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Public Service Commission

October 5, 2009

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Sean McKenna  
3070 Harbor Drive  
St. Augustine, FL 32084

**Re: Docket No. 090230 -WU – Application for staff-assisted rate case in St. Johns County by Camachee Cove Yacht Harbor Utility**

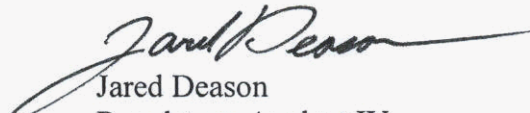
Dear Mr. McKenna:

Enclosed are two copies of the staff report. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407 (9)(b), F.A.C., by all interested persons at the following location:

252 Yacht Club Drive  
St. Augustine, FL 32084

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6844.

Sincerely,

  
Jared Deason  
Regulatory Analyst IV

Enclosures

cc: Division of Economic Regulation (Bulecza-Banks, Fletcher, Deason)  
Office of General Counsel (Brown)  
Office of Commission Clerk (090230-WU)

DOCUMENT NUMBER - DATE  
10270 OCT -6 8  
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State of Florida



## Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** September 21, 2009

**TO:** Cheryl Bulecza-Banks, Bureau Chief, Bureau of Rate Filings

**FROM:** Jared Deason, Regulatory Analyst IV *JD*  
Robert Simpson, Engineer Specialist II *RS*  
Sonica Bruce, Regulatory Analyst III *SB*

**RE:** Docket No. 090230-WU – Application for staff-assisted rate case in St. Johns County by Camachee Cove Yacht Harbor Utility

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– STAFF REPORT –

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

DOCUMENT NUMBER - DATE

10270 OCT-68

FPSC - COMMISSION CLERK

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### Case Background

This Staff Report is a **preliminary** analysis of the Utility prepared by the Florida Public Service Commission (PSC) staff to give Utility customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed December 3, 2009 for the December 15, 2009, Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

Camachee Cove Yacht Harbor Utility (Camachee or Utility) is a Class C water utility located in St. Johns County serving approximately 92 water customers in Camachee Cove Yacht Harbor. Camachee is located in the St. Johns River Water Management District (SJRWMD). The Utility reported for 2008 operating revenues of \$43,224 and an operating loss of \$37,578.

Camachee has been under Commission jurisdiction since February 12, 2009.<sup>1</sup> The Utility began operations in 1977. On April 19, 1988, Camachee applied for an original certificate to operate a water utility in St. Johns County. On April 24, 2009, Camachee applied for a staff-assisted rate case (SARC). The Utility has not previously had a rate case.

Staff has audited the Utility's records for compliance with Commission rules and orders, and examined all components necessary for rate setting. A staff engineer has also conducted a field investigation, which included a visual inspection of the water 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. Staff has selected a historical test year ended December 31, 2008.

The Commission has the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.)

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<sup>1</sup> See Order No. PSC-09-0092-FOF-WS, issued February 12, 2009, in Docket No. 090029-WS, In re: Ordinance by Board of County Commissioners of St. Johns County relating to regulation of water and wastewater utilities within the unincorporated areas of St. Johns County.

### Discussion of Issues

**Issue 1:** Is the quality of service provided by Camachee Cove Yacht Harbor Utility satisfactory?

**Preliminary Recommendation:** The staff recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the October 21, 2009, customer meeting. (Simpson)

**Staff Analysis:** Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines 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 the Commission from customers are reviewed. The Utility's current compliance with the Florida Department of Environmental Protection (DEP) is also considered.

Camachee Cove is regulated by the DEP Northeast District office in Jacksonville. The annual results for the monitoring of nitrate and nitrite in 2008 were not submitted to DEP. The Utility informed staff that it was an oversight. Camachee subsequently submitted the 2009 annual results to DEP. The quality of drinking water delivered to the customers is considered satisfactory by the DEP.

A staff field investigation of the Utility's service area was conducted on July 8, 2009. The water treatment plant was being renovated with a new ground storage tank, new high service pumps with an enclosure, a new hydropneumatic tank, a new aerator tower, and some piping modifications to accommodate the new equipment. The plant appeared to be operating normally and was well maintained. Based on review of the maintenance records and a physical inspection, the general condition of the facilities appeared to be adequate. Therefore, the operational conditions of the plant are satisfactory.

There are no outstanding complaints on the Commission's Complaint Tracking System. The Utility indicated that they did not receive any customer complaints during the test year. The staff recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the October 21, 2009, customer meeting.

**Issue 2:** What are the used and useful percentages of the Utility's water treatment plant, ground storage tank, and water distribution lines?

**Preliminary Recommendation:** The Utility's water treatment plant, ground storage tank, and water distribution system are 100 percent used and useful. (Simpson)

**Staff Analysis:** The Utility's water treatment plant (WTP) is a reverse osmosis water treatment system that has two wells which are rated at 90 gallons per minute (gpm) and 495 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 22,000 gallons. The Utility's peak day of 59,400 gallons occurred on December 30, 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 unaccounted for water was below 10 percent during the test year; therefore, no adjustment will be made for excessive unaccounted for water. 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 during the last five years; therefore it appears that the system is built out.

Based on a peak day of 59,400 gallons per day (gpd), a fire flow allowance of 60,000 gpd, and a firm reliable capacity of 86,400 gpd, the WTP is 100 percent used and useful. Pursuant to Rule 25-30.4325(8), F.A.C, the usable storage capacity is less than the peak day demand; therefore, the storage tank should be considered 100 percent used and useful. The distribution system was designed to serve the existing customers which is built out. Staff therefore recommends that the water distribution system be considered 100 percent used and useful.

**Issue 3:** What is the appropriate average test year rate base for the Utility?

**Preliminary Recommendation:** The appropriate average test year water rate base for the Utility is \$347,612. (Deason)

**Staff Analysis:** Staff selected a test year ending December 31, 2008 for this rate case. Rate base components have been updated through December 31, 2008, using information obtained from staff's audit and report, as well as an original cost study completed by a staff engineer. A summary of each component and the adjustments follows.

**Utility Plant in Service (UPIS):** The Utility recorded \$200,100 for UPIS for the test year ending December 31, 2008. Pursuant to Audit Finding No. 2, the Utility was unable to provide any original cost records to substantiate its June 30, 2007 plant balances. As stated in the case background, the Utility has never had a rate case or had rate base established by this Commission since becoming jurisdictional. Due to a lack of Utility records, the staff engineer performed an original cost study to determine the appropriate amount of plant in service. The engineer's cost estimate was performed by the use of available maps, partial invoice records, and visible facilities noted during the engineering field investigation. Based on the original cost study, staff has made an adjustment to increase plant in service by \$11,626.

**Land & Land Rights:** The Utility's records reflect balances of \$10,000 in Acct No. 303 – Land and Land Rights as of December 31, 2008. The National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), Balance Sheet Acct. Nos. 303 – Land and Land Rights, states that the cost of land should be recorded at its original cost when it was first dedicated to utility service. Pursuant to Audit Finding No. 2, staff was unable to determine to the value of the Utility's portion of land. However, based on comparables, staff believes that \$10,000 is a reasonable amount to record for land; therefore, an adjustment is unnecessary for Acct No. 303 – Land and Land Rights

**Non-used and Useful Plant:** As discussed earlier in Issue 2, the Utility's water treatment plant should be considered 100 percent used and useful. Therefore, a used and useful adjustment is unnecessary.

**Contribution in Aid of Construction (CIAC):** The Utility recorded CIAC of \$0 for the test year ended December 31, 2008. As discussed earlier, Camachee has never had a rate case. Staff calculated CIAC using the methodology prescribed in Rule 25-30.570, F.A.C., for CIAC. Based on this methodology, staff has increased CIAC by \$60,393.

**Accumulated Depreciation:** The Utility recorded a balance for accumulated depreciation of \$141,320 for the test year ended December 31, 2008. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, staff has decreased this account by \$1,266 to reflect the appropriate amount of accumulated depreciation. Staff has also decreased accumulated depreciation by \$3,039, to reflect an averaging adjustment.

**Accumulated Amortization of CIAC:** Camachee recorded accumulated amortization of CIAC of \$0 for the test year ending December 31, 2008. Staff calculated amortization of CIAC using composite rates prescribed in Rule 25-30.140, F.A.C., for the CIAC. Based on this calculation, staff increased accumulated amortization of CIAC by \$48,162. Staff has also decreased

accumulated amortization of CIAC by \$688, to reflect an averaging adjustment. These adjustment results in total accumulated amortization of CIAC of \$47,474.

**Construction Work In Progress (CWIP):** Camachee is currently in the process of replacing its water plant. The Utility recorded CWIP of \$201,107 for the test year ending December 31, 2008. Staff auditors verified the CWIP amounts recorded by Camachee. Since the audit, staff has received an additional \$64,497 of invoices for the new water plant. Based on the additional invoices, staff has increased CWIP by \$64,497. Therefore, CWIP should be \$265,604.

**Additionally, the Utility has stated that the new water plant should be completed and dedicated to public service by the conclusion of this rate case. If the WTP is completed and dedicated to public service, staff will move the entire CWIP along with any subsequent plant investment deemed prudent to bring the new WTP on-line to plant in service and make corresponding adjustments to accumulated depreciation and depreciation expense. These adjustments will increase revenue requirement, as well as rates.**

**Working Capital Allowance:** Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of a utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the Operation & Maintenance (O&M) expense formula approach for calculating working capital allowance. Applying this formula, staff recommends a working capital allowance of \$10,216 based on O&M expenses of \$81,728. Working capital has been increased by \$10,216 to reflect one-eighth of staff's recommended O&M expenses.

**Rate Base Summary:** Based on the forgoing, staff recommends that the appropriate test year average water rate base is \$347,612. Rate base is shown on Schedule No. 1-A, and staff's adjustments are shown on Schedule 1-B.



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

**Preliminary Recommendation:** The appropriate return on equity is 11.30 percent with a range of 10.30 percent-12.30 percent. The appropriate overall rate of return is 9.67 percent. (Deason)

**Staff Analysis:** According to staff's audit, Camachee recorded the following items in its capital structure: common equity of (\$131,877); retained earnings of \$0; paid-in-capital of \$0; and long-term debt of \$404,014. Since including negative equity would penalize the Utility's capital structure by understating the overall rate of return, staff has adjusted the negative equity to zero.<sup>2</sup> Also, according to staff's audit, the long-term debt of \$404,014 consists of advances from the parent company in which no interest is charged. Consistent with Commission practice, advances from the parent in which no interest is charged should be treated as common equity.<sup>3</sup> Using the most recent Commission-approved leverage formula<sup>4</sup> and with an equity ratio of 100 percent, the appropriate return on equity (ROE) is 11.30 percent. Camachee's capital structure has been reconciled with staff's recommended rate base. Staff recommends an ROE of 11.30 percent with a range of 10.30 percent-12.30 percent, and an overall rate of return of 9.67 percent. The ROE and overall rate of return are shown on Schedule No. 2.

<sup>2</sup> See Order Nos. PSC-95-0480-FOF-WS, issued April 13, 1995, in Docket No. 940895-WS, In Re: Application for a staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.; PSC-97-0263-FOF-SU, issued March 11, 1997, in Docket No. 960984-SU, In Re: Investigation of possible overearnings in Volusia County by North Peninsula Utilities Corporation; and PSC-01-1574-PAA-WS, issued July 30, 2001, in Docket No. 000584-WS, In Re: Application for approval of staff-assisted rate case in Martin County by Laniger Enterprises of America, Inc.

<sup>3</sup> See Order Nos. PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 011451-WS, In Re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia; PSC-05-1218-PAA-WS, issued December 15, 2005, in Docket No. 050274-WS, In Re: Application for staff-assisted rate case in Pasco County by Silver Fox Utility Company LLC d/b/a Timberwood Utilities; and PSC-07-1009-PAA-WU, issued December 20, 2007, in Docket No. 070177-WU, In Re: Application for staff-assisted rate case in Pasco County by LWV Utility.

<sup>4</sup> 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.

**Issue 5:** What is the appropriate amount of test year revenues in this case?

**Preliminary Recommendation:** The appropriate amount of test year revenues in this case is \$43,224. (Deason, Bruce)

**Staff Analysis:** Camachee reported test year revenues of \$43,224. A revenue test was performed by staff auditors to confirm the revenues reported by the Utility. Based on the foregoing, staff recommends that the appropriate amount of test year revenues in this case is \$43,224.

**Issue 6:** What are the appropriate operating expense?

**Preliminary Recommendation:** The appropriate amount of operating expense for the Utility is \$93,227. (Deason)

**Staff Analysis:** Camachee recorded operating expenses of \$80,802 during the test year ended December 31, 2008. The test year O&M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to the Utility's operating expenses, as summarized below:

**Salaries and Wages – Employees – (601)** – Camachee recorded a balance of \$0 in Account No. 601 for the test year. Pursuant to audit finding No. 3, The Utility incorrectly recorded its employee wages in Account No. 675. Staff has made adjustments to increase Account No. 601 by \$26,526 to recognize the reclassification of salaries and wages for employees to the proper account. Staff recommends salaries and wages - employees expense for the test year of \$26,526 for Account No. 601.

**Salaries and Wages – Officers – (603)** – Camachee recorded a balance of \$0 in Account No. 603 for the test year. Pursuant to audit finding No. 3, the Utility incorrectly recorded its officer wages in Account No. 675. Staff has made adjustments to increase Account No. 603 by \$7,135 to recognize the reclassification of salaries and wages for officers to the proper account. Staff recommends salaries and wages - officers expense for the test year of \$7,135 for Acct. No. 603.

**Employee Pensions and Benefits – (604)** – Camachee recorded a balance of \$0 in Account No. 604 for the test year. Pursuant to audit finding No. 3, Camachee incorrectly recorded its employee pensions and benefits in Account No. 675. Staff has made adjustments to increase Account No. 604 by \$9,014 to recognize the reclassification of employee pensions and benefits to the proper account. Staff recommends employee pensions and benefits expense for the test year of \$9,014 for Account No. 604.

**Fuel for Power Production – (616)** – The Utility recorded a balance of \$299 in Account No. 616 for the test year. Pursuant to audit finding No. 3, Camachee incorrectly recorded a portion of its fuel for purchased power in Account No. 620. Staff has made adjustments to increase Account No. 616 by \$203 to recognize the reclassification of fuel for purchased power to the proper account. Staff recommends fuel for power production expense for the test year of \$502 (\$299+\$203) for Account No. 616.

**Materials & Supplies – (620)** – The Utility recorded a balance of \$1,444 in Account No. 620 for the test year. Pursuant to audit finding No. 3, Camachee incorrectly recorded a portion of its materials & supplies in Account No. 675. Staff has made adjustments to increase Account No. 620 by \$480 to recognize the reclassification of materials and supplies to the proper account. Additionally, as stated above, the Utility incorrectly recorded a portion of its fuel for purchased power in Account No. 620. Staff has made adjustments to decrease Account No. 620 by \$203 to recognize the reclassification of fuel for purchased power to the proper account. Therefore, Account No. 620 – materials & supplies should be increased by \$277 (\$480-\$203). Staff recommends materials & supplies expense for the test year of \$1,721 (\$1,444+\$278).

Contractual Services - Testing – (635) – Camachee recorded \$4,138 in Account No. 635 for the test year. Pursuant to audit finding No. 3, the Utility recorded 13 months of testing rather than 12. Staff has made adjustments to decrease Account No. 635 by \$60 to recognize the extra month of testing. State and local authorities require several analyses be submitted in accordance with Chapter 62-550, F.A.C. Testing costs incurred during the test year did not include non-annual testing costs. For additional testing costs not incurred during the test year, staff recommends that an additional annualized expense of \$1,343 be included in Account 635. These tests are required by DEP every three or more years. Projected estimated costs include:

Primary Inorganics	\$504		
Volatile Organics	\$272		
Synthetic Organic Contaminants	\$1,744		
Secondaries	\$402		
Radionuclides	\$648		
TTHM	\$118		
<u>Haloacetic acids</u>	<u>\$238</u>		
Total 3 yr cost	= \$3,926	3 yr Annualized cost	= \$1,343

Staff recommends Contractual Services – Testing of \$1,283 (\$1,343-\$60) for the test year.

Rent – (640) – Camachee recorded \$0, in Account No. 640 for the test year. Pursuant to Audit Finding No. 3, the Utility incorrectly recorded its rent in Account No. 675. Staff has made adjustments to increase Account No. 640 by \$360 to recognize the reclassification of rent to the proper account. Staff recommends rent expense for the test year of \$360 for Acct. No. 640.

Transportation Expense – (650) – Camachee recorded \$0 in Account No. 650 for the test year. Pursuant to audit finding No. 3, the Utility incorrectly recorded its transportation expense in Account No. 675. Staff has made adjustments to increase Account No. 650 by \$600 to recognize the reclassification of transportation expense to the proper account. Staff recommends transportation expense of \$600 for the test year.

Regulatory Commission Expense – (665) – Camachee recorded \$0 in Account No. 665 for the test year. Staff has made adjustments to include the costs associated with this rate case in Account No. 665. Staff has included the filing fee of \$1,000 which results in an increase of \$250 (\$1,000/4 years). Staff has also included consulting fees of \$2,328 which results in an increase of \$582 (\$2,328/4 years). Additionally, staff has included the costs associated with the notices for this rate case which result in an increase of \$38 (\$151/4) to Account No. 665. These adjustments result in a total increase of \$870 (\$250+\$582+38) to Account No. 675.

Miscellaneous Expense – (675) – The Utility recorded \$35,565 in Account No. 675 for the test year. As stated above, there were several accounts including salaries and wages, employee pensions and benefits, materials and supplies, rent and transportation expenses were inadvertently recorded in Account No. 675. Staff has made adjustments to decrease Account No. 675 by \$35,140 to recognize the reclassification of various expenses to their proper accounts. Staff recommends miscellaneous expense of \$425 ( $\$35,565 - \$35,140$ ) for the test year.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M should be increased by \$11,128 as shown on Schedule No. 3-B. Staff's recommended O&M expenses of \$81,728 as shown on Schedule No. 3-C.

Depreciation Expense (Net of Amortization of CIAC) – Camachee recorded \$9,242 for depreciation expense. Staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Staff's calculated test year net depreciation expense is \$4,761. Therefore, staff recommends net depreciation expense of \$4,761 ( $\$9,242 - \$4,481$ ).

Taxes Other Than Income (TOTI) – The Utility's records reflect a balance of \$960 for Account No. 408 – TOTI for the test year, which represented real estate and personal property taxes.

Camachee was under the jurisdiction of St. Johns County Water and Sewer Authority during the test year and did pay quarterly regulatory assessment fees (RAFs) for the first three-quarters of 2008. The last quarter of RAFs due was recorded as a payable of the trail balance. However, the audit staff calculated RAF expense as per the rate charged by the Commission which is 4.5 percent of total revenue, or \$1,944 for the year ending December 31, 2008.

The Utility did not include any allocations for payroll taxes in its management fee calculation. Utilizing the schedule provided by the Utility, the audit staff determined payroll taxes of \$71.

Based on these adjustments, TOTI should be increased \$2,015 ( $\$1,944 + \$71$ ). Therefore, staff recommends TOTI of \$2,015 ( $\$1,944 + \$71$ ).

Income Tax – Camachee recorded income tax of \$0. The tax liability is passed on to the owner's tax returns. Therefore, staff did not make an adjustment to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to the audited test year operating expenses results in staff's calculated operating expenses of \$93,227. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule 3-B.

**Issue 7:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$126,841. (Deason)

**Staff Analysis:** The Utility should be allowed an annual increase of \$83,617 (193.45 percent). This will allow Camachee the opportunity to recover its expenses and earn a 9.67 percent return on its investment. The calculation is as follows:

	<u>Water</u>
Adjusted Rate Base	\$347,612
Rate of Return	x .0967
Return on Rate Base	<u>\$33,614</u>
Adjusted O&M expense	81,728
Depreciation expense (Net)	4,761
Amortization	0
Taxes Other Than Income	6,738
Income Taxes	<u>0</u>
Revenue Requirement	\$126,841
Less Test Year Revenues	<u>43,224</u>
Annual Increase	<u>\$83,617</u>
Percent Increase/(Decrease)	<u>193.45%</u>

As discussed in Issue 3, Camachee is currently in the process of replacing its water plant. The Utility believes that the new water plant will be completed and dedicated to public service by the conclusion of this rate case. If the WTP is dedicated to public service, the entire CWIP amount of \$265,604 along with any subsequent plant investment deemed prudent to bring the new WTP on-line will be added to plant in service, and corresponding adjustments will be made to accumulated depreciation and depreciation expense. Based on the amount of supported CWIP to date, the revenue requirement will increase to an estimated amount of \$134,066 from \$126,841.

**Issue 8:** Should the Utility's current rate structure be changed, and if so, what is the appropriate rate structure for the Utility's water system?

**Preliminary Recommendation:** Yes. The Utility's current water system rate structure, which includes a 3,000 gallon (3 kgal) allotment, should be changed to a three-tier inclining block rate structure. The usage blocks should be set for consumption at: a) 0-5 kgals; b) 5-10 kgals; c) usage in excess of 10 kgals, with appropriate usage block rate factors of 1.00; 1.50; and 2.00, respectively. The appropriate rate structure for the water system's non-residential class should be changed to a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery should be set at 35 percent (Bruce)

**Staff Analysis:** Order No. PSC-09-0092-FOF-WS, issued February 12, 2009 states that on December 2, 2008, the Board of County Commissioners of St. Johns County passed Ordinance No. 2008-57, declaring that privately-owned water and wastewater facilities in St. Johns County be subject to the provisions of Chapter 367, Florida Statutes (F.S.). The effective date of the ordinance was to be the date the ordinance was filed with the Public Service Commission. Therefore, the effective date of the transfer of jurisdiction for Camachee was January 16, 2009. Furthermore, the Order states that since the Utility was subject to Chapter 367, Florida Statutes (F.S.), each Utility must continue to collect the rates and charges for water and wastewater service which were being collected on January 16, 2009, until changed by the Commission.

The Utility's current rates consist of a monthly base facility charge (BFC)/gallonage charge rate structure, in which the BFC is \$15.41 for all meter sizes and for both the residential and general service classes. The BFC also includes a 3 kgal allotment, and all gallons in excess of 3 kgals used are charged \$3.98 per kgal. This type of rate structure is not considered conservation-oriented because it contains a gallonage allotment in the BFC. Therefore, in order to promote the goal of eliminating water rate structures that discourage conservation, the allotment of 3 kgals should be eliminated.

Staff 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 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 conservation rate structures consistent with the Commission's Memorandum of Understanding with the state's five Water Management Districts.

Camachee is located in the SJRWMD. Over the past few years, the District has requested whenever possible that an inclining block rate structure be implemented. Also, as indicated in its consumptive use permit (CUP), Condition No. 29 states that the Utility must maintain water conserving rate structure.

Based on the billing analysis, the customers' average consumption is 6.3 kgals per month and the customer base is mildly seasonal. This customer base is unique wherein the residents of Camachee Island consist of some full-time, year round residents, seasonal residents, and weekend residents. However, the billing data does show that there are customers using well above average consumption wherein seventeen percent of the customers use thirty percent of the

gallons at 10 kgals and above. This is abnormal for a customer base that is somewhat seasonal. For this reason, staff believes that a three-tier inclining block rate structure be implemented. Customers with low monthly consumption will benefit while customers with high monthly consumption will pay increasingly higher rates.

Staff's recommended rate design for the water system is shown on Table 8-1 on the following page. Staff also presented two alternative rate structures to illustrate other recovery methodologies.



<b>CAMACHEE COVE YACHT HARBOR UTILITY STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES</b>			
<b>Current Rate Structure and Rates</b>		<b>Recommended Rate Structure and Rates</b>	
BFC/uniform kgal charge For water service, with 3 Kgal allotment in BFC		3-Tier inclining block rate structure Rate factors 1.0; 1.50; 2.0 BFC = 35%	
BFC (incl 3 kgal)	\$15.41	BFC	\$13.60
3+ kgal	\$3.98	0-5 kgals	\$7.21
		5-10 kgals	\$10.81
		10 + kgals	\$14.42
<b>Typical Monthly Bills)</b>		<b>Typical Monthly Bills</b>	
<b>Cons (kgal)</b>		<b>Cons (kgal)</b>	
0	\$15.41	0	\$13.60
1	\$15.41	1	\$20.81
3	\$15.41	3	\$35.23
5	\$23.37	5	\$49.65
10	\$43.27	10	\$103.70
20	\$83.07	20	\$247.90
<b>Alternative 1</b>		<b>Alternative 2</b>	
3-Tier inclining block rate structure Rate factors 1.0; 1.50; 2.0 BFC = 50%		3-Tier inclining block rate structure Rate factors 1.0; 1.50; 2.0 BFC = 40%	
BFC	\$19.45	BFC	\$15.55
0-5 kgals	\$5.32	0-5 kgals	\$6.56
5-10 kgals	\$7.98	5-10 kgals	\$9.84
10 + kgals	\$10.64	10 + kgals	\$13.11
<b>Typical Monthly Bills</b>		<b>Typical Monthly Bills</b>	
<b>Cons (kgal)</b>		<b>Cons (kgal)</b>	
0	\$19.45	0	\$15.55
1	\$24.77	1	\$22.11
3	\$35.41	3	\$35.23
5	\$46.05	5	\$48.35
10	\$85.95	10	\$97.55
20	\$192.35	20	\$228.65

Staff recommends that the accounting staff's initial BFC cost recovery of 72.48 percent be reduced to 35 percent. The Commission typically sets the BFC no greater than 40 percent. As mentioned earlier, the customer base is mildly seasonal. In recent cases, when a customer base is seasonal, the Commission has approved a BFC allocation greater than 40 percent to insure that the Utility will have sufficient cash flow to cover fixed costs while seasonal customers are not in residence. However, in this case, due to the fact that there is a great deal of

discretionary consumption, staff believes that this will safeguard the cash flow to cover the fixed costs while seasonal customers are not in residence. Furthermore, setting the BFC cost recovery at 40 percent and greater results in the Utility operating at a deficit. Staff's recommended BFC allocation is designed such that customers at non-discretionary levels of consumption will pay lower rates while customers at discretionary levels of consumption will pay increasingly higher rates.

Based on the foregoing, the Utility's current water system rate structure, which includes a 3,000 (3 kgal) allotment, should be changed to a three-tier inclining block rate structure. The usage blocks should be set for consumption at: a) 0-5 kgal; b) 5-10 kgal; c) usage in excess of 10 kgal, with appropriate usage block rate factors of 1.00; 1.50; and 2.00, respectively. The appropriate rate structure for the water system's non-residential class should be changed to a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery should be set at 35 percent.

**Issue 9:** Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for the Utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

**Preliminary Recommendation:** Yes, a repression adjustment is appropriate for the Utility. Test year consumption should be reduced by 18 percent, resulting in a consumption reduction of approximately 646 kgals. Purchased power expense should be reduced by \$332, chemical expense should be reduced by \$84, and regulatory assessment fees (RAFS) should be reduced by \$20. The final post-repression revenue requirement for the water system should be \$126,405.

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 usage block, 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:** The price elasticity of demand is defined as the anticipated change in quantity demanded resulting from a change in price. All other things equal, as price increases, the quantity demand decreases.

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 8, the customers' monthly overall consumption is 6.3 kgals and the customer base is mildly seasonal. Staff's billing data indicates that seventeen percent of the customers are using approximately one-third of the gallons at 10 kgals and above. This is an indication that there is a great deal of discretionary, or non-essential, consumption, such as outdoor irrigation. Non-essential consumption is relatively responsive to changes in price, and is therefore subject to the effects of repression.

In this case the threshold indicating where discretionary water usage begins to occur was set at 3,000 gallons per month (two people x 50 gallons per day x 30 days). Therefore, staff's recommended repression adjustment applies to water consumption above 3 kgals per month. Staff recommends that the price elasticity of demand for discretionary usage should be set at a two percent reduction per ten percent increase in price. Typically, a four percent reduction in discretionary usage per ten percent increase in price is an appropriate customer response rate. In this case, however, the customers in this service area are very affluent and may not respond as readily to changes in price. Therefore, to more properly reflect the anticipated reduction in discretionary usage, staff believes that a two percent reduction in discretionary usage per ten percent increase in price is appropriate.

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 646 kgal. Purchased power expense should be reduced by \$332, chemical expense should be reduced by \$84, and regulatory assessment fees (RAFS) should be reduced by \$20. The final post-repression revenue requirement for the water system should be \$126,405.

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 the Commission, 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.

**Issue 10:** What are the appropriate rates for this Utility?

**Preliminary Recommendation:** The appropriate monthly water rates are shown on Schedules No. 4-A. The recommended rates should be designed to produce revenue \$126,405 for water, 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 \$126,405 for the water system.

Staff recommends changing the current rate structure which includes a 3,000 (3 kgal) allotment to a three-tier inclining block rate structure. The usage blocks should be set for consumption at: a) 0-5 kgals; b) 5-10 kgals; c) usage in excess of 10 kgals, with appropriate usage block rate factors of 1.00; 1.50; and 2.00, respectively. The appropriate rate structure for the water system's non-residential class should be changed to a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery should be set at 35 percent.

As discussed in Issue 8, the customers' monthly overall consumption is 6.3 kgals and the customer base is moderately seasonal. Staff's billing data indicates that seventeen percent of the customers are using approximately one-third of the gallons at 10 kgals and above. This is an indication that there is a great deal of discretionary, or non-essential, consumption, such as outdoor irrigation. Non-essential consumption is relatively responsive to changes in price, and is therefore subject to the effects of repression.

The approved rates should 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 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.

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 is shown on Schedule 4-A.

**Issue 11:** 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, F. St.?

**Preliminary Recommendation:** The water rates should be reduced as shown on Schedule No. 4 to remove rate case expense grossed-up for RAFs 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. (Deason)

**Staff Analysis:** Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return included in working capital, and the gross-up for RAFs which is \$870 annually. Using the Utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

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

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

**Issue 12:** Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

**Preliminary Recommendation:** Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Deason)

**Staff Analysis:** This recommendation proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$55,856. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect, and.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments; and
- 8) The Commission Clerk must be a signatory to the escrow agreement.
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.



**Issue 13:** 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?

**Preliminary Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Camachee 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. (Deason)

**Staff Analysis:** To ensure that the Utility adjusts its books in accordance with the Commission's decision, staff recommends that Camachee 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.

CAMACHEE COVE YACHT HARBOR UTILITY			
TEST YEAR ENDING 12/31/2008			
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$200,100	\$11,626	\$211,726
2. LAND & LAND RIGHTS	10,000	0	10,000
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	(60,393)	(60,393)
5. ACCUMULATED DEPRECIATION	(141,320)	4,305	(\$137,015)
6. AMORTIZATION OF CIAC	0	47,474	47,474
7. CONSTRUCTION WORK IN PROGRESS	201,107	64,497	265,604
8.. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>10,216</u>	<u>10,216</u>
9. WATER RATE BASE	<u>\$269,887</u>	<u>\$77,725</u>	<u>\$347,612</u>

<b>CAMACHEE COVE YACHT HARBOR UTILITY</b>		<b>SCHEDULE NO. 1-B</b>
<b>TEST YEAR ENDING 12/31/2008</b>		<b>DOCKET NO. 090230-WU</b>
<b>ADJUSTMENTS TO RATE BASE</b>		
<b><u>UTILITY PLANT IN SERVICE</u></b>		<b><u>WATER</u></b>
To reflect staff's plant per original cost study.		<b><u>\$11,626</u></b>
<b><u>CIAC</u></b>		
To reflect appropriate CIAC.		<b><u>(\$60,393)</u></b>
<b><u>ACCUMULATED DEPRECIATION</u></b>		
1.	To reflect accumulated depreciation per rule.	\$1,266
2.	To reflect averaging adjustment.	3,039
	Total	<b><u>\$4,305</u></b>
<b><u>AMORTIZATION OF CIAC</u></b>		
1.	To reflect appropriate accumulated amortization of CIAC.	\$48,162
2.	To reflect an averaging adjustment.	(688)
	Total	<b><u>\$47,474</u></b>
<b><u>CONSTRUCTION WORK IN PROGRESS</u></b>		
To reflect further additions to CWIP.		<b><u>\$64,497</u></b>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>		
To reflect 1/8 of test year O & M expenses.		<b><u>\$10,216</u></b>

**CAMACHEE COVE YACHT HARBOR UTILITY**  
**TEST YEAR ENDING 12/31/2008**  
**SCHEDULE OF CAPITAL STRUCTURE**

**SCHEDULE NO. 2**  
**DOCKET NO. 090230-WU**

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$0	\$0	\$0					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. COMMON EQUITY	<u>(\$131,877)</u>	<u>\$131,877</u>	<u>\$0</u>					
5. TOTAL COMMON EQUITY	<u>(\$131,877)</u>	<u>\$131,877</u>	<u>\$0</u>	\$0	\$0	0.00%	11.30%	0.00%
6. LONG TERM DEBT-Note	\$404,014	\$2,377	\$406,391	(\$58,779)	\$347,612	100.00%	9.67%	9.67%
TOTAL LONG TERM DEBT	\$404,014	\$2,377	\$406,391	(\$58,779)	\$347,612	100.00%	9.67%	9.67%
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
9. TOTAL	<u>\$272,137</u>	<u>\$134,254</u>	<u>\$406,391</u>	<u>(\$58,779)</u>	<u>\$347,612</u>	<u>100.00%</u>		<u>9.67%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>10.30%</u>	<u>12.30%</u>	
OVERALL RATE OF RETURN						<u>9.67%</u>	<u>9.67%</u>	

CAMACHEE COVE YACHT HARBOR UTILITY TEST YEAR ENDING 12/31/2008 SCHEDULE OF WATER OPERATING INCOME					SCHEDULE NO. 3-A DOCKET NO. 090230-WU	
	TEST YEAR PER UTILITY	STAFF ADJ PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$43,224</u>	<u>\$0</u>	<u>\$43,224</u>	<u>\$83,617</u> 193.45%	<u>\$126,841</u>	
<b>OPERATING EXPENSES:</b>						
2. OPERATION & MAINTENANCE	70,600	11,128	81,728	0	81,728	
3. DEPRECIATION (NET)	9,242	(4,481)	4,761	0	4,761	
4. AMORTIZATION	0	0	0	0	0	
5. TAXES OTHER THAN INCOME	960	2,015	2,975	3,763	6,738	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. <b>TOTAL OPERATING EXPENSES</b>	<u>\$80,802</u>	<u>\$8,662</u>	<u>\$89,464</u>	<u>\$3,763</u>	<u>\$93,227</u>	
8. <b>OPERATING INCOME/(LOSS)</b>	<u>(\$37,578)</u>		<u>(\$46,240)</u>		<u>\$33,614</u>	
9. <b>WATER RATE BASE</b>	<u>\$269,887</u>		<u>\$347,612</u>		<u>\$347,612</u>	
10. <b>RATE OF RETURN</b>	<u>-13.92%</u>		<u>-13.30%</u>		<u>9.67%</u>	

CAMACHEE COVE YACHT HARBOR UTILITY		SCHEDULE NO. 3-B
TEST YEAR ENDING 12/31/2008		DOCKET NO. 090230-WU
ADJUSTMENTS TO OPERATING INCOME		
		<u>WATER</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1.	Salaries and Wages - Employees (601)	
	To reclassify salaries to Acct. 601	<u>\$26,526</u>
2.	Salaries and Wages - Employees (603)	
	To reclassify salaries to Acct. 603	<u>\$7,135</u>
3.	Emp. Pensions & Benefits (604)	
	To reclassify pensions and benefits to Acct 604	<u>\$9,014</u>
4.	Fuel for Purchased Power (616)	
	a. To reclassify fuel for purchased power to Acct. 616	<u>\$203</u>
5.	Materials and Supplies (620)	
	a. To reduce mat. and supp. reclassified to Acct. 616	(\$203)
	b. To reclassify materials and supplies to Acct. 620	<u>480</u>
	Subtotal	<u>\$277</u>
6.	Contractual Services - Testing (635)	
	a. To reduce contractual services testing per audit	(\$60)
	b. To include amortization of non-annual testing	<u>1,343</u>
	Subtotal	<u>\$1,283</u>
7.	Rent (640)	
	To reclassify rent to Acct.640	<u>\$360</u>
8.	Transportation Expense (650)	
	To reclassify transportation expense to Acct. 650	<u>\$600</u>
9.	Regulatory Commission Expense (665)	
	To reflect app. Amt. of Regulatory Commission Expense	<u>\$870</u>
10.	Miscellaneous Expense	
	To reduce misc. expenses reclassified to other accts.	<u>(\$35,140)</u>
	<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<u>\$11,128</u>
	<b>DEPRECIATION EXPENSE</b>	
	To reflect net depreciation calculated per 25-30.140, FAC	<u>(\$4,481)</u>
	<b>TAXES OTHER THAN INCOME</b>	
1.	To increase RAFs per audit	\$1,944
2.	To increase payroll taxes per audit	<u>71</u>
	<b>Total</b>	<u>\$2,015</u>

**CAMACHEE COVE YACHT HARBOR UTILITY**  
**TEST YEAR ENDING 12/31/2008**  
**ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE**

	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$26,526	\$26,526
(603) SALARIES AND WAGES - OFFICERS	0	7,135	7,135
(604) EMPLOYEE PENSION & BENEFITS	0	9,014	9,014
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	4,800	0	4,800
(616) FUEL FOR POWER PRODUCTION	299	203	502
(618) CHEMICALS	1,221	0	1,221
(620) MATERIALS AND SUPPLIES	1,444	277	1,721
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	4,900	0	4,900
(635) CONTRACTUAL SERVICES - TESTING	4,138	1,283	5,421
(636) CONTRACTUAL SERVICES - OTHER	17,322	0	17,322
(640) RENTS	0	360	360
(650) TRANSPORTATION EXPENSE	0	600	600
(655) INSURANCE EXPENSE	911	0	911
(665) REGULATORY COMMISSION EXPENSE	0	870	870
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>35,565</u>	<u>(35,140)</u>	<u>425</u>
	<u>\$70,600</u>	<u>\$11,128</u>	<u>\$81,728</u>

**CAMACHEE COVE YACHT HARBOR UTILITY  
 TEST YEAR ENDING 12/31/2008  
 MONTHLY WATER RATES**

	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES*	4-YEAR RATE REDUCTION
<b><u>General and Residential Service</u></b>			
First 3,000 gallons	\$15.41	\$0.00	\$0.00
<b><u>Base Facility Charge by Meter Size:</u></b>			
5/8"X3/4"	\$0.00	\$13.60	\$0.10
3/4"	\$0.00	\$20.40	\$0.15
1"	\$0.00	\$34.00	\$0.24
1-1/2"	\$0.00	\$68.00	\$0.49
2"	\$0.00	\$108.80	\$0.78
3"	\$0.00	\$217.60	\$1.56
4"	\$0.00	\$340.00	\$2.44
6"	\$0.00	\$680.00	\$4.88
<b><u>Residential Gallonage Charge</u></b>			
Per 1,000 gallons above 3,000 gallons	\$3.98	\$0.00	\$0.00
Per 1,000 gallons, 0-6,000 gallons	\$0.00	\$7.21	\$0.05
Per 1,000 gallons, 6,000-12,000 gallons	\$0.00	\$10.81	\$0.08
Per 1,000 gallons, above 12,000 gallons	\$0.00	\$14.42	\$0.10
<b><u>General Service Gallonage Charge</u></b>			
Per 1,000 gallons above 3,000 gallons	\$3.98	\$0.00	\$0.00
Per 1,000 gallons	\$0.00	\$9.45	\$0.07
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
3,000 Gallons	\$15.41	\$35.23	
5,000 Gallons	\$23.37	\$49.65	
10,000 Gallons	\$43.27	\$100.10	

\* As discussed in Issues 3 and 7, Camachee is currently in the process of replacing its WTP. The Utility believes that the new WTP will be completed and dedicated to public service by the conclusion of this rate case. If the WTP is dedicated to public service, the entire CWIP amount of \$265,604 will be added to plant in service, and corresponding adjustments will be made to accumulated depreciation and depreciation expense. Based on the amount of supported CWIP to date, the revenue requirement will increase to an estimated amount of \$134,066 from \$126,841.