State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: December 3, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Deason, Bruce, Bulecza-Banks, Fletcher, Simpson)
Office of the General Counsel (Brown)

RE: Docket No. 090230-WU – Application for staff-assisted rate case in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.

AGENDA: 12/15/09 –Proposed Agency Action, Except for Issues 12, 13, and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Argenziano

CRITICAL DATES: 07/26/10 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\090230.RCM.DOC

Case Background

Camachee Island Company, Inc. d/b/a 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 operating revenues for 2008 of $43,224 and an operating loss of $37,578.

The Utility began operations in 1977. Camachee was granted an original certificate to operate a water utility in St. Johns County in 1988, subsequent to the County turning jurisdiction over to the Commission. The County rescinded Commission jurisdiction in 1989. On January

16, 2009, St. Johns County returned jurisdiction to the Commission. The Utility applied for a grandfather certificate on April 13, 2009, and a staff assisted rate case (SARC) on April 24, 2009. Camachee's grandfather certificate was approved on October 27, 2009.

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. Camachee'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.)

Discussion of Issues

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

Recommendation: Yes, the overall quality of service provided by the Utility should be considered satisfactory. (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 is regulated by the DEP Northeast District office in Jacksonville. A staff field investigation of the Utility's service area was conducted on July 8, 2009. Although the plant was being renovated at that time, staff reviewed maintenance records and did a physical inspection of the plant and the service area. Camachee had stated that the treatment facilities were approaching the end of their service life and it was necessary to renovate the existing system by bringing in 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 renovation phase commenced on April 9, 2009, and was completed on September 10, 2009. On October 1, 2009, the DEP conducted a sanitary survey of the Utility and noted some minor deficiencies, which were all corrected. The Utility currently meets all required chemical analyses and treatment standards for the plant and the system. The quality of drinking water delivered to the customers is considered satisfactory by the DEP.

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. A customer meeting was held on October 21, 2009, in St. Augustine, Florida. Approximately 22 customers attended and five spoke. Representatives of the Utility were also present. A customer commended the Utility for providing "top quality water" by renovating the existing treatment facilities. However, he was concerned about the base facility charge. He also wanted to understand the role of the customer regarding contributions in aid of construction and how Commission staff came up with the appropriate revenue requirement. Another customer complained about the dramatic increase in the water rates. In response, staff provided an explanation of the Commission's ratemaking process.

In summary, Camachee is current in all of the required chemical analyses and treatment standards. Furthermore, the Utility appears to be addressing customer concerns satisfactorily. Therefore, staff recommends that the overall quality of service for Camachee Cove is satisfactory.

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

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

Staff Analysis: The Camachee Cove water treatment system has two wells rated at 90 and 495 gallons per minute (gpm). A portion of the water produced is treated through a reverse osmosis system to meet turbidity and sulphate standards. The reverse osmosis treated water is then blended with the rest of the raw water, aerated, and discharged into the ground storage tank. The water is then injected with liquid chlorine before it is pumped into the distribution system.

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 water treatment plant 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 and the service area 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?

Recommendation: The appropriate average test year water rate base for the Utility is $354,776. (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): Camachee 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.

Additionally, Camachee recorded Construction Work in Progress (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 $79,781 of invoices for the new water plant. Based on the additional invoices, staff has increased CWIP by $79,781. As discussed in Issue 1, the additional water plant was completed on September 10, 2009. Therefore, staff has made adjustments to decrease CWIP by $201,107 and increase UPIS by $280,888 ($201,107 + $79,781).

Based on the above, staff recommends UPIS is $492,614 ($200,100 + $11,626 + $280,888).

Land & Land Rights: The Utility's records reflect balances of $10,000 in Account 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 Account No. 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 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 Account No. 303 – Land and Land Rights

Non-used and Useful Plant: As discussed earlier in Issue 2, the Camachee'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. Also, staff has decreased accumulated depreciation by $3,039, to reflect an averaging adjustment. Moreover, staff has made an adjustment to increase accumulated depreciation by $8,120 to reflect the depreciation expense associated with the pro forma WTP. Therefore, staff recommends depreciation expense of $145,135.

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. 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.

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 $354,776. 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 return on equity and overall rate of return for this Utility?

Recommendation: The appropriate return on equity is 9.67 percent with a range of 8.67 percent-10.67 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) and long-term debt of $404,014. Consistent with Commission practice, advances from the parent in which no interest is charged should be treated as common equity.[1] Using the most recent Commission-approved leverage formula[2] and with an equity ratio of 100 percent, the appropriate return on equity (ROE) is 9.67 percent. Camachee's capital structure has been reconciled with staff's recommended rate base. Staff recommends an ROE of 9.67 percent with a range of 8.67 percent-10.67 percent, and an overall rate of return of 9.67 percent. The ROE and overall rate of return are shown on Schedule No. 2.

[1] 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.

[2] 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?

Recommendation: The appropriate amount of test year revenues in this case is $45,077. (Deason, Bruce)

Staff Analysis: Camachee reported test year revenues of $43,224. The Utility did not bill two of its unmetered general service customers during the test year. As such, for the test year, staff has imputed the revenues associated with the two unmetered general service customers. Furthermore, the Utility received a price index during the test year. Staff has annualized test year revenues to reflect the additional billing determinants for the general service customers and the rate increase. This results in an increase of $1,853 to reflect the appropriate test year revenue. Therefore, staff recommends that the appropriate amount of test year revenues in this case is $45,077 ($43,224 + $1,853).

Issue 6: What are the appropriate operating expenses?

Recommendation: The appropriate amount of operating expense for the Utility is $101,675. (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 an adjustment 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 Account No. 603.

Given the above employee and officer salaries of $33,661 ($26,526 + $7,135), staff further examined the salaries to determine if they were appropriate. According to information obtained from the Utility, Camachee does not utilize full-time employees, but rather allocates the time of employees of the Yacht Harbor as well as one part-time Operator. Staff compared the Utility's salaries with the appropriate average salary levels found in the 2008 Water Utility Compensation Survey (WUCS) published by the American Water Works Association (AWWA). The Commission has utilized the AWWA's WUCS previously to determine appropriate salary levels.[3] The following chart shows staff's calculation of salaries:

[3] See Order Nos. PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 070601-WU, In Re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply; PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In Re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.; and PSC-09-0587-PAA-WU, issued August 31, 2009, in Docket No. 080715-WU, In Re: Application for staff-assisted rate case in Lake County by CWS Communities LP.

Work Performed	2008 AWWA Compensation Survey	Hourly Cost	Hours per year	Cost per year
Management of Water Operations	$73,464	$35.32	208	$7,346.56
Office Administration and Bookkeeping	$49,448	$23.77	208	$4,944.16
Customer Service	$61,267	$29.46	104	$3,063.84
Water Plant Operations	$43,657	$20.99	390	$8,186.10
General Maintenance and Meter Reading	$33,843	$16.27	568	$9,241.36
		Totals:	1,478	$32,782.02

Based on the above chart, the salaries for the Utility are $879 ($33,661 - $32,782) greater than the average salaries found in the 2008 WUCS. Moreover, if the average salaries of $32,782 were indexed using the Commission-approved 2009 index of 2.55 percent, the resulting average salary would be $33,618. This would result in a $43 ($33,661 -$33,618) or one-tenth of 1 percent difference between the Utility's salaries and the average indexed salaries. Because any approved rate would not be effective until 2010, staff believes the Utility's salaries are appropriate.

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 an adjustment 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 an adjustment 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 an adjustment 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 an adjustment 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 + $277).

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 an adjustment 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		$523	
Volatile Organics		286	
Synthetic Organic Contaminants		1,758	
Secondaries		416	
Radionuclides		662	
TTHM		132	
Haloacetic acids		252	
Total 3 yr cost	=	$4,032	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 an adjustment 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 Account 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 an adjustment 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. First, staff has included the filing fee of $1,000 which results in an increase of $250 ($1,000 divided by 4 years). Second, staff has included consulting fees of $2,328, which results in an increase of $582 ($2,328 divided by 4 years). Moreover, staff has included the costs associated with the notices for this rate case which result in an increase of $38 ($151 divided by 4 years) 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 expenses including salaries and wages, employee pensions and benefits, materials and supplies, rent and transportation expenses that were inadvertently recorded in Account No. 675. Staff has made an adjustment 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 are 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. Additionally, staff has made an adjustment of $8,120 to reflect depreciation expense associated with the pro forma WTP. Therefore, staff recommends net depreciation expense of $12,881 ($9,242 - $4,481 + 8,120).

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 trial 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. Moreover, consistent with staff's recommended increase of $90,904, RAFs should be increased by $4,091.

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

Based on the above adjustments, TOTI should be increased $6,106 ($1,944 + $71 + $4,091). Therefore, staff recommends TOTI of $7,066 ($960 + $6,106).

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 Utility's test year operating expenses results in operating expenses of $101,675. 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 $135,982. (Deason)

Staff Analysis: The Utility should be allowed an annual increase of $90,904 (201.66 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:

	Water
Adjusted Rate Base	$354,776
Rate of Return	x .0967
Return on Rate Base	$34,307
Adjusted O&M expense	81,728
Depreciation expense (Net)	12,881
Amortization	0
Taxes Other Than Income	7,066
Income Taxes	0
Revenue Requirement	$135,982
Less Test Year Revenues	45,077
Annual Increase	$90,904
Percent Increase/(Decrease)	201.66%

Issue 8: Should customers with 2" meters be charged a lower base facility charge?

Recommendation: No. Customers with 2" meters should pay a base facility charge (BFC) consistent with the AWWA meter equivalency factor, which for a 2" meter is worth 8 ERCs. (Deason, Bruce)

Staff Analysis: On November 16, 2009, staff received a letter from a customer of Camachee. The customer stated that he constructed a 3,800 square foot home[4] and installed a 2" meter in order to comply with an ordinance in St. Johns County that required him to install a sprinkler system in his home when it was constructed. The customer also states that his average consumption per month is 4,000 gallons.

Moreover, the customer asserted that it is discriminatory in nature to penalize his property with an extraordinarily high base facility charge due to the requirements of St. Johns County. The customer believes a reasonable solution is to provide an exception such that the allow the 2" meters to stay in place in order to service sprinkler systems, but instead of charging a BFC consistent for 2" meters, the customers would be charged a BFC consistent with 5/8 x 3/4" meters.

According rule 25-30.437(6), F.A.C., "the rates are first established with the 5/8 inch x 3/4 inch meter as the foundation. For meter sizes larger than 5/8 inch, the BFC shall be based on the usage characteristics." Absent any justification, the Commission referred to the AWWA's meter equivalency factors for usage characteristics when calculating rates for meter sizes larger than 5/8 inch.[5]

The BFC is charged to customers to recover the Utility's fixed costs. The size of a customer's meter is indicative of the potential demand that a customer can place on the system, and so it determines the prorata share of the fixed costs the customer is responsible for paying. In other words, the larger the meter size, the greater the potential demand that the customer can place on the system, so the greater the BFC that the customer must pay. The AWWA has determined that potential demand for meter sizes other than 5/8 x 3/4" be measured as a function of equivalent residential units (connections). Based on the AWWA meter equivalency chart, a 2" meter is worth 8 ERCs, meaning that a 2" meter can place 8 times more demand on the system than the 5/8 x 3/4" meter can. Therefore, the 2" meter must pay a BFC that is 8 times greater than the corresponding charge for a 5/8 x 3/4" meter.

Based on information provided by the Utility, the customer's average monthly usage over the past two years is 6,329 gallons per month. The customer's average usage is consistent with the average usage for the other customers of the Utility. Staff proposed to the customer that he could change his meter from a 2" to a 5/8 x 3/4" meter. If he did so, he would need to pay the meter change-out fee, but after that he would pay the 5/8 x 3/4" BFC. Based on the size of the customer's home, staff believes that if the customer were to replace his 2" meter with a 5/8 x 3/4" meter, the 5/8 x 3/4" meter would be inadequate to service the sprinkler system in case of a fire.

[4] According to information obtained from the St. Johns County Property Appraiser's website, the customer's house is 5,786 square feet.

[5] See Order No. PSC-96-0120-FOF-WU, issued January 23, 1996, in Docket No. 951365-WU, In Re: Application for a new class of service in Marion County by Ventures Associates Utilities Corp.

Staff believes that it is inappropriate to allow a customer to utilize a 2" meter and pay a lower BFC. As stated above, the larger meter size equates to a greater potential demand that the customer can place on the water system. Although the customer's sprinkler system has not been utilized or may never be utilized, the potential demand on the water system is always present. Therefore, staff recommends that the customers with 2" meters should pay a BFC consistent with the AWWA meter equivalency factors, which for a 2" meter equals to 8 ERCs.

Furthermore, staff believes a possible solution to the customer's concern would be to install a 5/8 x 3/4" meter in order to serve just the normal residential water usage and to maintain the 2" meter to serve solely the sprinkler system. To accomplish this objective, the customer would have to retain the services of a licensed plumber to reconfigure the necessary piping on the customer's side of the meter. Once the piping reconfiguration is completed, the Utility would need to inspect it to verify proper installation before the 5/8 x 3/4" meter is installed.

Pursuant to Rule 25-30.465, F.A.C., the rate for private fire protection shall be one-twelfth of the current BFC of the Utility's meter sizes. Based on staff's recommended rates in Schedule No. 4, the recommended 2" BFC is $115.84. If the customer were to install a 5/8 x 3/4" meter and maintain the 2" meter for only private fire protection service, the customer would be charged the 5/8 x 3/4" BFC which is $14.48 plus one-twelfth of the BFC for 2" meters which is $9.65 ($115.84 ÷ 12) for a total of $24.13 and assessed the gallonage charges for any usage registered on either meter. This would be a savings of $91.71 ($115.84 - $24.12) per month. However, as stated above, the customer would be responsible for the costs associated with installing the 5/8 x 3/4" meter, as well as the costs of the necessary piping reconfiguration.

Issue 9: Should the Utility's current water system rate structure be changed, and, if so, what is the appropriate adjustment?

Recommendation: Yes. The Utility's current residential water system rate structure, which includes a 3,000 gallon (3 kgal) allotment in the BFC, should be changed to a three-tier inclining block rate structure. The usage blocks should be set for consumption at: a) 0-6 kgals; b) 6-12 kgals; c) usage in excess of 12 kgals, with appropriate usage block rate factors of 1.00; 1.50; and 2.00, respectively. The Utility's current non-residential water system rate structure, which also includes a 3 kgal allotment in the BFC, should be changed to a traditional BFC/uniform gallonage charge rate structure. Furthermore, the appropriate rate structure for the unmetered non-residential customers should be a uniform flat 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 would be subject to the provisions of Chapter 367, 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 Cove Yacht Harbor Utility was January 16, 2009. Furthermore, the Order states that since the Utility was subject to Chapter 367, 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 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 a water conservation 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 because the residents of Camachee 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. Fourteen percent of the customers use twenty-five percent of the gallons at 12 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 should be implemented. Customers with low monthly consumption will benefit, while customers with high monthly consumption will pay increasingly higher rates.

Furthermore, as discussed in Issue 5, during the test year, two general service customers were unmetered and had not been billed for their water service. Staff has been in close contact with the Utility owner and he has indicated to staff that he will be installing these two meters. However, it is not yet known when the meters will be installed for the two unmetered general service customers. Therefore, staff recommends a flat rate charge rate structure for the two unmetered general service customers. This rate was calculated based on information provided by the Utility. Based on that information, staff determined that the appropriate test year gallons for the two general service customers are 156,000 gallons.

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.

CAMACHEE COVE YACHT HARBOR UTILITY
STAFF'S RECOMMENDED AND ALTERNATIVE
WATER RATE STRUCTURES AND RATES

Current Rate Structure and Rates	
BFC/uniform kgal charge For water service, with 3 Kgal allotment in BFC	
BFC (incl 3 kgal)	$15.41
3+ kgal	$3.98

Typical Monthly Bills)	
Cons (kgal)	
0	$15.41
1	$15.41
3	$15.41
5	$23.37
10	$43.27
20	$83.07

Recommended Rate Structure and Rates	
3-Tier inclining block rate structure Rate factors 1.0; 1.50; 2.0 BFC = 35%	
BFC	$14.48
0-6 kgals	$8.03
6-12 kgals	$12.05
12 + kgals	$16.07

Typical Monthly Bills	
Cons (kgal)	
0	$14.48
1	$22.51
3	$38.57
5	$54.63
10	$110.86
20	$263.52

Alternative 1	
3-Tier inclining block rate structure Rate factors 1.0; 1.50; 2.00 BFC = 40%	
BFC	$16.55
0-6 kgals	$7.32
6-12 kgals	$10.98
12 + kgals	$14.64

Typical Monthly Bills	
Cons (kgal)	
0	$16.55
1	$23.87
3	$38.51
5	$53.15
10	$104.39
20	$243.47

Alternative 2	
3-Tier inclining block rate structure Rate factors 1.0; 1.50; 2.0 BFC = 25%	
BFC	$10.34
0-6 kgals	$9.52
6-12 kgals	$14.27
12 + kgals	$19.03

Typical Monthly Bills	
Cons (kgal)	
0	$10.34
1	$19.86
3	$38.90
5	$57.94
10	$124.54
20	$305.32

Staff recommends that the accounting staff's initial BFC cost recovery of 47.94 percent be reduced to 35 percent. This shifts more cost recovery to the gallonage charge, providing a greater incentive for customers to conserve. 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.

Based on the foregoing, the Utility's current residential 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) 0-6 kgals; b) 6-12 kgals; c) usage in excess of 12 kgals, with appropriate usage block rate factors of 1.00; 1.50; and 2.00, respectively. The Utility's current non-residential water system rate structure, which also includes a 3 kgal allotment in the BFC, should be changed to a traditional BFC/uniform gallonage charge rate structure. Furthermore, the appropriate rate structure for the unmetered non-residential customers should be a uniform flat rate structure. The BFC cost recovery should be set at 35 percent.

Issue 10: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this Utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 19.7 percent, resulting in a consumption reduction of approximately 704 kgals. Purchased power expense should be reduced by $361; chemical expense should be reduced by $92, and regulatory assessment fees (RAFS) should be reduced by $22. The final post-repression revenue requirement for the water system should be $135,506.

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 fourteen percent of the customers are using approximately one-fourth of the gallons at 12 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 its 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 that test year residential water sold should be reduced by 704 kgals. Purchased power expense should be reduced by $361, chemical expense should be reduced by $92, and regulatory assessment fees (RAFS) should be reduced by $22. The final post-repression revenue requirement for the water system should be $135,506.

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 11: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4. The recommended rates should be designed to produce revenue of $135,506 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 $135,506 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) 0-6 kgals; b) 6-12 kgals; c) usage in excess of 12 kgals, with appropriate usage block rate factors of 1.00; 1.50; and 2.00, respectively. The Utility's current non-residential water system rate structure, which also includes a 3 kgal allotment in the BFC, should be changed to a traditional BFC/uniform gallonage charge rate structure. Furthermore, the appropriate rate structure for the unmetered non-residential customers should be a uniform flat rate structure. The BFC cost recovery should be set at 35 percent.

As discussed in Issue 9, 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-fourth of the gallons at 12 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 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.

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 should be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge should 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 should 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 are shown on Schedule 4.

Issue 12: 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.S.?

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

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed 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 $60,684. 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 14: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, 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.

Issue 15: Should this docket be closed?

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

Staff Analysis: The docket should remain open until a final order has been issued, staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once staff has verified all of the above actions are complete, this docket should be closed administratively.

CAMACHEE COVE YACHT HARBOR UTILITY — **SCHEDULE NO. 1-A**
TEST YEAR ENDING 12/31/2008 — **DOCKET NO. 090230-WU**
SCHEDULE OF WATER RATE BASE

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$200,100	$292,514	$492,614
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)	(3,815)	($145,135)
6.	AMORTIZATION OF CIAC	0	47,474	47,474
7.	CONSTRUCTION WORK IN PROGRESS	201,107	(210,107)	0
8..	WORKING CAPITAL ALLOWANCE	0	10,216	10,216
9.	WATER RATE BASE	$269,887	$84,889	$354,776

CAMACHEE COVE YACHT HARBOR UTILITY TEST YEAR ENDING 12/31/2008 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 090230-WU
UTILITY PLANT IN SERVICE	**WATER**
1. To reflect staff's plant per original cost study.	$11,626
2. To reflect pro forma WTP.	280,888
Total	$292,514
CIAC	
To reflect appropriate CIAC.	($60,393)
ACCUMULATED DEPRECIATION	
1. To reflect accumulated depreciation per rule.	$1,266
2. To reflect averaging adjustment.	3,039
3. To reflect accumulated depreciation associated with pro forma WTP.	(8,120)
Total	($3,815)
AMORTIZATION OF CIAC	
1. To reflect appropriate accumulated amortization of CIAC.	$48,162
2. To reflect an averaging adjustment.	(688)
Total	$47,474
CONSTRUCTION WORK IN PROGRESS	
To reflect CWIP reclassified to UPIS.	($201,107)
WORKING CAPITAL ALLOWANCE	
To reflect 1/8 of test year O & M expenses.	$10,216

CAMACHEE COVE YACHT HARBOR UTILITY — **SCHEDULE NO. 2**
TEST YEAR ENDING 12/31/2008 — **DOCKET NO. 090230-WU**
SCHEDULE OF CAPITAL STRUCTURE

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	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	(131,877)	404,014	272,137					
5.	TOTAL COMMON EQUITY	($131,877)	$404,014	$272,137	$82,639	$354,776	100.00%	9.67%	9.67%
6.	LONG TERM DEBT-Note	$404,014	($404,014)	$0	$0	$0	0.00%	0.00%	0.00%
8.	CUSTOMER DEPOSITS	$0	$0	$0	$0	$0	0.00%	0.00%	0.00%
9.	TOTAL	$272,137	$0	$272,137	$82,639	$354,776	100.00%		9.67%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	8.67%	10.67%
OVERALL RATE OF RETURN	8.67%	10.67%

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**	$43,224	$1,853	$45,077	$90,904 201.66%	$135,982
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$70,600	$11,128	$81,728	$0	$81,728
3.	DEPRECIATION (NET)	9,242	3,639	12,881	0	12,881
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	960	2,015	2,975	4,091	7,066
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$80,802	$16,782	$97,584	$4,091	$101,675
8.	**OPERATING INCOME/(LOSS)**	($37,578)		($52,507)		$34,307
9.	**WATER RATE BASE**	$269,887		$354,776		$354,776
10.	**RATE OF RETURN**	-13.92%		-14.80%		9.67%

	CAMACHEE COVE YACHT HARBOR UTILITY TEST YEAR ENDING 12/31/2008 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-B DOCKET NO. 090230-WU
		WATER
	OPERATING REVENUES	
	To reflect appropriate amount of revenues.	$1,853
	OPERATION AND MAINTENANCE EXPENSES	
1.	Salaries and Wages - Employees (601)	
	To reclassify salaries to Acct. 601.	$26,526
2.	Salaries and Wages - Employees (603)	
	To reclassify salaries to Acct. 603.	$7,135
3.	Emp. Pensions & Benefits (604)	
	To reclassify pensions and benefits to Acct 604.	$9,014
4.	Fuel for Purchased Power (616)	
	a. To reclassify fuel for purchased power to Acct. 616.	$203
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.	480
	Subtotal	$277
6.	Contractual Services - Testing (635)	
	a. To reduce contractual services testing per audit.	($60)
	b. To include amortization of non-annual testing.	1,343
	Subtotal	$1,283
7.	Rent (640)	
	To reclassify rent to Acct. 640.	$360
8.	Transportation Expense (650)	
	To reclassify transportation expense to Acct. 650.	$600
9.	Regulatory Commission Expense (665)	
	To reflect app. Amt. of Regulatory Commission Expense.	$870
10.	Miscellaneous Expense	
	To reduce misc. expenses reclassified to other accts.	($35,140)
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	$11,128
	DEPRECIATION EXPENSE	
	To reflect net depreciation calculated per 25-30.140, F.A.C.	($4,481)
	To reflect depr. expense associated with pro forma WTP.	8,120
	Total	$3,639
	TAXES OTHER THAN INCOME	
1.	To increase RAFs per audit.	$1,944
2.	To increase payroll taxes per audit.	71
	Total	$2,015

CAMACHEE COVE YACHT HARBOR UTILITY — **SCHEDULE NO. 3-C**
TEST YEAR ENDING 12/31/2008 — **DOCKET NO. 090230-WU**
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	35,565	(35,140)	425
	$70,600	$11,128	$81,728

CAMACHEE COVE YACHT HARBOR UTILITY TEST YEAR ENDING 12/31/2008 MONTHLY WATER RATES			SCHEDULE NO. 4 DOCKET NO. 090230-WU
	UTILITY'S EXISTING RATES	**STAFF RECOMMENDED RATES**	**4-YEAR RATE REDUCTION**
General and Residential Service			
First 3,000 gallons	$15.41	$0.00	$0.00
Base Facility Charge by Meter Size:			
5/8"X3/4"	$0.00	$14.48	$0.10
3/4"	$0.00	$21.72	$0.15
1"	$0.00	$36.20	$0.24
1-1/2"	$0.00	$72.40	$0.48
2"	$0.00	$115.84	$0.78
3"	$0.00	$231.68	$1.55
4"	$0.00	$362.00	$2.42
6"	$0.00	$724.00	$4.85
Residential Gallonage Charge			
Per 1,000 gallons above 3,000 gallons	$3.98	$0.00	$0.00
Per 1,000 gallons, 0-6,000 gallons	$0.00	$8.03	$0.05
Per 1,000 gallons, 6,000-12,000 gallons	$0.00	$12.05	$0.08
Per 1,000 gallons, above 12,000 gallons	$0.00	$16.07	$0.11
General Service Gallonage Charge			
Per 1,000 gallons above 3,000 gallons	$3.98	$0.00	$0.00
Per 1,000 gallons	$0.00	$10.19	$0.07
Flat Rate for unmetered GS customer	$0.00	$80.72	$0.54
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$15.41	$38.57	
5,000 Gallons	$23.37	$54.63	
10,000 Gallons	$43.27	$110.86	