set forth in the body of this Order, in the event of a protest filed by a party other than the Utility. It is further

ORDERED that after the increased rates are in effect on a temporary basis, pursuant to Rule 25-30.360(6), F.A.C. Hidden Valley SPE LLC shall file reports with our 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. It is further

ORDERED that prior to implementation of any temporary rates, Hidden Valley SPE LLC shall provide the proposed customer notices and appropriate security for the potential refund. Security shall be in the form of a bond or letter of credit in the amount of \$65,893. Alternatively, the Utility may establish an escrow agreement with an independent financial institution. It is further

ORDERED that 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. It is further


ORDERED that Hidden Valley SPE LLC shall provide proof within 90 days of the final order issued in this docket that the appropriate adjustments for all the applicable NARUC USOA primary accounts have been made. It is further

ORDERED that, except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the NARUC USOA which are final agency action, 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, F.A.C., 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 this docket shall remain open until a Consummating Order or other final order has been issued, our staff has approved the revised tariff sheets and customer notices, the Utility has sent the notices to its customers, our staff has received proof that the customers have received notice, and the Utility has provided our staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. It is further

ORDERED that once our staff has verified all of the above actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 24th day of September, 2009.



ANN COLE
Commission Clerk

(S E A L)

JEH

DISSENT BY: COMMISSIONER ARGENZIANO

COMMISSIONER ARGENZIANO dissents without opinion.

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 shall not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the NARUC USOA, which are final agency action, our actions identified in the body of this order are 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 October 15, 2009.

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.

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES		SCHEDULE NO. 1-A	
TEST YEAR ENDING 12/31/2008		DOCKET NO. 080714-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$587,230	\$28,711	\$615,941
2. LAND & LAND RIGHTS	4,600	0	4,600
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(107,789)	0	(107,789)
5. ACCUMULATED DEPRECIATION	(305,376)	5,407	(299,969)
6. AMORTIZATION OF CIAC	61,729	2,059	63,788
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>5,379</u>	<u>5,379</u>
8. WATER RATE BASE	<u>\$240,394</u>	<u>\$41,556</u>	<u>\$281,950</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1-B
DOCKET NO. 080714-WS

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$422,847	\$137,947	\$560,794
2. LAND & LAND RIGHTS	3,750	0	\$3,750
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(178,699)	0	(178,699)
5. ACCUMULATED DEPRECIATION	(306,707)	(16,792)	(323,499)
6. AMORTIZATION OF CIAC	110,689	1,249	111,938
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,485</u>	<u>7,485</u>
8. WASTEWATER RATE BASE	<u>\$51,880</u>	<u>\$129,889</u>	<u>\$181,769</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-C
DOCKET NO. 080714-WS

	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. To record retired water pump	(\$4,406)	\$0
2. To include 2007 plant additions	42,918	133,031
3. To record 2007 retired plant	(12,750)	0
4. To record 2008 plant additions	3,193	10,982
5. To record 2008 retired plant	(1,045)	(1,151)
6. To reflect averaging adjustment	(1,074)	(4,916)
7. To include 2009 Pro Forma Plant Valves	<u>1,875</u>	<u>0</u>
Total	<u>\$28,711</u>	<u>\$137,947</u>
<u>ACCUMULATED DEPRECIATION</u>		
1. To reflect accumulated depreciation per rule	(\$4,083)	(\$30,285)
2. To reflect averaging adjustment	9,352	13,493
3. To reflect 2009 Pro Forma Accumulated Depreciation	<u>94</u>	<u>0</u>
Total	<u>\$5,407</u>	<u>(\$16,792)</u>
<u>AMORTIZATION OF CIAC</u>		
1. To reflect appropriate Accumulated Amortization of CIAC	\$3,390	\$3,634
2. To reflect averaging adjustment	<u>(1,332)</u>	<u>(2,385)</u>
Total	<u>\$2,059</u>	<u>\$1,249</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
To reflect 1/8 of test year O & M expenses.	<u>\$5,379</u>	<u>\$7,485</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 080714-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON EQUITY	\$1,292,779,443	\$0	\$1,292,779,443					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. TREASURY STOCK	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	\$1,292,779,443	\$0	\$1,292,779,443	(\$1,292,582,669)	\$196,774	42.43%	11.14%	4.73%
6. LONG TERM DEBT-Note	\$1,753,785,919	\$0	\$1,753,785,919	(\$1,753,518,975)	\$266,944	57.57%	5.51%	3.71%
TOTAL LONG TERM DEBT	\$1,753,785,919	\$0	\$1,753,785,919	(\$1,753,518,975)	\$266,944	57.57%	5.51%	3.71%
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
9. TOTAL	<u>\$3,046,565,362</u>	<u>\$0</u>	<u>\$3,046,565,362</u>	<u>\$3,046,101,643</u>	<u>\$463,719</u>	<u>100.00%</u>		<u>7.90%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>10.14%</u>	<u>12.14%</u>	
OVERALL RATE OF RETURN						<u>7.48%</u>	<u>8.32%</u>	

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES					SCHEDULE NO. 3-A	
TEST YEAR ENDING 12/31/2008					DOCKET NO. 080714-WS	
SCHEDULE OF WATER OPERATING INCOME						
	TEST YEAR	COMMISSION	COMMISSION	ADJUST.		
	PER UTILITY	ADJ.	ADJUSTED	FOR		REVENUE
	PER UTILITY	PER UTILITY	TEST YEAR	INCREASE		REQUIREMENT
1. OPERATING REVENUES	<u>\$44,665</u>	<u>\$2,384</u>	<u>\$47,049</u>	<u>\$40,869</u>		<u>\$87,918</u>
				86.87%		
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)	(2,663)	0		(2,663)
5. TAXES OTHER THAN INCOME	2,890	702	3,592	1,839		5,431
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$37,002</u>	<u>\$26,803</u>	<u>\$63,805</u>	<u>\$1,839</u>		<u>\$65,644</u>
8. OPERATING INCOME/(LOSS)	<u>\$7,663</u>		<u>(\$16,756)</u>			<u>\$22,274</u>
9. WATER RATE BASE	<u>\$240,394</u>		<u>\$281,950</u>			<u>\$281,950</u>
10. RATE OF RETURN	<u>3.19%</u>		<u>-5.94%</u>			<u>7.90%</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 080714-WS

	TEST YEAR PER UTILITY	COMMISSION ADJ. PER UTILITY	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$46,291</u>	<u>\$1,161</u>	<u>\$47,452</u>	<u>\$57,772</u> 121.75%	<u>\$105,224</u>
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)	0	(4,770)
5. TAXES OTHER THAN INCOME	2,828	2,188	5,016	2,600	7,616
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$63,164</u>	<u>\$25,101</u>	<u>\$88,265</u>	<u>\$2,600</u>	<u>\$90,864</u>
8. OPERATING INCOME/(LOSS)	<u>(\$16,873)</u>		<u>(\$40,813)</u>		<u>\$14,360</u>
9. WATER RATE BASE	<u>\$51,880</u>		<u>\$181,769</u>		<u>\$181,769</u>
10. RATE OF RETURN	<u>-32.52%</u>		<u>-22.45%</u>		<u>7.90%</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 080714-WS

	<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES		
To reflect the appropriate test year annualized revenue	<u>\$2,384</u>	<u>\$1,161</u>
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	<u>(697)</u>	<u>0</u>
Subtotal	<u>\$4,532</u>	<u>(\$884)</u>
2. Contractual Services - Testing (635,735)		
To reflect annual DEP testing	<u>\$528</u>	<u>\$0</u>
3. Contractual Services - Other (636,736)		
To include understated Contractual Services	\$2,232	\$0
To amortize DEP required tank inspection and cleaning	<u>1,200</u>	<u>0</u>
Subtotal	<u>\$3,432</u>	<u>\$0</u>
4. Regulatory Commission Expense (665,765)		
To amortize rate case expense	<u>\$431</u>	<u>\$431</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$8,923</u>	<u>(\$453)</u>
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	<u>94</u>	<u>0</u>
Total	<u>(\$19,842)</u>	<u>(\$28,136)</u>
AMORTIZATION OF CIAC		
To reflect appropriate amortization of CIAC	<u>(\$2,663)</u>	<u>(\$4,770)</u>
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	<u>(158)</u>	<u>(158)</u>
Total	<u>\$702</u>	<u>\$2,188</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES

SCHEDULE NO. 3-D

TEST YEAR ENDING 12/31/2008

DOCKET NO. 070714-WS

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	COMMISSION PER ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$9,412	\$0	\$9,412
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSION & BENEFITS	1,870	0	1,870
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	136	4,532	4,668
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	2,653	0	2,653
(620) MATERIALS AND SUPPLIES	377	0	377
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	5,087	0	5,087
(635) CONTRACTUAL SERVICES - TESTING	13,408	528	13,936
(636) CONTRACTUAL SERVICES - OTHER	1,046	3,432	4,478
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	431	431
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>123</u>	<u>0</u>	<u>123</u>
	<u>\$34,112</u>	<u>\$8,923</u>	<u>\$43,035</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES

SCHEDULE NO. 3-E

TEST YEAR ENDING 12/31/2008

DOCKET NO. 080714-WS

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	COMMISSION PER ADJUST.	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$9,412	\$0	\$9,412
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSION & BENEFITS	1,870	0	1,870
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	17,118	0	17,118
(715) PURCHASED POWER	10,987	(884)	10,103
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	8,331	0	8,331
(720) MATERIALS AND SUPPLIES	171	0	171
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	2,044	0	2,044
(735) CONTRACTUAL SERVICES - TESTING	10,279	0	10,279
(736) CONTRACTUAL SERVICES - OTHER	0	0	0
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	0	0	0
(765) REGULATORY COMMISSION EXPENSE	0	431	431
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	<u>124</u>	<u>0</u>	<u>124</u>
	<u>\$60,336</u>	<u>\$(453)</u>	<u>\$59,883</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE			
UTILITIES	SCHEDULE NO. 4-A		
TEST YEAR ENDING 12/31/2008	DOCKET NO. 080714-WS		
MONTHLY WATER RATES			
	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"	\$9.14	\$10.46	\$0.05
3/4"	\$9.14	\$15.69	\$0.08
1"	\$9.14	\$26.15	\$0.13
1-1/2"	\$9.14	\$52.30	\$0.27
2"	\$9.14	\$83.68	\$0.43
3"	\$9.14	\$167.36	\$0.86
4"	\$9.14	\$261.50	\$1.34
6"	\$9.14	\$523.00	\$2.68
<u>Residential Gallonage Charge</u>			
Per 1,000 gallons	\$1.37		
Per 1,000 gallons, 0-10 kgal		\$4.05	\$0.02
Per 1,000 gallons, 10+ kgal		\$6.07	\$0.03
<u>General Service Gallonage Charge</u>			
Per 1,000 gallons	\$1.37	\$4.14	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$13.25	\$22.61	
5,000 Gallons	\$15.99	\$30.71	
10,000 Gallons	\$22.84	\$50.96	

TEST YEAR ENDING 12/31/2008
 MONTHLY WASTEWATER RATES

DOCKET NO. 080714-WS

	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u> (all meter sizes)	\$9.22	\$17.89	\$0.08
<u>General Service</u>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$9.22	\$17.89	\$0.08
3/4"	\$9.22	\$26.84	\$0.11
1"	\$9.22	\$44.73	\$0.19
1-1/2"	\$9.22	\$89.45	\$0.38
2"	\$9.22	\$143.12	\$0.61
3"	\$9.22	\$286.24	\$1.23
4"	\$9.22	\$447.25	\$1.92
6"	\$9.22	\$894.50	\$3.83
<u>Residential Gallonage Charge</u>			
Per 1,000 gallons	\$1.74		
Per 1,000 gallons (capped at 6,000 gallons)		\$4.63	\$0.02
<u>General Gallonage Charge</u>			
Per 1,000 gallons	\$1.74	\$5.56	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$14.44	\$31.78	
5,000 Gallons	\$17.92	\$41.04	
10,000 Gallons	\$26.62	\$54.93	