

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Seminole County by CWS Communities d/b/a Palm Valley Utilities. | DOCKET NO. 090447-WS
ORDER NO. PSC-10-0606-PAA-WS
ISSUED: October 4, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
ART GRAHAM
RONALD A. BRISÉ

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES
AND
FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates in the event of protest and the reduction for rate case expense and the proof of adjustment of books, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

CWS Communities LP d/b/a Palm Valley Utilities (Palm Valley or Utility) filed a request for a staff assisted rate case. Palm Valley is a Class C utility providing water and wastewater service in Seminole County serving approximately 786 residential and 7 general service customers. The Utility is in the St. Johns River Water Management District (SJRWMD or District), all of which is considered a water use caution area. The Utility was granted Certificate Nos. 277-W and 223-S.¹ The certificates have been amended several times.² Also, the

¹ See Order No. 7518, issued November 22, 1976, in Docket No. 750660-WS, In re: Application of ECO-SAN, Inc., for certificates to operate a water and sewer utility in Seminole County, Florida. Section 367.171, Florida Statutes.

² See Order Nos. PSC-00-2243-PAA-WS, issued November 27, 2000, in Docket No. 001138-WS, In re: Application for amendment of Certificates Nos. 277-W and 223-S to add territory in Seminole County by CWS Communities LP d/b/a Palm Valley and PSC-05-0425-FOF-WS, issued April 20, 2005, in Docket No. 041418, In re: Application for deletions and amendments to portions of service territory in Seminole County by CWS Communities LP d/b/a Palm Valley Utilities, holder of Certificates 277-W and 223-S.

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certificates have been transferred twice.³ Palm Valley's 2009 Annual Report reflects total gross revenues of \$169,928 for water and \$230,545 for wastewater with net income of \$3,480 for water and a net loss of \$85,017 for wastewater.

On April 19, 2010, three customers of the Utility filed individual petitions to intervene. We granted the interventions on June 21, 2010 by orders issued in the instant docket.⁴

Our staff filed a recommendation for final rates on June 17, 2010, for our June 29, 2010, Agenda Conference. At the request of the Palm Valley Homeowner Association (HOA), the item was deferred to a subsequent agenda. The HOA request for deferral was granted to allow it additional time to review our staff's recommendation, to have its primary spokesperson available for the Agenda Conference, and to allow our staff time to consider any additional issues that may arise from the informal meeting that was scheduled for June 28, 2010.

The June 28, 2010 informal meeting was rescheduled to June 30, 2010. Our staff, representatives from the HOA, the Office of Public Counsel (OPC), and the Utility along with its consultant and legal counsel, met to discuss the issues in this case. Based on that meeting and additional information provided by the utility, OPC, and the intervenors our staff revised its recommendation and made additional adjustments to the revenue requirements for the water and wastewater systems. These adjustments were reflected in the revised recommendation filed by our staff which we considered at our September 14, 2010, Agenda Conference. At that Agenda Conference, we addressed Palm Valley's request for a staff-assisted rate case. We have jurisdiction to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

Quality of Service

Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), we determine the overall quality of service provided by a utility by evaluating three separate components of water and wastewater operations. These components include 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. We review comments or complaints we received from customers. We also consider the Utility's compliance with the Florida Department of Environmental Protection (DEP) and the SJRWMD.

³ See Order Nos. PSC-00-1675-PAA-WS, issued September 19, 2000, in Docket No. 991984-WS, In re: Application for transfer of Certificates Nos. 277-W and 223-S in Seminole County from Alafaya Palm Valley Associates, Ltd. to CWS Communities LP d/b/a Palm Valley; PSC-02-1029-FOF-WS, issued July 29, 2002, in Docket No. 020122, In re: Request for approval of transfer of majority organizational control of CWS Communities LP d/b/a Palm Valley, holder of Certificate Nos. 277-W and 223-S in Seminole County, from CWS Communities Trust to CP Limited Partnership, known in Florida as Chateau Communities Limited Partnership; and PSC-05-0186-PAA-WS, issued February 17, 2005, in Docket No. 030998-WS, In re: Joint application for approval of transfer of majority organizational control of Chateau Communities, Inc., grandparent of Del Tura Phase I, LLC d/b/a Del Tura Utilities, holder of Certificate No. 298-S in Lee County; CWS Communities LP d/b/a Palm Valley Utilities, holder of Certificate Nos. 277-W and 223-S in Seminole County; and CWS Communities LP, holder of Certificate No. 518-W in Lake County, to Hometown America, L.L.C.

⁴ See Orders Nos. PSC-10-0404-PCO-WS, PSC-10-0405-PCO-WS, and PSC-10-0406-PCO-WS.

The DEP conducted a sanitary survey of the water treatment plant on February 12, 2009, and a wastewater compliance inspection on November 17, 2009. Deficiencies were noted in both surveys which were subsequently corrected by the Utility. According to the DEP, the water and wastewater systems have met all monitoring requirements.

Palm Valley's service area is in a priority water resource caution area of the SJRWMD. The Utility's withdrawal of 32.59 million gallons in the test year falls under the maximum annual withdrawal of 53.67 million gallons allowed in its consumptive use permit.

Our staff conducted a field investigation of Palm Valley's service area on December 15, 2009. The water and wastewater treatment facilities appeared to be operating normally; however, a review of the Utility's monthly operating reports and discharge monitoring reports indicated inconsistencies in the flow data reported for both the amount of raw water pumped and the amount of wastewater treated. With the assistance of the Florida Rural Water Association, the Utility's raw water meter was recalibrated. The Utility also discovered that an error was made in reporting the amount of raw water pumped to the SJRWMD because a zero was inadvertently omitted from the meter readings. In addition, the Utility determined that treated wastewater that was being recycled into the wastewater treatment plant for backwashing filters was included in the amount reported as wastewater treated. The Utility filed corrected reports with the SJRWMD and DEP regarding the amount of raw water pumped. In addition, meters were installed to quantify the amount of recycled treated effluent used for backwashing filters in the wastewater treatment system. The Utility requested that the cost of the meters be included in this rate case. Based on the corrected flow data, it appears that the water distribution system has excessive unaccounted for water and the wastewater collection system has excessive infiltration and inflow (I&I). The Utility has implemented repair programs to address the problems in the distribution and collection systems.

On April 22, 2010, our staff held a customer meeting in Oviedo, Florida. Representatives of the Utility were present. Over 300 customers attended and 12 spoke, including representatives of the HOA. The HOA members expressed concern about the rate increase and whether the Utility was properly reporting information regarding Utility operations. The HOA members' presentation is included in the docket file. Most of the customer complaints dealt with the level of the rate increase and the undue hardship they are going to endure because they are elderly people living on a fixed income. Our staff explained the rate making process to the customers and followed up on several specific inquiries about water and wastewater bills, customer water usage, and common area irrigation. As described above, the Utility identified and corrected the errors in the amounts reported as raw water pumped and wastewater treated.

There have been complaints from customers filed with the Utility and with us during the last three years. The complaints involved replacement of meter covers, repair of water leaks, repair and replacement of shut-off valves, and meter testing. All of the customer complaints reported have been resolved and closed.

Based on the foregoing, we find that Palm Valley is current in all of the required chemical and bacteriological analyses, the water and wastewater treatment plants are operating

properly, and the Utility appears to address customer complaints in a timely manner. Therefore, we find that the overall quality of service provided by Palm Valley is satisfactory.

Used and Useful Percentages

The Utility's records for the test year ended September 30, 2009 were utilized in analyzing the used and usefulness of the water and wastewater facilities.

Water Treatment Plant and Storage

Rule 25-30.4325, F.A.C., provides that in calculating the used and useful (U&U) percentage for a water treatment system, the peak demand in gallons per day (gpd) is divided by the firm reliable capacity of the system based on 16 hours of pumping. Consideration is also given to fire flow, unaccounted for water (UFW), growth, changes in flow due to conservation, and other factors.

Palm Valley's water treatment system has two wells each rated at 820 gallons per minute (gpm). The firm reliable capacity is 787,200 gpd. Raw water is aerated and injected with liquid chlorine and discharged into a ground storage tank before it enters the water distribution system. The Utility's peak day of 165,000 gallons occurred on February 17, 2009. It does not appear that there was a fire, line break, or other unusual occurrence on that day. The Utility's fire flow requirement is 1,250 gpm for 2 hours or 150,000 gallons. Projected growth in the service area is 18 equivalent residential connections (ERCs) a year for five years or 18,632 gpd. The water treatment plant (WTP) is 42 percent U&U based on a peak day of 165,000 gpd, a growth allowance of 18,632 gpd, excessive UFW of 2,816 gpd, fire flow of 150,000 gpd, and firm reliable capacity of 787,200 gpd. In the Utility's last rate case, the WTP was found to be 78 percent U&U based on a five maximum day average of 327,000 gpd, a growth allowance of 48,141 gpd, and fire flow of 150,000 gpd. The SJRWMD permitted water withdrawal allowance of 675,000 gpd was used as a limiting factor for the capacity of the system. However, the current permit, which was renewed in 2007, contains a maximum annual withdrawal limit but not a peak day limit. A review of test year data from the last rate case indicates that 48.92 million gallons of finished water was produced, compared with 32.59 million gallons of finished water in the current test year. It appears that there has been a significant effort to conserve water. The Utility's service area is close to build out, although there is vacant land adjacent to the service area that could potentially be developed in the future. Based on the foregoing, we find that the WTP is 78 percent U&U, consistent with the last rate case, to recognize that there appears to have been significant conservation efforts. In addition, a 3 percent adjustment shall be made to chemicals and electricity to reflect the Utility's excessive UFW.

The Utility's two ground storage tanks have a usable capacity of 145,800 gallons. Based on a peak day demand of 165,000 gallons, a fire flow demand of 150,000 gallons, a growth allowance of 18,632 gallons, and usable capacity of 145,800 gallons, we find that the two storage tanks are 100 percent used and useful.

Wastewater Treatment Plant

Palm Valley's wastewater treatment system consists of a 150,000 gpd extended aeration treatment plant with flow equalization, influent screening, aeration, secondary clarification, filtration, and chlorination. Rule 25-30.432, F.A.C., provides that the wastewater plant U&U should be calculated based on customer demand and the permitted capacity of the plant. The rule also provides that customer demand should be determined using the same basis as the permitted capacity. Consideration is given to growth, I&I, and whether flows have decreased due to conservation.

The DEP permitted capacity of the wastewater treatment plant (WWTP) is 150,000 gpd based on annual average daily flow (AADF). The customer demand for the test year based on the AADF is 101,535 gpd. The Utility's projected growth is 10,193 gpd over the next five years. Excessive I&I is 18,912 gpd or 19 percent. In the previous recommendation which we deferred, an I&I estimate of 9 percent was used. However, after obtaining a more accurate flow figure for the amount of treated effluent used for backwashing of the filters, a more reliable estimate was made. Therefore, the WWTP is 62 percent U&U based on the current customer demand, a growth allowance, and 19 percent excessive I&I. However, in the last rate case, the WWTP was found to be 81 percent U&U based on customer demand of 107,116 gpd, a growth allowance of 14,256 gpd, and capacity of 150,000 gpd. Based on the foregoing, we find that, consistent with the last rate case, the WWTP shall be considered 81 percent U&U to recognize the reduction in flows at the wastewater plant since the last rate case. In addition, a 19 percent adjustment shall be made to chemicals and electricity expense to reflect the Utility's excessive I&I.

Water Distribution and Wastewater Collection Systems

The U&U calculations for the water distribution and wastewater collection systems are based on the number of customers connected to the systems divided by the capacity of the lines. Consideration is also given to growth. In this case, the service area is close to build out, although there is vacant land adjacent to the service area that could potentially be developed in the future. Based on the foregoing, we find that the Utility's current distribution and collection systems are needed to serve existing customers and, therefore, shall be considered 100 percent U&U.

Reuse Facilities

Palm Valley's reclaimed water system consists of a filtration system followed by high level disinfection, a 40,000 gallon reuse storage tank/pump station, a 150,000 gallon clay-lined reject pond, 800,000 gallons of wet-weather storage/percolation pond, and a 314,000 gallon lined reclaimed water storage pond. The reclaimed water is distributed into a network consisting of a decorative clubhouse pond, exfiltration trenches, common area and residential irrigation, and a dripper system. Pursuant to Section 367.0817, F.S., all prudent costs of a reuse project shall be recovered in rates; and therefore, are 100 percent U&U.

OPC had requested that the Utility provide reasons for installing a reuse system. In the Utility's response, Palm Valley noted that beginning from 1999 it was necessary to increase the effluent disposal capacity of 126,000 gpd to 150,000 gpd because of home or unit expansion. The only option for effluent disposal at that time was a dripper system. Additional disposal capacity was required to meet regulatory compliance standards because of future expansion. Considering the hydrological conditions of the service area, the only feasible method to meet regulatory requirements was to use an exfiltration trench and a pond which would discharge the wastewater and meet DEP requirements. The facility was permitted by DEP to use the exfiltration trench, the wet-weather/percolation pond, and irrigation systems for effluent disposal. In the last rate case, we found that the reclaimed water system was 100 percent U&U. Therefore, all of the Utility's reuse facilities shall be considered 100 percent U&U.

Summary

In summary, the WTP shall be considered 78 percent U&U. The WWTP shall be considered 81 percent U&U. The distribution system, the two storage tanks, the collection system, and the reuse facilities shall be considered 100 percent U&U. In addition, we find that chemicals and electricity expense for the water system shall be adjusted by 3 percent to recognize excessive UFW, and chemicals and electricity expense for the wastewater system be adjusted by 19 percent to recognize excessive I&I.

Average Test Year Rate Base

Palm Valley's rate base was last established in 2002.⁵ We selected a test year ended September 30, 2009, for this rate case. Rate base components have been updated through September 30, 2009, using information obtained from our staff's audit. A summary of each component and the adjustments follows:

Utility Plant in Service (UPIS): The Utility recorded \$1,264,170 and \$2,810,092 of UPIS for water and wastewater, respectively. We have decreased UPIS by \$12,835 for water and increased UPIS by \$243,358 for wastewater to reflect plant additions and retirements since rate base was last established. Also, we have increased wastewater UPIS by \$2,546 to reclassify plant additions recorded as material and supplies. We decreased UPIS by \$22,185 and \$31,755 for water and wastewater, respectively, to reflect averaging adjustments. As discussed above, Palm Valley installed meters to quantify the amount of recycled treated effluent used for backwashing filters in the wastewater treatment system. The installation of the meters occurred after the test year. Therefore, we made a pro forma adjustment of \$8,995 to increase UPIS for the meters. Our net adjustment to UPIS is a decrease of \$35,020 for water and an increase of \$223,144 for wastewater. The UPIS balances are \$1,229,150 and \$3,033,236 for water and wastewater, respectively.

Non-used and Useful Plant: The U&U percentages for each system were discussed above. Applying the non-U&U percentages to the appropriate plant accounts results in non-

⁵ See Order No. PSC-02-1111-PAA-WS, issued August 13, 2002, in Docket No. 010823-WS, In re: Application for staff-assisted rate case in Seminole County by CWS Communities LP d/b/a Palm Valley.

U&U plant of \$66,331 for the water system and \$223,422 for the wastewater system. The non-U&U accumulated depreciation is \$37,800 for the water plant and \$144,454 for the wastewater plant. This results in net non-U&U reductions of \$28,531 (\$66,331-\$37,800) for the water plant and \$78,968 (\$223,422-\$144,454) for the wastewater plant.

Contribution in Aid of Construction (CIAC): The Utility recorded CIAC of \$335,999 and \$543,472 for water and wastewater, respectively. Based on CIAC approved in the last rate case, we determined the appropriate CIAC to be \$352,139 for water and \$562,161 for wastewater. As such, we have increased this account by \$16,140 and \$18,689 for water and wastewater, respectively. Also, we have decreased CIAC by \$1,195 and \$974 for water and wastewater, respectively, to reflect averaging adjustments. Accordingly, CIAC balances are \$350,944 and \$561,187 for water and wastewater, respectively.

Accumulated Depreciation: Palm Valley recorded accumulated depreciation balances of \$682,897 for water and \$1,087,070 for wastewater. We calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, we decreased this account by \$306,782 for water and increased it by \$340,592 for wastewater to reflect the depreciation we calculated. We decreased these balances by \$21,574 and \$67,457 for water and wastewater, respectively, to reflect averaging adjustments. In addition, we increased wastewater accumulated depreciation \$1,799 to reflect pro forma accumulated depreciation. These adjustments result in average accumulated depreciation of \$354,541 for water and \$1,362,004 for wastewater.

Accumulated Amortization of CIAC: The Utility recorded \$99,426 and \$284,063 for amortization of CIAC for water and wastewater, respectively. We have recalculated amortization of CIAC using composite depreciation rates. In order to reflect amortization of CIAC, this account has been increased by \$21,413 for water and \$39,524 for wastewater. We decreased this account by \$6,324 and \$12,430 for water and wastewater, respectively, to reflect averaging adjustments. Our adjustments to this account results in net accumulated amortization of CIAC of \$114,515 for water and \$311,157 for wastewater.

Working Capital Allowance: Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating working capital allowance. Applying this formula, we calculated a working capital allowance of \$10,102 for water (based on water O&M of \$80,815) and \$27,764 for wastewater (based on wastewater O&M of \$222,116). Working capital has been increased by \$10,102 and \$27,764 to reflect one-eighth of O&M expenses for water and wastewater, respectively.

Rate Base Summary: Based on the forgoing, we find that the appropriate test year average rate base is \$622,184 for water and \$1,466,407 for wastewater. The water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. Our adjustments are shown on Schedule No. 1-C.

Return on Equity and Rate of Return

According to our staff's audit, Palm Valley recorded common equity of \$1,270,790,310 and long-term debt in the amount of \$1,819,297,660 in its capital structure. All investor sources of capital are from the Utility's parent company. Using the Commission-approved leverage formula currently in effect⁶ and an equity ratio of 41.12 percent, the appropriate ROE is 10.76 percent. Palm Valley's capital structure has been reconciled with our approved rate base. We find that an ROE of 10.76 percent with a range of 9.76 - 11.76 percent, and an overall rate of return of 7.65 percent is appropriate. The ROE and overall rate of return are shown on Schedule No. 2.

Test Year Revenue

Palm Valley recorded \$170,079 for water test year revenues. The customers' bills include a line item for a Seminole County water tax (water tax). Pursuant to Audit Finding No. 4, the Utility included in its revenues the amount of \$6,431 collected for the water tax. This amount shall not be considered in revenues for rate setting purposes. Therefore, we decreased test year revenues by \$6,431. Also, we increased water test year revenues by \$1,581 to reflect revenues calculated using test year billing determinants.

Palm Valley recorded \$230,259 for wastewater test year revenues. The Utility capped the usage of general services customers at 6,000 gallons. The gallonage cap is only applicable to residential customers. We recalculated wastewater revenues including all general service gallons and determined the appropriate test year revenues to be \$234,130. We increased wastewater revenues by \$3,871.

Based on the above, test year revenues are \$165,229 and \$234,130 for water and wastewater, respectively.

Operating Expenses

Palm Valley recorded operating expenses of \$151,621 for water and \$359,974 for wastewater during the test year ended September 30, 2009. The test year O&M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. We made several adjustments to the Utility's operating expenses, as summarized below:

Salaries and Wages - Employees – (601/701) – Palm Valley recorded salaries and wages expense of \$19,118 each for water and wastewater. The Utility provided a list of duties for the maintenance employee. The duties included meter reading. The Utility has a contract meter reader. We categorized the duties and responsibilities of the maintenance employee into eight

⁶ See Order No. PSC-10-0401-PAA-WS, issued June 18, 2010, in Docket No. 100006-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.

categories. Since the meter reading duty is duplicative, the maintenance employee salary is reduced by one-eighth. This results in a decrease of \$1,441 to both water and wastewater salary expense. Accordingly, salaries and wages – employees expenses are \$17,677 for both water and wastewater.

Sludge Removal – (711) – Palm Valley recorded sludge removal expense of \$41,236 for wastewater. The Utility’s rate per gallon for sludge removal has decreased since the test year. We recalculated sludge removal expense using the decreased rate of \$.09 per gallon. This calculation results in sludge removal expense of \$24,930. Therefore, we decreased sludge removal expense by \$16,306. Accordingly, sludge removal expense is \$24,930.

Purchased Power – (615/715) – Palm Valley recorded purchased power expense of \$20,363 for water and \$20,363 for wastewater. The Utility allocated both water and wastewater 50 percent of the purchased power expense. The purchased power expense consists of purchased power bills related to the wastewater lift stations. These bills shall not be allocated to the water system. Therefore, we decreased the amount for water by \$2,122 and increased the amount for wastewater by \$7,016 to reflect the appropriate allocation of purchased power expense. As discussed above, our staff engineer recommended a 3 percent adjustment for excessive UFW and a 19 percent adjustment for excessive I&I. Accordingly, we decreased purchased power for water by \$547 and by \$5,202 for wastewater. Purchased power expenses are \$17,694 for water and \$22,177 for wastewater.

Fuel for Power Production – (616/716) – Palm Valley recorded fuel expense of \$1,048 for both water and wastewater. In order to calculate the appropriate amount of fuel for power production, we used the Utility’s four-year average. Based on this calculation, fuel for power production shall be \$1,455 for both water and wastewater. Accordingly, we increased this account by \$407 for both water and wastewater. Fuel for power production expenses are \$1,455 for both water and wastewater.

Chemicals – (618/718) – Palm Valley recorded chemical expense of \$5,544 for water and \$28,339 for wastewater. Pursuant to Audit Finding No. 6, we decreased chemicals expense by \$150 for water and \$591 for wastewater to remove out-of-period expenses. In addition, we decreased this expense by \$162 for water and by \$5,272 for wastewater to adjust for excessive UFW and excessive I&I, as discussed above. Accordingly, chemical expenses are \$5,232 for water and \$22,476 for wastewater.

Materials and Supplies – (620/720) – The Utility recorded material and supplies expense of \$1,004 for water and \$1,004 for wastewater. Pursuant to Audit Finding No. 6, Palm Valley’s invoiced materials and supplies expenses were \$1,839 for water and \$9,063 for wastewater. However, we determined that \$2,546 of material and supplies expense shall be reclassified to wastewater UPIS. As such, we increased this account by \$835 and \$5,514 (\$9,063-\$1,004-\$2,545) for water and wastewater, respectively. Accordingly material and supplies expenses are \$1,839 for water and \$6,517 for wastewater.

Contractual Services – Billing – (630/730) – Palm Valley recorded \$3,917 each for water and wastewater. Pursuant to Audit Finding No. 6, the Utility included an out-of-period invoice.

As such, we reduced water and wastewater each by \$864. Accordingly, contractual services – billing expenses are \$3,053 for water and \$3,053 for wastewater.

Contractual Services – Professional – (631/731) – Palm Valley recorded \$270 for water and \$302 for wastewater. These amounts were for non-recurring engineering services. As such, we decreased this account by \$162 for water and \$242 for wastewater to amortize the non-recurring engineering services. However, pursuant to Audit Finding No. 6, we increased the balances in these accounts by \$797 each for water and wastewater to record an invoice for professional services. Accordingly, contractual services – professional are \$905 for water and \$857 for wastewater.

Contractual Services – Testing – (635/735) – The Utility recorded \$5,773 for water and \$2,560 for wastewater. Pursuant to Audit Finding No. 6, we decreased testing expense for water by \$980 to remove an out-of-period expense. We decreased water testing expense by \$1,533 to amortize a test that occurs every three years. Also, we decreased wastewater testing expense by \$843 to amortize a test that occurs every five years. Accordingly, contractual services – testing expenses are \$3,260 for water and \$1,717 for wastewater.

Contractual Services – Other – (636/736) – Palm Valley recorded \$19,143 for water and \$110,973 for wastewater. Pursuant to Audit Finding No. 6, we decreased this account by \$75 for water to remove an out-of-period expense. We increased this account by \$2,200 to reflect the appropriate operator fee for wastewater. Accordingly, contractual services – other expenses are \$19,068 for water and \$113,173 for wastewater.

Regulatory Commission Expense – (665/765) – The Utility recorded no regulatory commission expense for water or wastewater. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Palm Valley is required by Rule 25-22.0407, F.A.C., to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, we estimated \$555 for printing expense. The Utility paid a \$2,000 rate case filing fee. Accordingly, total rate case expense is \$2,555 (\$2,000+\$555), which amortized over four years is \$639, allocating \$320 each for water and wastewater.

Miscellaneous Expense – (675/775) – Palm Valley recorded miscellaneous expense of \$22,322 for water and \$23,339 for wastewater in this account. Pursuant to Audit Finding No. 6, we made the following adjustments: decrease of \$1,607 for water and \$246 for wastewater to remove out-of-period expenses; decrease of \$14,252 for water to remove regulatory assessment fees (RAFs) and water tax; decrease of \$10,869 for wastewater RAFs; and decrease of \$8,309 to remove expenses already included in another account. Our net adjustment to this account is a decrease of \$15,859 for water and \$19,424 for wastewater. Accordingly, miscellaneous expenses for the test year are \$6,463 for water and \$3,915 for wastewater.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M expense shall be decreased by \$21,537 for water and \$33,932 for wastewater. O&M expenses are \$80,815 for water and \$222,116 for wastewater and are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Amortization of CIAC) – Palm Valley recorded total depreciation expense of \$57,894 for water and \$90,890 for wastewater. We calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Based on this calculation, depreciation expenses are \$44,942 and \$134,247 for water and wastewater, respectively. We decreased depreciation expense for water by \$12,952 (\$57,894-\$44,942) and increased wastewater by \$43,377 (\$134,267-\$90,890). We further decreased this expense by \$3,573 for water and by \$11,384 for wastewater to reflect non-U&U depreciation. We calculated amortization of CIAC of \$12,907 for water and \$24,775 for wastewater based on composite rates. The Utility recorded amortization of CIAC of \$10,465 for water and \$16,963 for wastewater. We increased CIAC amortization by \$2,442 (\$12,907-\$10,465) for water and by \$7,812 (\$24,775-\$16,963) for wastewater. Accordingly, the net depreciation expense is \$28,462 (\$57,894-\$10,465-\$12,952-\$3,573-\$2,442) for water and \$98,108 (\$90,890-\$16,963+\$43,377-\$11,384-\$7,812) for wastewater.

Taxes Other Than Income (TOTI) – Palm Valley recorded TOTI of \$1,841 for water and \$29,999 for wastewater. The amounts for TOTI included payroll taxes of \$1,539 for both water and wastewater. We calculated payroll taxes on salaries and determined it to be \$1,339 for both water and wastewater. As a result, we decreased TOTI by \$187 for both water and wastewater to reflect the appropriate payroll taxes.

As discussed above, we approved test year revenues of \$165,229 and \$234,130 for water and wastewater, respectively. Based on the approved test year revenues, the Utility's RAFs shall be \$7,435 for water and \$10,536 for wastewater and we increased this account accordingly.

This account also includes tangible ad valorem taxes (ad valorem) of \$302 for water and \$28,460 for wastewater. The actual ad valorem tax is \$29,985. We allocated the ad valorem taxes based on the approved UPIS balance for each system. This results in an allocation of 28.84 percent and 71.16 percent to water and wastewater, respectively. The water ad valorem tax is \$8,647 (\$29,985x28.84 percent). We increased this account by \$8,345 (\$8,647-\$302) to reflect the appropriate water ad valorem tax. The wastewater ad valorem tax is \$21,338 (\$29,985x71.16 percent). We decreased this account by \$7,122 (\$28,460-\$21,338) to reflect the appropriate wastewater ad valorem tax. As discussed above, the WTP is 78 percent U&U and the WWTP is 81 percent U&U. As a result, we decreased this account by \$731 for water and \$758 for wastewater to remove the non-U&U portion of ad valorem taxes.

CWS Communities LP owns the land that contains the water and wastewater facilities as well as Palm Valley Mobile Home Park. The property tax for this land is \$330,122. We did not include any allowance for property taxes for the Utility because it is included in the customers' rent and is considered non-utility.

As discussed above, revenues have been increased by \$8,741 for water and \$241,615 for wastewater to reflect the change in revenue required to cover expenses and allow the recommended return on investment. As a result, TOTI shall be increased by \$393 for water and \$10,873 for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Our net adjustment to TOTI is an increase of \$15,255 (\$14,862+\$393) for water and \$13,342

(\$2,469+\$10,873) for wastewater. Accordingly, TOTI for the test year is \$17,095 for water and \$43,341 for wastewater.

Income Tax – Palm Valley recorded no income tax expense for either water or wastewater. The Utility is a limited partnership. The tax liability is passed on to the owner’s personal tax returns. Therefore, we did not make an adjustment to this account.

Operating Expenses Summary – The application of our adjustments to the audited test year operating expenses results in calculated operating expenses of \$126,373 for water and \$363,565 for wastewater. Operating expenses for water and wastewater are shown on Schedule Nos. 3-A and 3-B, respectively. The related adjustments are shown on Schedule Nos. 3-C, 3-D, and 3-E.

Revenue Requirements

The Utility shall be allowed an annual increase of \$8,741 (5.29 percent) for water and \$241,615 (103.20 percent) for wastewater. This will allow Palm Valley the opportunity to recover its expenses and earn a 7.65 percent return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$622,184	\$1,466,408
Rate of Return	x .0765	x .0765
Return on Rate Base	\$47,597	\$112,180
Adjusted O & M expense	80,815	222,116
Depreciation expense (Net)	28,462	98,108
Amortization	0	0
Taxes Other Than Income	17,096	43,341
Income Taxes	<u>0</u>	<u>0</u>
Revenue Requirement	\$173,970	\$475,745
Less Test Year Revenues	<u>165,229</u>	<u>234,130</u>
Annual Increase	<u>\$8,741</u>	<u>\$241,615</u>
Percent Increase/(Decrease)	<u>5.29%</u>	<u>103.20%</u>

As discussed below, we will continue the Utility's current reuse rate. The reuse rate produces revenues of \$13,902. Therefore, a more representative wastewater revenue requirement increase is as follows:

Revenue Requirement before Reuse	\$475,745
Adjustment for Reuse Revenues	<u>(13,902)</u>
Revenue Requirement for Rate setting	\$461,843
Less Test Year Revenues	<u>234,130</u>
Annual Increase After Revenue Allocation	<u>\$227,713</u>
Percent Increase/(Decrease)	<u>97.26%</u>

Rate Structure

The Utility currently has a BFC uniform/gallongage charge rate structure for the water system's residential and non-residential class. The monthly BFC is \$9.98 and the usage charge is \$2.40 per kgals.

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

Palm Valley is located in the SJRWMD. Over the past few years, the District has requested whenever possible that an inclining block rate structure be implemented. We evaluated the Utility's customer billing data to determine if an inclining block rate structure was appropriate. Based on our analysis, the customer's monthly overall consumption is 2.952 kgals and the customer base is mildly seasonal. We do not believe that an inclining block rate structure is appropriate at this time due to the low levels of consumption. Therefore, we continue the BFC/uniform gallongage charge rate structure. This rate structure is considered a conservation-oriented rate structure because customers' bills increase as their consumption increases.

Furthermore, as discussed above, the percentage increase in revenue requirement is small. Therefore, we find that the 5.29 percent revenue requirement increase shall be applied as an across-the-board increase to the water system's BFC and gallongage charges. This results in the

BFC cost recovery percentage remaining at 56 percent, and BFC and gallonage charge of \$10.51 and \$2.53, respectively.

Based on the foregoing, we find that the appropriate rate structure for the water system's residential and non-residential class is a continuation of the monthly base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system shall be set at 56 percent.

Reuse Rates: The Utility's current rate structure consists of a consumption-based charge, at \$1.21 per kgal with no BFC. In the Utility's last rate case, Order No. PSC-02-1111-PAA-WS, we approved this rate structure without a BFC to encourage adoption of reuse as a substitute for potable water for irrigation purposes.

Approximately one third of the Utility's residential water customers are served by the reuse system. We are concerned that if a BFC/uniform gallonage charge rate structure is implemented for the reuse system, some of these customers may elect to discontinue their reuse accounts to avoid paying the BFC charge. According to the reuse customer's billing data, the average reuse customer uses 3.5 kgal per month for irrigation. In order not to discourage the adoption of reuse, we find that it is important to set reuse rates so that the cost of using 3.5 kgal of reuse is less than the incremental cost of using 3.5 kgal more of potable water. Therefore, we find that the current reuse rate structure and reuse rates shall remain unchanged. Furthermore, we shall apply the reuse revenue to reduce the wastewater revenue requirement.

Wastewater Rates: The Utility's current rate structure consists of a BFC/gallonage rate structure for the wastewater system's residential and non-residential class. The monthly BFC is \$11.96. The monthly gallonage charge for residential service is \$4.24, capped at 6 kgal of usage, while the general service gallonage charge rate is 1.2 times greater than the residential charge, at \$5.08 per kgal, with no usage cap.

Our initial allocation for the wastewater BFC cost recovery for the residential class is 52.18 percent. We typically set the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants. However, we reduce our initial allocation for the wastewater BFC cost recovery to 50 percent. Our BFC allocation results in a slightly lower BFC. As discussed above, the percentage increase in revenue requirement for the wastewater system is relatively high. Therefore, the rates will be significantly higher than the current rates. However, we find that the BFC allocation of 50 percent produces rates that are reasonable under the circumstances. Therefore, we find that setting the BFC cost recovery at 50 percent is appropriate.

Furthermore, a review of the billing data indicates that setting the residential monthly wastewater cap at 6 kgal is appropriate. Therefore, the Utility's current residential monthly wastewater cap of 6 kgal shall remain unchanged. Also, the general service gallonage charge shall be set at 1.2 times greater than the residential charge.

Our rate design for the wastewater system is shown on Table 8-1 on the following page. We considered alternative rate structures that use other recovery methodologies but approve the rate structure in the table below as the alternatives resulted in price increases at all levels of consumption.

Approved Rate Structure and Rates	
BFC/uniform kgals charge BFC = 50%	
BFC	\$24.13
All kgals	\$9.25
Typical Monthly Bills	
Cons (kgals)	
0	\$24.13
1	\$33.38
2	\$42.63
3	\$51.88
5	\$70.38
6	\$79.63

Based on the foregoing, we find that the appropriate rate structure for the wastewater system’s residential and non-residential is a continuation of the monthly BFC/uniform gallonage charge rate structure. The wastewater gallonage cap shall remain set at 6 kgals per month. The general service gallonage charge is 1.2 times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system shall be set at 50 percent.

Repression Adjustment

Based on our analysis, a repression adjustment is not warranted in this case due to the small revenue requirement coupled with the fact that there is no significant amount of discretionary usage. The overall average consumption is 2.952 kgals and the customer base is mildly seasonal. However, we direct that monthly reports be prepared to monitor the effects from changes in revenue to the water system. These reports shall be filed with us, 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 shall file a revised monthly report for that month within 30 days of any revision.

Appropriate Rates

Excluding miscellaneous service revenues, the rates are designed to produce revenue of \$173,970 for the water system and \$461,843 for the wastewater system.

We approve a continuation of the monthly base facility charge (BFC)/uniform gallonage charge rate structure for the water system's residential and non-residential class. The water system's BFC cost recovery shall be set at 56 percent. The appropriate rate structure for the wastewater system's residential and non-residential class is a monthly BFC/uniform gallonage. The non-residential gallonage charge shall be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system shall be set at 50 percent. The residential wastewater cap shall remain set at 6 kgals. Also, the current reuse rate structure and rates remain unchanged.

The approved rates shall 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 shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

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

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

Rate Case Expense

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 on working capital, and the gross-up for RAFs which is \$323 annually for both water and wastewater. Using Palm Valley's current revenues, expenses, capital structure, and customer base, the reduction in revenues will result in the rate decreases as shown on Schedule Nos. 4-A and 4-B.

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

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

Rates Subject to Refund if Protested

This Order provides for an increase in water and wastewater 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 Palm Valley, we approve these rates as temporary rates. These temporary rates collected by the Utility shall be subject to the refund provisions discussed below.

Palm Valley shall be authorized to collect the temporary rates upon our staff's approval of the appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$167,294. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

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

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

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

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

If security is provided through an escrow agreement, the following conditions shall 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;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 9) The account must specify by whom and on whose behalf such monies were paid.

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

Palm Valley shall maintain a record of the amount of the bond and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund.

Proof of Adjustment to Books

To ensure that the Utility adjusts its books in accordance with our decision, Palm Valley shall provide proof within 90 days of the final order issued in this docket that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for increased water and wastewater rates of CWS Communities LP d/b/a Palm Valley Utilities. is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that the schedules and attachments to this Order are incorporated by reference herein. It is further

ORDERED that CWS Communities LP d/b/a Palm Valley Utilities shall file revised water and wastewater tariff sheets and a proposed customer notice to reflect the approved water and wastewater rates shown on Schedule 4. It is further

ORDERED that the tariffs shall be approved upon our staff's verification that the tariffs are consistent with our decision herein. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that the approved water and wastewater rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as set forth in the body of this Order. It is further

ORDERED that CWS Communities LP d/b/a Palm Valley Utilities shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that the water and wastewater rates shall be reduced as shown on Schedule No. 4 to remove rate case expense, grossed-up for regulatory assessment fees, which rate case expense is being amortized over a four-year period. It is further

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

ORDERED that if the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that pursuant to Section 367.0814(7), F.S., the rates approved herein shall be approved for the Utility on a temporary basis, subject to the refund provisions set forth in the body of this Order, in the event of a protest filed by a party other than the Utility. It is further

ORDERED that prior to implementation of any temporary rates, the Utility shall provide appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$167,294. Alternatively, the Utility may establish an escrow agreement with an independent financial institution. It is further

ORDERED that irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C. It is further

ORDERED that CWS Communities LP d/b/a Palm Valley Utilities shall maintain a record of the amount of the bond and the amount of revenues that are subject to refund. It is further

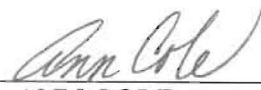
ORDERED that after any temporary rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED the provisions of this Order, except for the granting of temporary rates in the event of protest and the reduction for rate case expense and the proof of adjustment of books, are issued as proposed agency action, and shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings." It is further

ORDERED that if no person whose substantial interests are affected by the Proposed Agency Action issues files a protest within twenty-one days of the issuance of the Order, a Consummating Order will be issued. It is further

ORDERED, in the event no protest is filed, this docket shall remain open until our staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, our staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided our 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 shall be closed administratively.

By ORDER of the Florida Public Service Commission this 4th day of October, 2010.



ANN COLE
Commission Clerk

(S E A L)

LCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions, except for the granting of temporary rates in the event of protest and the reduction for rate case expense and the proof of adjustment of books, are preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 25, 2010. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request:
(1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed

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by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

CWS COMMUNITES LP D/B/A PALM VALLEY		SCHEDULE NO. 1-A	
TEST YEAR ENDED 09/30/2009		DOCKET NO. 090447-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$1,264,170	(\$35,020)	\$1,229,150
2. LAND & LAND RIGHTS	2,433	0	2,433
3. NON-USED AND USEFUL COMPONENTS	0	(28,531)	(28,531)
4. CIAC	(335,999)	(14,945)	(350,944)
5. ACCUMULATED DEPRECIATION	(682,897)	328,356	(354,541)
6. AMORTIZATION OF CIAC	99,426	15,089	114,515
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>10,102</u>	<u>10,102</u>
8. WATER RATE BASE	<u>\$347,133</u>	<u>\$275,051</u>	<u>\$622,184</u>

CWS COMMUNITES LP D/B/A PALM VALLEY		SCHEDULE NO. 1-B	
TEST YEAR ENDED 09/30/2009		DOCKET NO. 090447-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$2,810,092	\$223,144	\$3,033,236
2. LAND & LAND RIGHTS	96,409	0	96,409
3. NON-USED AND USEFUL COMPONENTS	0	(78,968)	(78,968)
4. CIAC	(543,472)	(17,715)	(561,187)
5. ACCUMULATED DEPRECIATION	(1,087,070)	(274,934)	(1,362,004)
6. AMORTIZATION OF CIAC	284,063	27,094	311,157
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>27,764</u>	<u>27,764</u>
8. WASTEWATER RATE BASE	<u>\$1,560,022</u>	<u>(\$93,615)</u>	<u>\$1,466,407</u>

CWS COMMUNITES LP D/B/A PALM VALLEY		SCHEDULE NO. 1-C	
TEST YEAR ENDED 09/30/2009		DOCKET NO. 090447-WS	
ADJUSTMENTS TO RATE BASE			
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect the appropriate UPIS balance.	(\$12,835)	\$243,358	
2. To reclassify plant from materials and supplies	0	\$2,546	
3. To reflect averaging adjustments.	(22,185)	(31,755)	
4. To reflect pro forma plant addition for mag meters.	<u>0</u>	<u>8,995</u>	
Total	<u>(\$35,020)</u>	<u>\$223,144</u>	
<u>NON-USED AND USEFUL PLANT</u>			
1. To reflect non-U&U plant.	(\$66,331)	(\$223,422)	
2. To reflect non-U&U accumulated depreciation.	<u>37,800</u>	<u>144,454</u>	
Total	<u>(\$28,531)</u>	<u>(\$78,968)</u>	
<u>CIAC</u>			
1. To reflect the appropriate CIAC balance.	(\$16,140)	(\$18,689)	
2. To reflect an averaging adjustments.	<u>1,195</u>	<u>974</u>	
	<u>(\$14,945)</u>	<u>(\$17,715)</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect accumulated depreciation per Rule 25-30.140 F.A.C.	\$306,782	(\$340,592)	
2. To reflect an averaging adjustments.	21,574	67,457	
3. To reflect accumulated depreciation for pro forma plant.	<u>0</u>	<u>(1,799)</u>	
Total	<u>\$328,356</u>	<u>(\$274,934)</u>	
<u>AMORTIZATION OF CIAC</u>			
1. To reflect the appropriate amount of CIAC.	\$21,413	\$39,524	
2. To reflect an averaging adjustments.	<u>(6,324)</u>	<u>(12,430)</u>	
Total	<u>\$15,089</u>	<u>\$27,094</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O & M expenses.	<u>\$10,102</u>	<u>\$27,764</u>	

CWS COMMUNITES LP D/B/A PALM VALLEY TEST YEAR ENDED 09/30/2009 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 090447-WS	
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
1. TOTAL COMMON EQUITY	\$1,270,790,310	\$0	\$1,270,790,310	(\$1,269,931,382)	\$858,928	41.12%	10.76%	4.42%
2. TOTAL LONG-TERM DEBT	\$1,819,297,660	\$0	\$1,819,297,660	(\$1,818,067,996)	\$1,229,664	58.88%	5.48%	3.23%
3. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
4. TOTAL	<u>\$3,090,087,970</u>	<u>\$0</u>	<u>\$3,090,087,970</u>	<u>(\$3,087,999,379)</u>	<u>\$2,088,591</u>	<u>100.00%</u>		<u>7.65%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>9.76%</u>	<u>11.76%</u>	
OVERALL RATE OF RETURN						<u>7.24%</u>	<u>8.06%</u>	

CWS COMMUNITES LP D/B/A PALM VALLEY			SCHEDULE NO. 3-A		
TEST YEAR ENDED 09/30/2009			DOCKET NO. 090447-WS		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$170,079</u>	<u>(\$4,850)</u>	<u>\$165,229</u>	<u>\$8,741</u> 5.29%	<u>\$173,970</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$102,351	(\$21,536)	\$80,815	\$0	\$80,815
3. DEPRECIATION (NET)	47,429	(18,967)	28,462	0	28,462
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	1,841	14,862	16,703	393	17,096
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$151,621</u>	<u>(\$25,641)</u>	<u>\$125,980</u>	<u>\$393</u>	<u>\$126,373</u>
8. OPERATING INCOME/(LOSS)	<u>\$18,458</u>		<u>\$39,249</u>		<u>\$47,597</u>
9. WATER RATE BASE	<u>\$347,133</u>		<u>\$622,184</u>		<u>\$622,184</u>
10. RATE OF RETURN	<u>5.32%</u>		<u>6.31%</u>		<u>7.65%</u>

CWS COMMUNITES LP D/B/A PALM VALLEY			SCHEDULE NO. 3-B		
TEST YEAR ENDED 09/30/2009			DOCKET NO. 090447-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$230,259</u>	<u>\$3,871</u>	<u>\$234,130</u>	<u>\$241,615</u> 103.20%	<u>\$475,745</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$256,048	(\$33,932)	\$222,116	\$0	\$222,116
3. DEPRECIATION (NET)	73,927	24,181	98,108	0	98,108
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	29,999	2,469	32,468	10,873	43,341
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0
7. TOTAL OPERATING EXPENSES	<u>\$359,974</u>	<u>(\$7,282)</u>	<u>\$352,692</u>	<u>\$10,873</u>	<u>\$363,565</u>
8. OPERATING INCOME/(LOSS)	<u>(\$129,715)</u>		<u>(\$118,562)</u>		<u>\$112,180</u>
9. WASTEWATER RATE BASE	<u>\$1,560,022</u>		<u>\$1,466,408</u>		<u>\$1,466,407</u>
10. RATE OF RETURN	<u>-8.31%</u>		<u>-8.09%</u>		<u>7.65%</u>

CWS COMMUNITES LP D/B/A PALM VALLEY		SCHEDULE NO. 3-C	
TEST YEAR ENDED 09/30/2009		DOCKET NO. 090447-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 2	
	<u>WATER</u>	<u>WASTEWATER</u>	
OPERATING REVENUES			
1. To reflect test year revenues per audit (AF 4)	(\$6,431)	\$3,871	
2. To reflect test year per billing determinants	<u>1,581</u>	<u>0</u>	
Subtotal	<u>(\$4,850)</u>	<u>\$3,871</u>	
OPERATION AND MAINTENANCE EXPENSES			
1. Salaries and Wages - Employees (601,701)			
a. To adjust salary for duplicate meter reading duties.	<u>(\$1,441)</u>	<u>(\$1,441)</u>	
2. Sludge Removal (711)			
a. To reflect the appropriate sludge removal expense	<u>\$0</u>	<u>(\$16,306)</u>	
3. Purchased Power (615,715)			
a. To reflect the appropriate purchased power expense.	(\$2,122)	\$7,016	
b. To reflect unaccounted for adjustment.	<u>(547)</u>	<u>(5,202)</u>	
Subtotal	<u>(\$2,669)</u>	<u>\$1,814</u>	
4. Fuel for Power Production (616,716)			
a. To reflect the appropriate fuel for power production	<u>\$407</u>	<u>\$407</u>	
5. Chemicals (618, 718)			
a. To reflect the appropriate chemical expense per AF 6.	(\$150)	(\$591)	
b. To reflect unaccounted for adjustment.	<u>(162)</u>	<u>(5,272)</u>	
Subtotal	<u>(\$312)</u>	<u>(\$5,863)</u>	
6. Materials and Supplies (620,720)			
a. To reflect the appropriate material and supplies expense per AF 6.	\$835	\$8,059	
b. To capitalize plant additions	<u>0</u>	<u>(2,546)</u>	
Subtotal	<u>\$835</u>	<u>\$5,513</u>	
7. Contractual Services - Billing (630, 730)			
a. To reflect the appropriate billing cost per AF 6.	<u>(\$864)</u>	<u>(\$864)</u>	
(O & M EXPENSES CONTINUED ON NEXT PAGE)			

CWS COMMUNITES LP D/B/A PALM VALLEY
TEST YEAR ENDED 09/30/2009
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 090447-WS
PAGE 2 OF 2

(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>
8. Contractual Services - Professional (631, 731)		
a. To amortize non recurring engineering expense.	(\$162)	(\$242)
b. To record an invoice for professional services AF 6.	<u>797</u>	<u>797</u>
Subtotal	<u>\$635</u>	<u>\$555</u>
9. Contractual Services - Testing (635, 735)		
a. To reflect the appropriate test expense per AF 6.	(\$980)	\$0
b. To amortize 5-year testing expense.	0	(843)
c. To amortize 3-year testing expense	<u>(1,533)</u>	<u>0</u>
Subtotal	<u>(\$2,513)</u>	<u>(\$843)</u>
10. Contractual Services - Other (636,736)		
a. To reflect the appropriate operator expense per AF 6.	<u>(\$75)</u>	<u>\$2,200</u>
11. Regulatory Commission Expense (665)		
a. To reflect the 4-year amortization of rate case expense.	<u>\$320</u>	<u>\$320</u>
12. Miscellaneous Expense (675,775)		
a. To reflect miscellaneous expense per AF 6.	<u>(\$15,859)</u>	<u>(\$19,424)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	(\$21,536)	(\$33,932)
1 DEPRECIATION EXPENSE		
a. To reflect the depreciation expense.	(\$12,952)	\$43,377
b. To reflect non-U&U test year depreciation.	(3,573)	(11,384)
c. To reflect CIAC Amortization.	<u>(2,442)</u>	<u>(7,812)</u>
Subtotal	<u>(\$18,967)</u>	<u>\$24,181</u>
2 TAXES OTHER THAN INCOME		
a. To reflect payroll taxes on salaries.	(\$187)	(\$187)
b. To reflect appropriate RAFs.	7,435	10,536
c. To reflect the appropriate tangible property taxes.	8,345	(7,122)
d. To reflect used and useful adjustment for tangible property taxes.	<u>(731)</u>	<u>(758)</u>
	<u>\$14,862</u>	<u>\$2,469</u>

CWS COMMUNITES LP D/B/A PALM VALLEY		SCHEDULE NO. 3-D	
TEST YEAR ENDED 09/30/2009		DOCKET NO. 090447-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER PER UTILITY	COMM. PER ADJUST.	TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	\$19,118	(\$1,441)	\$17,677
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	2,949	0	2,949
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	20,363	(2,669)	17,694
(616) FUEL FOR POWER PRODUCTION	1,048	407	1,455
(618) CHEMICALS	5,544	(312)	5,232
(620) MATERIALS AND SUPPLIES	1,004	835	1,839
(630) CONTRACTUAL SERVICES - BILLING	3,917	(864)	3,053
(631) CONTRACTUAL SERVICES - PROFESSIONAL	270	635	905
(635) CONTRACTUAL SERVICES - TESTING	5,773	(2,513)	3,260
(636) CONTRACTUAL SERVICES - OTHER	19,143	(75)	19,068
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	900	0	900
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	320	320
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>22,322</u>	<u>(15,859)</u>	<u>6,463</u>
	<u>\$102,351</u>	<u>(\$21,536)</u>	<u>\$80,815</u>

CWS COMMUNITES LP D/B/A PALM VALLEY

SCHEDULE NO. 3-E

TEST YEAR ENDED 09/30/2009

DOCKET NO. 090447-WS

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	COMM ADJUST- MENT	TOTAL PER COMM
(701) SALARIES AND WAGES - EMPLOYEES	\$19,118	(1,441)	\$17,677
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	2,949	0	2,949
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	41,236	(16,306)	24,930
(715) PURCHASED POWER	20,363	1,814	22,177
(716) FUEL FOR POWER PRODUCTION	1,048	407	1,455
(718) CHEMICALS	28,339	(5,863)	22,476
(720) MATERIALS AND SUPPLIES	1,004	5,513	6,517
(730) CONTRACTUAL SERVICES - BILLING	3,917	(864)	3,053
(731) CONTRACTUAL SERVICES - PROFESSIONAL	302	555	857
(735) CONTRACTUAL SERVICES - TESTING	2,560	(843)	1,717
(736) CONTRACTUAL SERVICES - OTHER	110,973	2,200	113,173
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	900	0	900
(755) INSURANCE EXPENSE	0	0	0
(765) REGULATORY COMMISSION EXPENSES	0	320	320
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	<u>23,339</u>	<u>(19,424)</u>	<u>3,915</u>
	<u>\$256,048</u>	<u>(\$33,932)</u>	<u>\$222,116</u>

CWS COMMUNITES LP D/B/A PALM VALLEY
TEST YEAR ENDED 09/30/2009
MONTHLY WATER RATES

SCHEDULE NO. 4-A
DOCKET NO. 090447-WS

	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	MONTHLY RATE REDUCTION
Residential and General Service			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$9.98	\$10.51	\$0.02
3/4"	\$14.98	\$15.77	\$0.03
1"	\$24.96	\$26.28	\$0.05
1-1/2"	\$49.91	\$52.55	\$0.10
2"	\$79.86	\$84.08	\$0.16
3"	\$159.72	\$168.16	\$0.33
4"	\$249.56	\$262.75	\$0.51
6"	\$499.11	\$525.50	\$1.02
<u>Residential and General Service Gallonage Charge</u>			
Per 1,000 Gallons	\$2.40	\$2.53	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$17.18	\$18.10	
5,000 Gallons	\$21.98	\$23.16	
10,000 Gallons	\$33.98	\$35.81	

CWS COMMUNITES LP D/B/A PALM VALLEY		SCHEDULE NO. 4-B	
TEST YEAR ENDED 09/30/2009		DOCKET NO. 090447-WS	
MONTHLY WASTEWATER RATES			
	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	MONTHLY RATE REDUCTION
<u>Residential Service</u>			
All Meter Sizes	\$11.96	\$24.13	\$0.02
Gallage Charge per 1,000 gallons (6,000 gallon cap)	\$4.24	\$9.25	\$0.01
<u>General Service</u>			
Base Facility Charge by Meter Size:			
All Meter Sizes			
5/8"X3/4"	\$11.96	\$24.13	\$0.02
3/4"	\$17.95	\$36.20	\$0.03
1"	\$29.92	\$60.33	\$0.04
1-1/2"	\$59.83	\$120.65	\$0.09
2"	\$95.73	\$193.04	\$0.14
3"	\$191.46	\$386.08	\$0.27
4"	\$299.15	\$603.25	\$0.43
6"	\$598.31	\$1,206.50	\$0.86
Gallage Charge per 1,000 gallons	\$5.08	\$11.10	\$0.01
<u>Reuse Service</u>			
Gallage Charge per 1,000 gallons	\$1.21	\$1.21	\$0.00
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$24.68	\$51.88	
5,000 Gallons	\$33.16	\$70.38	
10,000 Gallons	\$37.40	\$79.63	