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Public Service Commission

March 29, 2010

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Mike Smallridge
1645 W. Main St.
Inverness, FL 34450

Re: Docket No. 090477 -WU – Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

Dear Mr. Smallridge:

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:

Bartow Civic Center Game Room
2250 S. Floral Ave.
Bartow, Florida 33820

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 (Maurey, Fletcher)
Office of General Counsel (Jaeger)
Office of Commission Clerk (090477-WU)

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Public Service Commission

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

DATE: March 29, 2010

TO: Andrew Maurey, 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. 090477-WU – Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

– 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

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Table of Contents

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Case Background	3
1	Quality of Service (Simpson).....	4
2	Used and Useful (Simpson)	5
3	Rate Base (Deason)	6
4	Rate of Return (Deason).....	8
5	Test Year Revenue (Deason, Bruce).....	9
6	Operating Expense (Deason).....	10
7	Revenue Requirement (Deason)	13
8	Rate Structure (Bruce).....	14
9	Repression (Bruce).....	18
10	Rates (Bruce, Deason).....	20
11	Four-Year Rate Reduction (Deason).....	21
12	Rates Subject to Refund (Deason)	22
13	Proof of Adjustments (Deason)	24
	Schedule No. 1-A	25
	Schedule No. 1-B	26
	Schedule No. 2	27
	Schedule No. 3-A	28
	Schedule No. 3-B	29
	Schedule No. 3-C	30
	Schedule No. 4	31

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 May 19, 2010 for the June 1, 2010, 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.

Alturas Utilities, L.L.C. (Alturas or Utility) is a Class C water utility serving approximately 76 water customers in Polk County. Alturas is located in the Southwest Florida Water Management District (SWFWMD). The Utility reported for 2008 operating revenues of \$19,488 and an operating loss of \$16,535.

Alturas has been under Commission jurisdiction since March 21, 2005¹ when it was granted a transfer of a portion of Keen Sales, Rentals and Utilities territory and was issued certificate No. 628-W. On December 12, 2009, Alturas applied for a staff-assisted rate case (SARC). The Utility last rate base established in 2005.

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. Alturas' 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 October 31, 2009.

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

¹ See Order No. PSC-05-0309-PAA-WU, issued March 21, 2005, in Docket No. 040160-WU, In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Alturas Utilities, L.L.C., in Polk County.

Discussion of Issues

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

Preliminary Recommendation: The staff recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the April 14, 2010 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 Polk County Health Department (PCHD) is also considered.

The PCHD issued two consent orders for Alturas in 2008, which have both been closed. One of the consent orders addressed the Utility's failure to provide a sampling plan for lead and copper and failure to submit results for nitrate and nitrite testing. The second consent order, which was only recently closed, required the Utility to provide an adequate means of protection of the water system from vandalism. The Utility also received two warning letters in 2010. One warning letter, which addressed the Utility's failure to pay an annual operating fee, has been closed. The second warning letter, which is still open, required the Utility to replace or repair the master flow meter at the well. In addition, the PCHD conducted a sanitary survey of Alturas on June 8, 2009. Several deficiencies were identified and subsequently corrected by the Utility. The PCHD indicated that the chemical and bacteriological analyses and the quality of the drinking water delivered to the customers is satisfactory.

A staff field investigation of the Utility's service area was conducted on January 5, 2010. Although the plant appeared to be operating normally, a physical inspection of the water system and a review of the maintenance records indicates that additional repairs are needed. The Utility requested that several pro forma items be considered during this rate case, including the costs to install a new master flow meter to comply with the PCHD, replace a check valve and galvanized piping and valves around the hydropneumatic tank, install a shed for the protection of the well and electrical panel system, replace galvanized piping in a portion of the distribution system, and begin a customer meter replacement program. The cost of these plant improvements and repairs are addressed in Issue 3.

The Commission's Complaint Tracking System contained two complaints in the last three years. The complaints, which were related to billing and water outages, were all resolved. The staff recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the April 14, 2010 customer meeting.

Docket No. 090477-WU

Date: March 29, 2010

Issue 2: What are the used and useful percentages of the water treatment plant and distribution system?

Preliminary Recommendation: The Alturas water treatment plant and distribution system are 100 percent used and useful. (Simpson)

Staff Analysis: The Alturas water system has a 6-inch diameter well rated at 75 gallons per minute (gpm). The raw water is injected with liquid chlorine prior to the 3,000 gallon hydropneumatic tank and then it is pumped into the water distribution system. The Utility's peak day of 44,000 gallons occurred on June 22, 2009. It does not appear that there was a line break, or other unusual occurrence on that day. The Utility has no fire flow requirements. There was no growth in the service area during the last five years. Pursuant to Rule 25-30.4325(4), F.A.C., a water system served by a single well is considered 100 percent used and useful. Therefore, staff recommends that the Alturas water treatment plant and 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 \$61,717. (Deason)

Staff Analysis: Staff selected a test year ending October 31, 2009 for this rate case. Rate base components have been updated through October 31, 2009, 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 \$48,034 for UPIS. Pursuant to Order No. PSC-05-0309-PAA-WU, UPIS for Alturas is \$54,948 as of February 10, 2004 when the company was sold and transferred to the current owners. Staff auditors reviewed the Utility's annual reports, general ledgers and other documentation for the period February 11, 2004 through October 31, 2009 to verify additions or retirements to UPIS. Staff auditors determined that the Utility did not record any additions nor did it use the prescribed balances for UPIS in Order No. PSC-05-0309-PAA-WU. Based on staff's audit, staff has made adjustments to increase UPIS by \$6,914 to reflect corrections to the Utility's balances established in Order No. PSC-05-0309-PAA-WU and to increase UPIS by \$1,246 to reflect test year additions. Additionally, as discussed in Issue 1, the Utility has several pro forma plant items. Based on the bid information supplied by Alturas, staff has made an adjustment to increase UPIS by \$35,375. Therefore, the Utility's balance for UPIS is \$91,569 ($\$48,034 + \$6,914 + \$1,246 + \$35,375$).

Land & Land Rights: The Utility's records reflect a balance of \$0 in Acct No. 303 – Land and Land Rights. By Order No. PSC-05-0309-PAA-WU, the Commission established a land balance of \$500 as of February 10, 2004. Therefore, Alturas' balance for Acct No. 303 – Land and Land Rights is \$500 as of October 31, 2009.

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): Alturas recorded a CIAC balance of \$0. By Order No. PSC-05-0309-PAA-WU, the Commission established a CIAC balance of \$18,637 as of February 10, 2004. Therefore, the Utility's balance for CIAC is \$18,637 as of October 31, 2009.

Accumulated Depreciation: Alturas recorded a balance for accumulated depreciation of \$47,171. By Order No. PSC-05-0309-PAA-WU, the Commission established an accumulated depreciation balance of \$25,574 as of February 10, 2004. Staff auditors reviewed the Utility's annual reports, general ledgers and other documentation for the period February 11, 2004 through October 31, 2009 to test the Utility's depreciation accruals and accumulated depreciation account balances. Staff auditors determined that the Utility did not use the proper service lives as prescribed by Commission to depreciate its UPIS assets. Staff calculated depreciation expense using the depreciation rates prescribed by Rule 25-30.140(1), F.A.C., and compiled accumulated depreciation accruals since the transfer to determine the Utility's accumulated depreciation balance as of October 31, 2009. Based on staff's audit, staff has made adjustments to decrease accumulated depreciation by \$15,404 to reflect corrections to the Utility's balances established

in Order No. PSC-05-0309-PAA-WU and to decrease accumulated depreciation by \$332 to reflect the appropriate test year accruals. Additionally, as discussed in Issue 1, the Utility has several pro forma plant items. Accordingly, staff has made an adjustment to increase accumulated depreciation by \$1,840. Therefore, the Utility's balance for accumulated depreciation is \$33,275 ($\$47,171 - \$15,404 - \$332 + \$1,840$).

Accumulated Amortization of CIAC: Alturas recorded an accumulated amortization of CIAC balance of \$0. By Order No. PSC-05-0309-PAA-WU, the Commission established an accumulated amortization of CIAC balance of \$18,637 as of February 10, 2004. Although there is a net zero effect of having balances of \$18,637 for CIAC and accumulated amortization of CIAC, these balances should still be maintained for accounting purposes. These balances represent contributions towards plant assets by the Utility's customers. When those plant assets are replaced and retired, a corresponding retirement to CIAC and accumulated amortization of CIAC would be required. Therefore, the Utility's balance for accumulated amortization of CIAC is \$18,637 as of October 31, 2009.

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 \$2,923 based on O&M expenses of \$23,384. Working capital has been increased by \$2,923 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 \$61,717. Rate base is shown on Schedule No. 1-A, and staff's adjustments are shown on Schedule I-B.

Docket No. 090477-WU
Date: March 29, 2010

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 9.67 percent with a range of 8.67 percent-10.67 percent. The appropriate overall rate of return is 9.64 percent. (Deason)

Staff Analysis: According to staff's audit, Alturas recorded the following items in its capital structure: common equity of \$23,257; retained earnings of \$0; paid-in-capital of \$0; and long-term debt of \$0. Alturas' 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 9.64 percent. The ROE and overall rate of return are shown on Schedule No. 2.

Docket No. 090477-WU
Date: March 29, 2010

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 \$20,656. (Deason, Bruce)

Staff Analysis: Alturas reported test year revenues of \$19,488. A revenue test was performed by staff auditors to confirm the revenues reported by the Utility. Staff auditors calculated revenues of \$20,656 for the 12-month period ending October 31, 2009, using the customer consumption information from the monthly billing registers and its authorized tariff. Therefore, staff has increased test year revenues by \$1,168 (\$20,656 - \$19,488). Based on the foregoing, staff recommends that the appropriate amount of test year revenues in this case is \$20,656.

Issue 6: What are the appropriate operating expense?

Preliminary Recommendation: The appropriate amount of operating expense for the Utility is \$27,954. (Deason)

Staff Analysis: Alturas recorded operating expenses of \$42,944 during the test year ended October 31, 2009. 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 – Officers – (603) – Alturas recorded a balance of \$10,844 in Account No. 601. Pursuant to audit finding No. 6, this amount represents the cash disbursements to the Utility's owner for managing and running utility operations during the 12-month test year ending October 31, 2009. No supporting documentation was provided for the auditors to review. Therefore, staff has removed the entire amount. Staff recommends salaries and wages - employees expense of \$0 for Account No. 601.

Purchased Power – (615) – Alturas recorded a balance of \$2,276 in Account No. 615 for the test year. Pursuant to audit finding No. 6, staff has made an adjustment to decrease purchased power by \$65 in order to restate purchased power balance based on the actual purchased power invoices and to remove some late payment charges which should be recorded below-the-line for rate setting purposes. Staff recommends purchased power expense of \$2,211 (\$2,276 - \$65) for Account No. 615.

Chemicals – (618) – Alturas recorded a balance of \$1,137 in Account No. 618 for the test year. Pursuant to audit finding No. 6, staff has made an adjustment to decrease chemicals by \$541 in order to restate chemicals balance based on the actual purchased power invoices and to remove some late payment charges which should be recorded below-the-line for rate setting purposes. Staff recommends chemicals expense of \$596 (\$1,137 - \$541) for Account No. 618.

Materials & Supplies – (620) – The Utility recorded a balance of \$698 in Account No. 620. Pursuant to audit finding No. 6, no supporting documentation was provided for the auditors to review. As such, staff has removed the entire amount. Therefore, staff recommends materials & supplies expense of \$0 for Account No. 620.

Contractual Services – Billing – (630) – Alturas recorded a balance of \$2,900 in Account No. 630. Pursuant to audit finding No. 6, this amount represents the service fees charges by the Utility's manager to manage and operate Alturas for its owner. The contract includes services for operations management, billing, customer service, accounts payable, accounts receivable, and regulatory reporting and compliance. These services, previously performed by the Utility's owner were turned over to the current contract manager. Staff has removed the owner's charges of \$10,844 for this service from Account No. 603 above. The current contract with the manager is \$7,200 (\$600 x 12 months). Therefore, staff has made an adjustment to increase contractual services –billing expense by \$4,300. Staff recommends contractual services - billing expense of \$7,200 (\$2,900+\$4,300).

Contractual Services – Professional – (631) – Alturas recorded \$5,288 in Account No. 631. Pursuant to audit finding No. 6, the Utility pays for a state certified operator to perform the required water testing and monitoring of the water plant and its operation. In July 2009, the fee increased from \$265 per month to \$375 per month for the monthly monitoring and the bacteriological testing of the systems water supply. All other required water testing is billed separately as well as any repairs that are made at the water plant by the operator. Staff has made adjustments to include and annualize six monthly service fees for \$2,250 ($\375×6 months), to annualize two monthly service fees already included for \$220 ($[\$375 - \$265] \times 2$ months), to remove the November 2009 monthly service fee for \$375 that was included by the Utility but was outside the test year and to remove \$87 of unsupported costs. Based on these adjustments, staff recommends contractual services – professional of \$7,295 ($\$5,288 + \$2,250 + \$220 - \$375 - \87).

Contractual Services - Other – (636) – Alturas recorded \$4,476, in Account No. 636. Pursuant to audit finding No. 6, this account represents the fees paid to a third party contractor to perform routine maintenance and major repairs to the water plant systems equipment and distribution system. As discussed in Issue 3, staff has made adjustments to reclassify \$1,214 to Account No. 311 for the replacement of the main electrical panel at the water plant and reclassified \$162 to Account No. 334 for the replacement of 10 customer meters. The \$162 was the final installment paid on an invoice totaling \$1,712 for the water meters replaced. Staff has removed \$162 from this account but reclassified \$1,712 to Account No. 334. The difference of \$1,550 was not included in the company's O&M schedule above or as a UPIS addition because it was paid by the Utility's owner from a related party checking account. As such, staff has also made an adjustment to remove \$1,108 of costs because no supporting documentation was provided. Based on these adjustments, staff recommends contractual services – other expense of \$1,992 ($\$4,476 - \$1,214 - \$162 - \$1,108$) for Account No. 636.

Rents– (640) – Alturas recorded \$375 in Account No. 640. Pursuant to audit finding No. 6, staff has made an adjustment to remove \$350 because no support documentation was provided. Therefore staff recommends rent expense of \$25 ($\$375 - \350).

Regulatory Commission Expense – (665) – Alturas recorded \$0 in Account No. 665. Staff has made adjustments to include the costs associated with this rate case in Account No. 665. Staff has included the filing fee of \$200 which results in an increase of \$50 ($\$200/4$ years). Additionally, staff has included the costs associated with the notices for this rate case which result in an increase of \$24 ($\$98/4$) to Account No. 665. These adjustments result in a total increase of \$74 ($\$50 + \24) to Account No. 675.

Miscellaneous Expense – (675) – The Utility recorded \$6,546 in Account No. 675. Pursuant to audit finding No. 6, staff has made adjustments to reduce water meter reading and lawn maintenance costs by \$45 to reflect the annualized amount that was supported by Utility information and to remove bank service fees of \$67 that were for late payment penalties and fees for deposits and non-sufficient funds. In addition, staff has made adjustments to reduce license and permit fees by \$290 because no support documentation was provided, remove taxes of \$2,516 that were misclassified to miscellaneous expenses, and remove \$950 in repair and maintenance costs because no support documentation was provided. Based on these

Docket No. 090477-WU
Date: March 29, 2010

adjustments, staff recommends miscellaneous expense of \$2,678 ($\$6,546 - \$45 - \$67 - \$290 - \$2,516 - \950).

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M should be decreased by \$12,476 as shown on Schedule No. 3-B. Staff's recommended O&M expenses of \$23,384 as shown on Schedule No. 3-C.

Depreciation Expense (Net of Amortization of CIAC) – Alturas recorded \$4,568 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 \$1,349. Thus staff has made an adjustment to decrease depreciation expense by \$3,219. Additionally, as discussed in Issue 3, the Utility has pro forma plant items. Based on the pro forma plant, staff has made an adjustment to increase depreciation expense by \$1,840. Based on these adjustments, staff recommends net depreciation expense of \$3,189 ($\$4,568 - \$3,219 + \$1,840$).

Taxes Other Than Income (TOTI) – The Utility's records reflect a balance of \$2,516 for Account No. 408 – TOTI for the test year, which represented real estate and personal property taxes and regulatory assessment fees. Pursuant to audit finding No. 7, staff has made adjustments to reduce the tangible property tax amount by \$15 to maximize the discount for the early payment of tangible property taxes, increase real estate taxes by \$107 to reflect taxes paid in 2008 for the real property associated with the water plant, remove the \$928 Polk County utility tax because no support documentation was provided and to reduce RAFs by \$299 to reflect staff's estimate of RAFs based on staff's calculated test year revenue amount determined in Issue 5. Moreover, based on staff's recommended revenue increase discussed in Issue 7, RAFs should be increased by \$624. Therefore, staff recommends TOTI of \$2005 ($\$2,516 - \$15 + \$107 - \$928 - \$299 + \624).

Income Tax – Alturas 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 \$27,954. 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 \$34,527. (Deason)

Staff Analysis: The Utility should be allowed an annual increase of \$13,871 (67.15 percent). This will allow Alturas the opportunity to recover its expenses and earn a 9.64 percent return on its investment. The calculation is as follows:

	<u>Water</u>
Adjusted Rate Base	\$61,717
Rate of Return	x .0964
Return on Rate Base	<u>\$5,950</u>
Adjusted O&M expense	23,384
Depreciation expense (Net)	3,189
Amortization	0
Taxes Other Than Income	2,005
Income Taxes	<u>0</u>
Revenue Requirement	\$34,527
Less Test Year Revenues	<u>20,656</u>
Annual Increase	<u>\$13,871</u>
Percent Increase/(Decrease)	<u>67.15%</u>

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

Preliminary Recommendation: Yes. The Utility's current residential water system rate structure which consists of a monthly base facility charge (BFC)/uniform gallonage charge rate structure should be changed to a two-tier inclining block rate structure. The usage blocks should be set at 0-7 kgal and usage in excess of 7 kgal, with rate factors of 1.0 and 1.25, respectively. While staff is not recommending that these rate blocks or rate factors be changed, we recommend that the rate charged for non-discretionary usage (0 to 5 kgal) within the first block not include any cost recovery attributable to the effects of repression. The base facility charge (BFC) allocation should be set at 30 percent. The recommended rate structure for the system's non-residential class consists of a traditional monthly BFC/uniform gallonage charge rate structure and should remain unchanged. (Bruce)

Staff Analysis: The Utility currently has a BFC uniform/gallonage charge rate structure for the water systems' residential and non-residential class. The BFC is \$11.00 per month and the monthly usage charge is \$3.25 per kgal. By Order No. PSC-05-0309-PAA-WU, issued March 21, 2005, the Utility was ordered to continue its current rates until authorized to change by the Commission in a subsequent proceeding.

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; 3) setting the BFC between 25 percent and 40 percent whenever possible; and 4) implement, where appropriate, water conservation rate structures consistent with the Commission's Memorandum of Understanding (MOU) with the state's five Water Management Districts.

Alturas is located in Polk County in the SWFWMD within the Southern Water Use Caution Area (SWUCA). Over the past few years, the Districts have requested, whenever possible, that an inclining block rate structure be implemented.

Based on staff's analysis, the customers' average monthly consumption is 5.562 kgal. This is an indication that an inclining block rate structure may be appropriate. Further analysis of the billing data indicates there are customers above average consumption who are using a moderate amount of discretionary consumption. Therefore, staff believes that it is appropriate to implement a two-tier inclining block rate structure. The usage blocks should be set at 0-7 kgal and usage in excess of 7 kgal, with rate factors of 1.0 and 1.25, respectively.

Furthermore, based on information provided by the Utility, the appropriate threshold for a customer's discretionary usage is 4.5 kgal per month. This number is derived based on the average number of persons per household, gallons per day per person, and the number of days per month ($3 \times .050 \times 30$). At the Commission's January 26, 2010, Agenda conference, the Commission voted to restrict the application of any repression adjustment to discretionary usage for the Peoples Water Service Company of Florida, Inc. and the Camachee Cove Yacht Harbor Utility rate cases (Docket Nos. 080695-WU and 090230-WU, respectively). This restriction

prevents the price per kgal for non-discretionary usage from rising due to the effects of repression, thereby shifting the entire burden of cost recovery due to repression to higher consumption levels. Staff's recommended rate structure implements the Commission's decision to restrict any cost recovery attributable to the effects of repression from impacting non-discretionary usage. The effect of this implementation is to minimize any necessary rate increases for non-discretionary usage while targeting necessary rate increases to those customers who use larger quantities of water.

Staff's recommended rate design for the water system is shown on Table 8-1 on the following page. Furthermore, staff presented two alternative rate structures to illustrate other recovery methodologies which include the effects of the repression adjustment applied to all levels of consumption.

TABLE 8-1

ALTURAS UTILITIES, INC. STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES				
Current Rate Structure and Rates		Recommended Rate Structure and Rates		
Monthly BFC/uniform gallonage charge BFC = 41.9%		2-Tier Inclining Block Rate Structure Rate Factors 1.00 and 1.25 BFC = 30%		
BFC	\$11.00	BFC		\$12.41
All kgals	\$3.25	1 st tier (non-discretionary)	0-5 kgals	\$5.83
		1 st tier (discretionary)	5-7 kgal	\$8.43
		2 nd tier (discretionary)	7+	\$10.54
Typical Monthly Bills (1)		Typical Monthly Bills		
Cons (kgals)		Cons (kgals)		
0	\$11.00	0		\$12.41
1	\$14.25	1		\$18.24
3	\$20.75	3		\$29.90
5	\$27.25	5		\$41.56
10	\$43.50	10		\$90.04
20	\$76.00	20		\$195.44
Alternative 1		Alternative 2		
2-Tier Inclining Block Rate Structure Rate Factors 1.00 and 1.25 BFC = 30% (No repression restriction)		2-Tier Inclining Block Rate Structure Rate Factors 1.00 and 1.50 BFC = 40% (No repression restriction)		
BFC	\$12.42	BFC		\$16.57
0-7 kgals	\$6.62	0-7 kgals		\$5.33
7 + kgals	\$8.27	7 + kgals		\$8.00
Typical Monthly Bills		Typical Monthly Bills		
Cons (kgals)		Cons (kgals)		
0	\$12.42	0		\$16.57
1	\$19.04	1		\$21.90
3	\$32.28	3		\$32.56
5	\$45.52	5		\$43.22
10	\$83.57	10		\$77.88
20	\$166.27	20		\$157.88

Staff recommends that the initial BFC cost recovery of 41.60 percent be reduced to 30 percent. Staff's recommended BFC allocation is appropriate because it sends the appropriate pricing signals. Furthermore, the recommended BFC cost recovery will enable customers at

Docket No. 090477-WU

Date: March 29, 2010

nondiscretionary levels of consumption to pay a lower price for their water consumption. The Commission has an MOU with the five Water Management Districts to set the BFC such that the utilities recover no more than 40 percent of the revenues to be generated from monthly service.

Issue 9: 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 requirement?

Preliminary Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 477 kgal or 13.8 percent. Purchased power expense should be reduced by \$272, chemical expense should be reduced by \$73, and regulatory assessment fees (RAFs) should be reduced by \$17. The final post-repression revenue requirement for the water system should be \$34,165. This repression adjustment is based upon a methodology that restricts cost recovery due to repression to discretionary usage only.

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

Staff Analysis: 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 demanded 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 9, staff's analysis showed that average residential monthly consumption per customer was 5.562 kgal. This is an indication that there is a some level of discretionary, or non-essential, consumption, such as outdoor irrigation. Non-essential consumption is relatively responsive to changes in price and, therefore, subject to the effects of repression.

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 that test year residential water sold should be reduced by 477 kgal, or 13.8 percent. Purchased power expense should be reduced by \$272, chemical expense should be reduced by \$73 and regulatory assessment fees (RAFs) should be reduced by \$17. The final post-repression revenue requirement for the water system should be \$34,165. This repression adjustment is based upon a methodology that restricts cost recovery due to repression to discretionary usage only.

Docket No. 090477-WU
Date: March 29, 2010

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

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

Preliminary Recommendation: The appropriate monthly water rates are shown on Schedule No. 4. The recommended rates should be designed to produce revenues of \$34,165 for water, excluding miscellaneous service revenues. 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: The recommended rates should be designed to produce revenues of \$34,165 for the water system. There are no miscellaneous service revenues for the water system.

As discussed in Issue 9, The Utility's current residential water system rate structure which consists of a monthly base facility charge (BFC)/uniform gallonage charge rate structure should be changed to a two-tier inclining block rate structure. The usage blocks should be set at 0-7 kgals and usage in excess of 7 kgals, with rate factors of 1.0 and 1.25, respectively. While staff is not recommending that these rate blocks or rate factors be changed, we recommend that the rate charged for non-discretionary usage (0 to 5 kgals) within the first block not include any cost recovery attributable to the effects of repression. The base facility charge (BFC) allocation should be set at 30 percent. The recommended rate structure for the system's non-residential class consists of a traditional monthly BFC/uniform gallonage charge rate structure and should remain unchanged.

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 are shown on Schedule 4.

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. S.?

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 \$78 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 \$9,261. 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 National Association of Regulatory Utility Commissioners Uniform System of Accounts (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, Alturas 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 Alturas 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.

ALTURAS UTILITIES, L.L.C. TEST YEAR ENDING 10/30/2009 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 090477-WU	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$48,034	\$43,535	\$91,569
2. LAND & LAND RIGHTS	0	500	500
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	(18,637)	(18,637)
5. ACCUMULATED DEPRECIATION	(47,171)	13,896	(33,275)
6. AMORTIZATION OF CIAC	0	18,637	18,637
7. CONSTRUCTION WORK IN PROGRESS	0	0	0
8. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>2,923</u>	<u>2,923</u>
9. WATER RATE BASE	<u>\$863</u>	<u>\$60,854</u>	<u>\$61,717</u>

ALTURAS UTILITIES, L.L.C. TEST YEAR ENDING 10/30/2009 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 090477-WU
	<u>WATER</u>
	\$6,914
<u>UTILITY PLANT IN SERVICE</u>	1,246
1. To reflect appropriate UPIS per audit.	<u>\$35,375</u>
2. To reflect test year additions.	<u>\$43,535</u>
3. To reflect pro forma additions.	
Total	
<u>LAND AND LAND RIGHTS</u>	
To reflect the appropriate land balance.	<u>\$500</u>
<u>CIAC</u>	
To reflect appropriate CIAC.	<u>(\$18,637)</u>
<u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation per audit.	\$15,404
2. To reflect test year accruals.	332
3. To reflect pro forma accumulated depreciation.	<u>(1,840)</u>
Total	<u>\$13,896</u>
<u>AMORTIZATION OF CIAC</u>	
To reflect appropriate accumulated amortization of CIAC.	<u>\$18,637</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O & M expenses.	<u>\$2,923</u>

ALTURAS UTILITIES, L.L.C.
 TEST YEAR ENDING 10/30/2009
 SCHEDULE OF CAPITAL STRUCTURE

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>23,257</u>	<u>4,270</u>	<u>27,527</u>					
5. TOTAL COMMON EQUITY	\$23,257	\$4,270	\$27,527	\$33,805	\$61,332	99.38%	9.67%	9.61%
6. LONG TERM DEBT-Note	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
TOTAL LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
8. CUSTOMER DEPOSITS	<u>\$325</u>	<u>\$60</u>	<u>\$385</u>	<u>\$0</u>	<u>\$385</u>	<u>0.62%</u>	6.00%	<u>0.04%</u>
9. TOTAL	<u>\$23,582</u>	<u>\$4,330</u>	<u>\$27,912</u>	<u>\$33,805</u>	<u>\$61,717</u>	<u>100.00%</u>		<u>9.64%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>8.67%</u>	<u>10.67%</u>	
OVERALL RATE OF RETURN						<u>9.65%</u>	<u>10.64%</u>	

ALTURAS UTILITIES, L.L.C.		SCHEDULE NO. 3-A			
TEST YEAR ENDING 10/30/2009		DOCKET NO. 090477-WU			
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJ PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$19,488</u>	<u>\$1,168</u>	<u>\$20,656</u>	<u>\$13,871</u> 67.15%	<u>\$34,527</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	35,860	(12,476)	23,384	0	23,384
3. DEPRECIATION (NET)	4,568	(1,379)	3,189	0	3,189
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,516	(1,135)	1,381	624	2,005
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$42,944</u>	<u>(\$14,990)</u>	<u>\$27,954</u>	<u>\$624</u>	<u>\$28,578</u>
8. OPERATING INCOME/(LOSS)	<u>(\$23,456)</u>		<u>(\$7,298)</u>		<u>\$5,950</u>
9. WATER RATE BASE	<u>\$863</u>		<u>\$61,717</u>		<u>\$61,717</u>
10. RATE OF RETURN	<u>-2,717.96%</u>		<u>-11.82%</u>		<u>9.64%</u>

ALTURAS UTILITIES, L.L.C. TEST YEAR ENDING 10/30/2009 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-B DOCKET NO. 090477-WU
	<u>WATER</u>
OPERATION AND MAINTENANCE EXPENSES	
1. Salaries and Wages - Officers (603) To remove Officer salary per audit.	(<u>\$10,844</u>)
2. Purchased Power (615) To reflect appropriate purchased power.	(<u>\$65</u>)
3. Chemicals (618) To reflect appropriate chemical expense.	(<u>\$541</u>)
4. Materials and Supplies (620) To remove unsupported materials and supplies.	<u>\$698</u>
5. Contractual Services – Billing and Management (630)	
a. To reflect appropriate amount of billing and management.	\$1,900
b. To reflect increase in billing and management fees.	<u>2,400</u>
Subtotal	<u>\$4,300</u>
6. Contractual Services - Operator (631) To reflect appropriate amount of operator expenses.	<u>\$2,008</u>
7. Contractual Services - Other (636)	
a. To reclassify plant to Acct. No. 311.	(\$1,214)
b. To reclassify plant to Acct. No. 334.	(162)
c. To remove unsupported contractual services.	<u>(1,108)</u>
Subtotal	<u>(\$2,484)</u>
8. Rent Expense (640) To remove unsupported rent.	<u>(\$350)</u>
9. Regulatory Commission Expense (665) To reflect App. Amt. of Regulatory Commission Expense.	<u>\$74</u>
10. Miscellaneous Expense (675)	
a. To reflect appropriate lawn maintenance.	(<u>\$45</u>)
b. To remove bank service fees.	(67)
c. To remove unsupported license and permit fees.	(290)
d. To remove taxes	(2,516)
e. To remove unsupported repair and maintenance fees.	<u>(950)</u>
Subtotal	<u>(\$3,876)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$12,476)</u>
DEPRECIATION EXPENSE	
1. To reflect net depreciation calculated per 25-30.140, FAC	(\$3,219)
2. To reflect pro forma depreciation expense	<u>1,840</u>
Total	<u>(\$1,379)</u>
TAXES OTHER THAN INCOME	
1. To reflect appropriate property taxes	\$92
2. To remove Polk County Utility tax	(928)
3. To reduce RAFs based on audit calculations	<u>(299)</u>
Total	<u>(\$1,135)</u>

ALTURAS UTILITIES, L.L.C.		SCHEDULE NO. 3-C	
TEST YEAR ENDING 10/30/2009		DOCKET NO. 090477-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	10,844	(\$10,844)	0
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	2,276	(65)	2,211
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,137	(541)	596
(620) MATERIALS AND SUPPLIES	698	(698)	0
(630) CONTRACTUAL SERVICES - BILLING	2,900	4,300	7,200
(631) CONTRACTUAL SERVICES - PROFESSIONAL	5,288	2,008	7,296
(632) CONTRACTUAL SERVICES - ACCOUNTING	1,320	0	1,320
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	4,476	(2,484)	1,992
(640) RENTS	375	(350)	25
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	74	74
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	6,546	(3,876)	2,670
	<u>\$35,860</u>	<u>(\$12,476)</u>	<u>\$23,384</u>

ALTURAS UTILITIES, L.L.C. TEST YEAR ENDING 10/30/2009 MONTHLY WATER RATES		SCHEDULE NO. 4 DOCKET NO. 090477-WU	
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES*	4-YEAR RATE REDUCTION
<u>Residential and General Service</u>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$11.00	\$12.41	\$0.03
3/4"	\$16.50	\$18.62	\$0.04
1"	\$27.50	\$31.03	\$0.07
1-1/2"	\$55.00	\$62.05	\$0.14
2"	\$88.00	\$99.28	\$0.22
3"	\$176.00	\$198.56	\$0.45
4"	\$275.00	\$310.25	\$0.70
6"	\$550.00	\$620.50	\$1.39
<u>Residential Gallonage Charge</u>			
Per 1,000 gallons	\$3.25	\$0.00	\$0.00
Per 1,000 gallons, 0-5,000 gallons	\$0.00	\$5.83	\$0.01
Per 1,000 gallons, 5,000-7,000 gallons	\$0.00	\$8.43	\$0.02
Per 1,000 gallons, above 7,000 gallons	\$0.00	\$10.54	\$0.02
<u>General Service Gallonage Charge</u>			
Per 1,000 gallons	\$3.25	\$7.04	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$20.75	\$29.90	
5,000 Gallons	\$27.25	\$41.56	
10,000 Gallons	\$43.50	\$90.04	