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STATE OF FLORIDA



GENERAL COUNSEL
S. CURTIS KISER
(850) 413-6199

RECEIVED-FPSC

11 MAR -9 AM 8:36

COMMISSION
CLERK

Public Service Commission

March 8, 2011

Mr. Stan Shirah
Tymber Creek Utilities, Incorporated
1951 W. Granada Boulevard
Ormond Beach, Florida 32174

**Re: Staff-Assisted Rate Case for Tymber Creek Utilities, Incorporated in Volusia County,
Docket No. 100359-WS**

Dear Mr. Shirah:

This will confirm that Commission staff will hold a customer meeting at the Ormond Beach Performing Arts Center on April 6, 2011, starting at 6:00 p.m. We ask that, if at all possible, you or another knowledgeable representative of the Utility attend the meeting in order to answer customer questions. The location of the meeting will be the:

Ormond Beach Performing Arts Center
399 N. U.S. Hwy. 1
Ormond Beach, FL 32174

A draft customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. As required by Rule 25-22.0407(9)(b), Florida Administrative Code (F.A.C.), the utility shall provide, in writing, a customer meeting notice to all customers within its service area no less than 14 days and no more than 30 days prior to the date of a customer meeting.

Given that the Utility previously failed to mail out the customer notices, it is imperative that the Utility comply with the rule stated above. Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers. In addition, please provide a signed affidavit stating the date the customer meeting notice was mailed out. We have enclosed a sample cover letter, and affidavit for you to reference.

DOCUMENT NUMBER - DATE

01518 MAR -9 =

FPSC-COMMISSION CLERK

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Internet E-mail: contact@psc.state.fl.us

Mr. Stan Shirah
Page 2
March 8, 2011

We have also enclosed 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:

Tymber Creek Utilities, Incorporated
1951 W. Granada Boulevard
Ormond Beach, FL 32174

For your convenience, I have also enclosed a copy of Rule 25-22.0407, F.A.C. Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6187. In addition, you may contact Avy Smith at (850) 413-6425, with any questions.

Sincerely,



Martha C. Brown
Senior Attorney

Enclosures

MCB/as

cc: Division of Economic Regulation (Maurey, Bulecza-Banks, Smith, Daniel, Fletcher, Hudson, Simpson)
Office of General Counsel (Teitzman, Harris)
Office of Commission Clerk (Docket No. 100359-WS)
Mr. Robert Dodrill
Mr. Alex Cvercko

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
NOTICE OF CUSTOMER MEETING
TO THE CUSTOMERS OF TYMBER CREEK UTILITIES, INCORPORATED
AND
ALL OTHER INTERESTED PERSONS
DOCKET NO. 100359-WS
APPLICATION OF TYMBER CREEK UTILITIES, INCORPORATED
FOR A STAFF-ASSISTED RATE CASE IN
VOLUSIA COUNTY

Issued:

Notice is hereby given that the staff of the Florida Public Service Commission (Commission) will conduct a customer meeting to discuss the application of Tymber Creek Utilities, Incorporated (Tymber Creek or Utility) for a staff-assisted rate case (SARC) in Volusia County. The meeting will be held at the following time and place:

6:00 p.m., Wednesday, April 6, 2011
Ormond Beach Performing Arts Center
399 N. U.S. Hwy. 1
Ormond Beach, FL 32174

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more of the Commissioners of the Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all the customers have been heard.

If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of the cancellation of the meeting will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Commission's Office of the General Counsel at (850) 413-6199.

Any person requiring some accommodation at the customer meeting(s) because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least five calendar days prior to the meeting(s). Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

DOCUMENT NUMBER-DATE

01518 MAR-9 =

FPSC-COMMISSION CLERK

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to Commission staff regarding the quality of service the Utility provides, the proposed rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Tymber Creek's proposed filing, the preliminary work accomplished, and answer questions to the extent possible. A representative from the Utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. Commission Staff will have sign-up sheets, and customers will be called to speak in the order that they sign up. Staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meeting, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Commission's toll-free facsimile line at 1-800-511-0809.

BACKGROUND

Tymber Creek Utilities, Incorporated (Tymber Creek Utilities or Utility) is a Class C utility serving approximately 449 water customers and 420 wastewater customers in Volusia County. The Utility applied for a staff-assisted rate increase on July 22, 2010. The test year for setting rates is the historical twelve-month period ended June 30, 2010. According to Tymber Creek's 2009 Annual Report, total gross revenue was \$115,459 for water and \$204,267 for wastewater, and operating expenses were \$130,053 for water and \$210,521 for wastewater.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final decision by the Commission. The Utility's current, and staff's preliminary rates and charges, are as follows:

Phase I Rates

General Service Water Rates

Base Facility Charge By Meter Size	Utility's	Staff
	Existing Rates	Preliminary Recommended Rates
5/8" x 3/4"	\$9.75	\$9.34
3/4"	\$14.64	\$14.01
1"	\$24.43	\$23.35
1 - 1/2"	\$48.83	\$46.70
2"	\$78.15	\$74.72
3"	\$156.32	\$149.44
4"	\$244.25	\$233.50
6"	\$488.48	\$467.00
<u>Gallonage Charge</u>		
GS Gallonage Charge (Per 1,000 gallons)	\$2.56	
All gallons		\$3.85

Residential Service Water Rates

Base Facility Charge By Meter Size	Utility's	Staff
	Existing Rates	Preliminary Recommended Rates
5/8" x 3/4"	\$9.75	\$9.34
3/4"	\$14.64	\$14.01
1"	\$24.43	\$23.35
1 - 1/2"	\$48.83	\$46.70
2"	\$78.15	\$74.72
3"	\$156.32	\$149.44
4"	\$244.25	\$233.50
6"	\$488.48	\$467.00
<u>Gallonage Charge</u>		
RS Gallonage Charge (Per 1,000 gallons)	\$2.56	
0 - 6,000 gallons		\$3.54
6,001 - 10,000 gallons		\$4.07
Over 10,000 gallons		\$6.11

General Service Wastewater Rates

Base Facility Charge By Meter Size	Utility's Existing Rates	Staff Preliminary Recommended Rates
5/8" x 3/4"	\$15.89	\$23.84
3/4"	\$23.83	\$35.76
1"	\$39.72	\$59.60
1 - 1/2"	\$79.43	\$119.20
2"	\$127.10	\$190.72
3"	\$254.18	\$381.44
4"	\$397.14	\$596.00
6"	\$794.29	\$1,192.00
<u>Gallonge Charge</u>		
GS Gallonge Charge (Per 1,000 gallons)	\$5.78	\$7.64

Residential Service Wastewater Rates

Base Facility Charge By Meter Size	Utility's Existing Rates	Staff Preliminary Recommended Rates
All meter sizes	\$15.89	\$23.84
<u>Gallonge Charge</u>		
Per 1,000 gallons; maximum 10,000 gallons	\$5.78	
Per 1,000 gallons; maximum 8,000 gallons		\$6.37

Phase II Rates

Phase II rates are based on requested pro forma plant and expenses that the Utility intends to complete. Phase II rates will be implemented once all items are completed. There are no pro forma items for the water system. Therefore, the water rates are unchanged for Phase II. Staff's recommended preliminary Phase II rates for wastewater are as follows:

General Service Wastewater Rates w/Pro Forma

Base Facility Charge By Meter Size	Staff Preliminary Recommended Rates
5/8" x 3/4"	\$ 28.72
3/4"	\$ 43.08
1"	\$ 71.80
1 - 1/2"	\$ 143.60
2"	\$ 229.76
3"	\$ 459.52
4"	\$ 718.00
6"	\$ 1,436.00
<u>Gallonage Charge</u>	
All gallons	\$ 9.26

Residential Service Wastewater Rates w/Pro Forma

Base Facility Charge By Meter Size	Staff Preliminary Recommended Rates
All meter sizes	\$28.72
Per 1,000 gallons; maximum 8,000 gallons	\$7.72

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated March 9, 2011. Copies of the report may be examined by interested members of the public from 9:00 a.m. to 4:00 p.m., Monday through Friday at the following location:

Tymer Creek Utilities, Incorporated
1951 W. Granada Boulevard
Ormond Beach, FL 32174

PROCEDURES AFTER CUSTOMER MEETING

After the customer meeting, Commission staff will prepare a recommendation which is scheduled to be submitted to the Commission on June 2, 2011. The Commission will then vote on staff's recommendation at its June 14, 2011 Commission Conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date that the PAA order is issued to protest the Commission's PAA order. Five to ten customers or persons who attend the meeting, and who wish to receive a copy of the recommendation and the order should so indicate at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to other customers. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so in writing to the Commission at the address at the end of this notice.

HOW TO CONTACT THE COMMISSION

Written comments regarding the Utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

All correspondence should refer to "Docket No. 100359-WS, Tymber Creek Utilities, Incorporated." If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Service, Safety and Consumer Assistance at the following toll-free number: 1-800-342-3552. This notice was prepared by Commission staff for distribution by the Utility to its customers.

LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

FREDERICK L. ASCHAUER, JR.
CHRIS H BENTLEY, P.A.
ROBERT C. BRANNAN
F. MARSHALL DEFENDING
JOHN R. JENKINS, P.A.
KYLE L. KEMPER
STEVEN T. MINDLIN, P.A.
CHASITY H. O'STEEN
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON
ROBERT M. C. ROSE (1924-2006)

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LONGWOOD, FLORIDA 32779
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FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.
BRIAN J. STREET

CHRISTIAN W. MARCELLI, OF COUNSEL
(LICENSED IN NEW YORK ONLY)

January 14, 2009

E-FILING

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

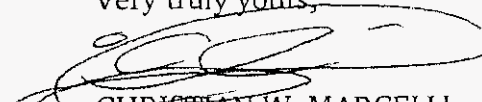
RE: Docket No. 080247-SU; Utilities, Inc. of Eagle Ridge's Application for Increase in
Wastewater Rates in Lee County, Florida
Our File No.: 30057.158

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is a Notice of Filing of the Affidavit of Mailing and the Affidavit of Mailing evidencing that the Initial Customer Notice has been sent to the customers of Utilities, Inc. of Eagle Ridge.

Should you or the Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,


CHRISTIAN W. MARCELLI
Of Counsel

CWM/tlc
Enclosures

cc: John P. Hoy, Chief Regulatory Officer (w/enclosures) (via e-mail)
Patrick C. Flynn, Regional Director (w/enclosures) (via e-mail)
Ms. Deborah Swain (w/enclosures) (via e-mail)
Mr. Frank Seidman (w/enclosures) (via e-mail)
Avy Crawford, Division of Economic Regulation (w/enclosures) (via e-mail)
Lisa Bennett, Esquire, Office of General Counsel (w/enclosures) (via e-mail)

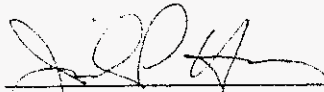
AFFIDAVIT OF MAILING

STATE OF ILLINOIS

COUNTY OF COOK


Before me, the undersigned authority, authorized to administer oaths and take acknowledgments, personally appeared John Hoy, who, after being duly sworn on oath, did depose on oath and say that he is the Chief Regulatory Officer of Utilities, Inc., the sole shareholder of Utilities, Inc. of Eagle Ridge, and that on December 30, 2008, he did send by regular U.S. Mail, a copy of the Initial Customer Notice, attached hereto, to all customers of the utility.

FURTHER AFFIANT SAYETH NAUGHT.

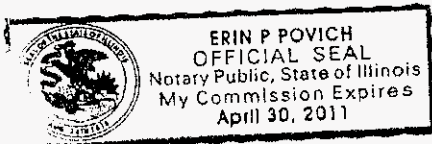


Print Name: John P. Hoy
Print Title: CRO

Sworn to and subscribed before me this 31st day of December, 2008, by John P. Hoy, who is personally known to me.



Print Name: Erin Povich
NOTARY PUBLIC
My Commission Expires: April 30, 2011



State of Florida



Public Service Commission

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

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

DATE: March 9, 2011

TO: Andrew Maurey, Bureau Chief, Bureau of Rate Filings

FROM: Avy Smith, Regulatory Analyst II ^{AS}
Robert Simpson, Engineering Specialist II
Sonica Bruce, Regulatory Analyst III ^{SB}

RE: Docket No. 100359-WS – Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Incorporated.

– REVISED STAFF REPORT –

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

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 June 2, 2011, for the June 14, 2011, Commission 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.

Tymber Creek Utilities, Inc. (Tymber Creek or Utility) is a Class C utility serving approximately 449 water customers and 420 wastewater customers in Volusia County. According to the Utility's 2009 Annual Report, total gross revenues were \$115,459 and \$204,257 for water and wastewater, respectively, and operating expenses were \$121,835 for water and \$175,488 for wastewater.

Tymber Creek was granted water Certificate No. 303-W and wastewater Certificate No. 252-S, on April 6, 1978. The Utility's last water rate case was in Docket No. 950647-WS, which resulted in Order No. PSC-97-0096-FOF-WS,¹ and the Utility's last wastewater rate case was in Docket No. 040300-SU, which resulted in Order No. PSC-04-1264-PAA-SU.² On July 22, 2010, the Commission received Tymber Creek's application for a SARC.

Staff issued a staff report dated February 9, 2011, and the customer meeting was originally scheduled for February 23, 2011. However, the Utility failed to send out the notices for that customer meeting. As a result, staff rescheduled the customer meeting for April 6, 2011. Also, the Utility provided staff with additional information, thus resulting in a revised staff report.

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

¹ See Order No. PSC-97-0096-FOF-WS, issued January 27, 1997, in Docket No. 950647-WS, In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Inc.

² See Order No. PSC-04-1264-PAA-SU, issued December 21, 2004, in Docket No. 040300-SU, In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities.

Discussion of Issues

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

Preliminary Recommendation: The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the April 6, 2011 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 and wastewater operations. These components are 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 and the Utility's compliance with the Florida Department of Environmental Protection (DEP) is also considered.

Staff conducted a field investigation of the service area on October 7, 2010. In addition, staff reviewed Tymber Creek's DEP sanitary surveys, compliance inspection reports, and wastewater operating permit correspondence over the last three years. The Utility purchases bulk water from the City of Ormond Beach. In the Utility's last rate case, the Commission found that the quality of wastewater service was satisfactory; however, the order identified several DEP compliance issues that the Utility was working to correct.

On January 27, 2009, DEP issued a noncompliance letter as a result of three separate occurrences of sewage spills at a lift station. DEP required the Utility to prepare an engineering evaluation report to address the problems with the collection system. In addition, on December 3, 2009, DEP issued a noncompliance letter noting deficiencies related to leaks in the filter tanks, failure to report spills or discharges, and the failure to meet total suspended solids standards. In response to DEP, the Utility had an engineering study performed and a capital improvement plan report prepared. The report contains a description of proposed system improvements, including leakage tests of force main and repairs of the collection system, installation of an automatic dialer at the main lift station, replacement of filter media, installation of a backup surge pump, replacement of blowers and motor assembly, replacement of two pumps at one of the lift stations, and additional sludge removal. The proposed system improvements are addressed in issue 11. Many improvements have already been completed to address the lift station sewage spills, as well as to repair the surge tank and aeration tank blowers.

Tymber Creek applied and obtained a DEP wastewater facility operating permit on August 16, 2010; however, the Homeowners' Association (HOA) petitioned the issuance of the permit on grounds that the Utility has not adequately addressed the problems in the collection system. Tymber Creek has provided a copy of the capital improvement plan report to the HOA. The HOA will review the report and provide a response to the Utility. The DEP is monitoring the negotiations between the Utility and the HOA, and the operating permit has been held in abeyance.

Issue 2: What are the used and useful percentages for this Utility?

Preliminary Recommendation: The water distribution system, the wastewater treatment plant, and the wastewater collection system should be considered 100 percent used and useful (U&U). (Simpson)

Staff Analysis: The Utility's records for the test year ended June 30, 2010 were used in analyzing the used and usefulness of the water and wastewater facilities.

Wastewater Treatment Plant

The Tymber Creek wastewater treatment plant (WWTP), uses extended aeration treatment, has a permitted capacity of 131,000 gallons per day (gpd) based on the system's annual average daily flow. Rule 25-30.432, F.A.C., provides that the wastewater plant used and useful 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, infiltration and inflow, and other factors.

Customer demand for the test year based on the systems annual average daily flow is 75,967 gpd. The system does not appear to have excessive infiltration and inflow. There has been minimal growth in the last five years. Therefore, the WWTP is approximately 58 percent U&U based on the current customer demand. In the last rate case, the WWTP was found to be 61 percent U&U. A field investigation of the service area shows that the system is close to build out and because there has been minimal growth in the last five years, staff recommends that the wastewater treatment plant be considered 100 percent U&U because the service area appears to be built out.

Water Distribution and Wastewater Collection Systems

The used and useful 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. The service area has had minimal growth in the last five years. It appears that the system is built out, therefore the water distribution and the collection system should be considered a 100 percent used and useful.

Excessive Unaccounted for Water (EUW)

The amount of water purchased exceeds the amount of water sold and used for flushing by approximately 12 percent. Pursuant to Rule 25-30.4325, F.A.C., unaccounted for water in excess of 10 percent of the amount produced (or purchased) is considered excessive. Therefore, approximately two percent of the water purchased by Tymber Creek is EUW.

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

Preliminary Recommendation: The appropriate average test year rate base for Tymber Creek is \$72,438 for water and \$188,638 for wastewater. (Smith)

Staff Analysis: The appropriate components of the Utility’s rate base include utility plant in service (UPIS), contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital.

Staff selected a test year ended June 30, 2010, for this rate case. A summary of each component and the adjustments follows:

Utility Plant in Service: The Utility recorded \$204,914 and \$704,807 in UPIS, for water and wastewater, respectively. Staff recommends the following adjustments to reflect the appropriate plant additions and retirements to water and wastewater UPIS amounts.

Table 3-1

<u>Adjustment Description</u>	<u>Water</u>	<u>Wastewater</u>
1. To reflect the appropriate balance for Account No. 309.	(\$14,371)	\$0
2. To reflect the appropriate balance for Account No. 310.	15,165	0
3. To reflect the appropriate balance for Account No. 331.	58,234	0
4. To reflect the appropriate balance for Account No. 333.	(13,917)	0
5. To reflect the appropriate balance for Account No. 334.	(14,490)	0
6. To reflect the appropriate balance for Account No. 335.	4,755	0
7. To reflect the appropriate balances for Account Nos. 340 & 390.	4,416	450
8. To reflect the appropriate balance for Account No. 310.	373	0
9. To reflect the appropriate balance for Account No. 345.	(660)	0
10. To reflect the appropriate balance for Account No. 360.	0	11,308
11. To reflect the appropriate balance for Account No. 361.	0	(6,968)
12. To reflect the appropriate balance for Account No. 364.	0	853
13. To reflect the appropriate balance for Account No. 370.	0	(4,779)
14. To reflect the appropriate balance for Account No. 380.	0	(9,256)
15. To reflect the appropriate balance for Account No. 382.	0	(468)
16. Plant items completed outside the test year.	0	5,000
17. Averaging Adjustment.	(305)	(1,085)
Total	<u>\$39,200</u>	<u>(\$4,944)</u>

Staff’s net adjustments to UPIS are an increase of \$39,200 for water and a decrease of \$4,944 for wastewater. Staff recommends UPIS balances of \$244,114 for water and \$699,863 for wastewater.

Non-Used and Useful Plant: As discussed in Issue No. 2 of this recommendation, Tymber Creek’s water distribution system, wastewater treatment plant, and the wastewater collection

system are 100 percent used and useful. Therefore, a non-used and useful adjustment is not necessary.

Contribution in Aid of Construction: The Utility recorded \$155,793 and \$380,306 in this account for water and wastewater, respectively. Staff has compiled CIAC additions for the period August 31, 1995, through June 30, 2010, to determine the Utility's CIAC balance as of June 30, 2010. Staff used information from the Utility's 1995-2010 annual reports, customer service connection records, and the Utility's authorized service availability tariff to determine the number of new customers connected since the Utility's last rate case. Pursuant to Audit Finding 4, Tymber Creek improperly accounted for late charges and other miscellaneous revenues in the amount of \$2,410 for water. Therefore, staff has made an adjustment to decrease this account by \$2,410 for water. Staff recommends CIAC of \$153,383 for water, and \$380,306 for wastewater.

Accumulated Depreciation: Tymber Creek recorded a balance for accumulated depreciation of \$122,996 for water and \$517,943 for wastewater. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff has increased this account by \$39,902 for water and \$31,528 for wastewater to reflect depreciation calculated by staff. Staff has decreased this account by \$2,801 and \$10,454 to reflect an averaging adjustment for water and wastewater, respectively. The aforementioned adjustments result in average accumulated depreciation of \$160,097 for water and \$539,017 for wastewater.

Amortization of CIAC: The Utility recorded \$140,026 and \$380,306 for amortization of CIAC for water and wastewater, respectively. Amortization of CIAC has been recalculated by staff using composite depreciation rates. In order to reflect amortization of CIAC as calculated by staff, this account has been decreased by \$12,735 for water. Staff has decreased this account by \$2,224 for water to reflect an averaging adjustment. Staff's net adjustments to CIAC result in Amortization of CIAC of \$125,067 for water and \$380,306 for wastewater.

Working Capital Allowance: Tymber Creek recorded a working capital allowance of \$15,176 for water and \$21,119 for wastewater. 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., staff recommends that the one-eighth of the O&M expense formula approach be used for calculating working capital allowance. Applying this formula, staff recommends working capital allowance of \$15,607 (based on water O&M of \$124,852) and \$23,268 (based on wastewater O&M of \$186,146) for water and wastewater, respectively. Thus, working capital has been increased by \$431 for water and \$2,149 for wastewater 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 rate base is \$72,438 for water and \$188,638 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B, and staff's adjustments are shown on Schedule No. 1-C.

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 (ROE) is 9.27 percent with a range of 8.27 percent to 10.27 percent. The appropriate overall rate of return is 7.77 percent. (Smith)

Staff Analysis: According to Audit Finding 10, and additional information submitted by the Utility, Tymber Creek’s capital structure consists of the following:

Table 4-1

<u>Account Description</u>	<u>Balance</u>
Common Stock	\$100
Retained Earnings	79,288
Long Term Debt – Officer Loans	78,920
Long Term Debt – Shirah Builders, Inc.	44,227
Long Term Debt – Shareholder Loans	72,187
Long Term Debt – Sun Trust	33,502
Customer Deposits	<u>10,260</u>
Total	<u>\$318,484</u>

The Utility’s trial balance as of June 30, 2010, had outstanding loans from Utility officers totaling \$78,920 and outstanding loans from shareholders totaling \$72,187. There is no interest on the loans and no loan documents. Accordingly, staff believes these loans should be treated as common equity in accordance with Commission practice.³ Staff has increased the balance of paid in capital by \$151,107 (\$78,920 + \$72,187), and decreased long term-debt by the same amount. The Utility’s long-term debt also consists of a revolving credit line of \$35,000 with a current balance of \$33,502, and an annual interest rate of 3.25 percent at Sun Trust Bank. The credit line was used for a wastewater plant expansion. Staff has calculated an outstanding loan balance of \$33,488 as of June 30, 2010, based on the bank’s monthly statements. Staff recommends decreasing this account by \$14 to reflect the balance of \$33,488.

³ See Order Nos. PSC-05-0621-PAA-WU, issued June 6, 2005, in Docket No. 041145-WU, In re: Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.; PSC-09-0618-PAA-WS, issued September 11, 2009, in Docket No. 080709-WS, In re: Application for staff-assisted rate case in Highlands County by Damon Utilities, Inc.; and PSC-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 090414-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

The Utility's capital structure has been reconciled with staff's recommended rate base. Consistent with the most recent Commission-approved leverage formula, the appropriate rate of return on equity is 9.27 percent.⁴ Staff recommends an ROE of 9.27 percent with a range of 8.27 percent to 10.27 percent, and an overall rate of return of 7.77 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁴ See Order No. PSC-10-0401-PAA-WS, issued June 19, 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), F.S.

Docket No. 100359-WS

Date: March 9, 2011

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

Preliminary Recommendation: The appropriate test year revenue for this Utility is \$113,580 for water and \$196,667 for wastewater. (Smith, Bruce)

Staff Analysis: Tymber Creek recorded total revenues of \$116,474 for water and \$189,599 for wastewater for the 12-month period ended June 30, 2010. Staff analyzed the Utility's reported revenues, and based on the billing determinants, and staff recommends test year revenue of \$113,580 for water and \$196,667 for wastewater. Therefore, staff has decreased water revenue by \$2,894 and increased wastewater revenue by \$7,068. Test year revenue amounts are shown on Schedule Nos. 3-A and 3-B.

Issue 6: What is the appropriate amount of operating expense?

Preliminary Recommendation: The appropriate amount of operating expense for this Utility is \$136,423 for water and \$231,128 for wastewater. (Smith)

Staff Analysis: Tymber Creek recorded operating expense of \$129,139 for water and \$200,887 for wastewater, for the test year ended June 30, 2010. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Employees (601/701) – Tymber Creek recorded \$7,000 and \$21,042 in this account for water and wastewater, respectively. There is one full-time employee who works in the office. The Utility allocated 25 percent of the employee's salary to water and 75 percent to wastewater. Tymber Creek is a water reseller and does not have a water treatment plant. Therefore, the Utility's allocation methodology is based on the number of direct labor hours. Staff believes this allocation methodology is reasonable. Accordingly, staff has increased this expense for water by \$11, and decreased this expense for wastewater by \$11, to reflect the appropriate allocation to water and wastewater. Staff recommends salaries and wages – employees' expense of \$7,011 for water and \$21,032 for wastewater.

Salaries and Wages - Officers (603/703) – The Utility recorded \$9,461 in this account for both water and wastewater. This amount includes the weekly salary of two officers, who are each paid the same amount. Staff has calculated \$4,873 for this account for each officer. This results in an annual expense of \$9,746, for both officers combined. Therefore, staff has increased this account by \$285 for water and \$285 for wastewater. In addition, to Utility's officers occasionally provide direct labor on an as needed basis. Staff has increased this account by \$925 for water and \$563 for wastewater to reflect labor costs. Staff recommends salaries and wages – officers expense of \$10,671 for water and \$10,309 for wastewater.

Employee Pensions and Benefits (604/704) – Tymber Creek recorded \$4,676 and \$5,715 in this account for water and wastewater, respectively. As stated above, the Utility has one full-time employee, and 25 percent of the employee's salary is allocated to water and 75 percent of the employee's salary is allocated to wastewater. For consistency purposes, staff believes the same methodology should be applied to employee pensions and benefits expense. Accordingly, staff has decreased this account by \$2,078 for water and increased this account by \$2,078 for wastewater. Staff recommends employee pensions and benefits expense of \$2,598 for water and \$7,793 for wastewater.

Purchased Water (610) – Tymber Creek recorded \$63,587 for purchased water. The Utility purchases bulk water from the City of Ormond Beach. On September 22, 2010, the City of Ormond Beach informed the Utility that there would be an increase in the bulk water rate charge, effective January 1, 2011. Staff has increased this account by \$2,521 to reflect the annualized increase in bulk water rates. Based on the above adjustment, staff's calculated purchased water expense is \$66,108. As discussed in Issue 2, staff has decreased this account by \$1,221 (\$66,108 x 2 percent) for excessive unaccounted for water. Staff recommends purchased water expense of \$64,887 (\$63,587 + \$2,521 - \$1,221).

Sludge Removal Expense (711) – The Utility recorded \$34,163 in this account. Staff has increased this account by \$2,065 to reflect an invoice for three loads of sludge that were not included in the test year. Staff recommends sludge removal expense of \$36,228.

Chemicals (718) – Tymber Creek recorded \$6,155 in this account. Staff has increased this account by \$110 for an invoice that was not included in the amount reported for the test year. Staff recommends chemicals expense of \$6,265.

Materials and Supplies (620/720) – The Utility recorded \$867 for water and \$901 for wastewater in this account. Based on invoices for materials and supplies, staff calculated \$1,507 and \$2,014 in this account for water and wastewater, respectively. Therefore, staff has increased this account by \$640 for water and \$1,113 for wastewater. Staff recommends materials and supplies expense of \$1,507 for water and \$2,014 for wastewater.

Contractual Services – Professional (631/731) – Tymber Creek recorded \$5,588 in this account for both water and wastewater. Based on audited amounts, staff has decreased this account by \$28 for water and increased this account by \$1,565 for wastewater. In addition, the Utility has incurred costs totaling \$16,942 for engineering and legal costs related to wastewater improvements. These costs are related to the consultants retained to assist the Utility with its permit renewal for DEP. In accordance with Rule 25-30.433(8), staff has amortized this amount over 5 years and increased this account by \$3,388 for wastewater. Staff recommends contractual services – professional expense of \$5,560 for water and \$10,541 (\$5,588 + \$1,565 + \$3,388) for wastewater.

Contractual Services – Testing (635/735) – The Utility recorded \$7,808 for water and \$38,451 for wastewater in this account. Staff has decreased this account by \$40 for water to reflect the audited amount. Tymber Creek recorded \$13,155 for effluent testing. The monthly cost of effluent testing is \$1,750. Staff has annualized the total cost of effluent testing and increased this account by \$7,845 ($\$1,750 \times 12 \text{ months} - \$13,155$) for wastewater. Further, staff has reduced the amount reported for wastewater by \$25,296 to reclassify costs that should have been included in contractual services – other. On June 17, 2010, the Utility received a notice from the Volusia County Health Department stating that the rate for testing coliform drinking water analysis would be increased from \$20 to \$25. Tymber Creek normally has two coliform drinking water analysis tests performed per month. Staff has made an adjustment to increase this account by \$120 for water ($\$50 \times 12 \text{ months} - \$40 \times 12 \text{ months}$). After the completion of the audit report, the Utility provided staff with invoices for bi-monthly phosphorus tests required by the DEP. The cost of the bi-monthly phosphorus test is \$40. Staff has increased this account by \$960 ($\$80 \times 12 \text{ months}$) for wastewater. According to the staff engineer, Tymber Creek also incurred an expense of \$300 for dye testing. Staff has amortized this amount over 5 years and increased this account by \$60 for wastewater. Staff recommends contractual services – testing expense of \$7,888 ($\$7,808 - \$40 + \120) for water and \$22,020 ($\$38,451 + \$7,845 - \$25,296 + \$960 + \60) for wastewater.

Contractual Services – Other (636/736) – Tymber Creek recorded \$12,425 for water and \$8,791 for wastewater in this account. As mentioned above, the Utility misclassified \$25,296 in contractual services – testing that should have been recorded in this account for wastewater. Staff has increased this account by \$25,296 to reclassify these costs. The Utility provided staff

with additional invoices for leak repairs totaling \$726. Staff has increased the amount reported for water by \$726 to reflect this amount. The Utility provided staff with an invoice for chlorine tank repairs of \$5,000. Staff has amortized the \$5,000 over 5 years, and increased this account by \$1,000 for wastewater. The Utility also provided staff with an invoice for videography of wastewater lines of \$5,000. Likewise, staff has amortized this amount over five years and increased this account by \$1,000 for wastewater. Steve Fryson, the meter reader for Tymber Creek, has requested a \$25 increase in his \$175 monthly fee. Staff believes this amount is reasonable. Accordingly, staff has increased this account by \$300 for water ($\25×12 months). Staff has also increased this account by \$300 for wastewater based on invoices for leak repairs completed by Steve Fryson. The Utility's contract water operator, Steve Woodman requested a \$100 increase in his monthly fee due to increased DEP monitoring requirements. Mr. Woodman's current monthly fee is \$500. Staff has increased this account by \$1,200 ($\600×12 months - $\$500 \times 12$ months) to reflect Mr. Woodman's fee. Finally, staff has amortized the cost of a \$1,300 fence installation over 5 years and increased this account by \$260. Staff net adjustments to this account result in an increase of \$2,226 ($\$726 + \$300 + \$1,200$) for water and \$27,856 ($\$25,296 + \$1,000 + \$1,000 + \$300 + \260) for wastewater. Staff recommends contractual services – other expense of \$14,651 ($\$12,425 + \$2,226$) for water and \$36,647 ($\$8,791 + \$27,856$) for wastewater.

Rents (640/740) – The Utility recorded \$3,662 for water and \$17,082 for wastewater in this account. Based on the audit report, Tymber Creek's total office rent is \$7,324. Tymber Creek recorded \$3,662 for both water and wastewater for office rent. As previously stated, staff believes a 25 percent allocation to water and 75 percent allocation to wastewater is appropriate. This results in office rent of \$1,831 for water and \$5,493 for wastewater. Accordingly, staff has decreased the amount reported for office rent by \$1,831 for water and increased wastewater by \$1,831. Tymber Creek recorded \$13,420 for land rent. In the Utility's last rate case, the Commission determined the appropriate rent amount for land should be the annual rate of return, based on the Utility's current capital structure, times the original cost of the land in service.⁵ The original cost of the land in service is \$49,432, and based on the Utility's current capital structure, the rate of return is 7.77 percent. Accordingly, the appropriate land rent is \$3,841 ($\$49,432 \times 7.77$ percent). Therefore, staff has decreased this account for wastewater by \$9,579 to reflect the appropriate land rent. After the completion of the audit, the Utility submitted an invoice for an excavation rental of \$405. Staff has increased this account by \$405 for water to reflect this amount. Staff recommends rent expense of \$2,236 for water ($\$3,662 - \$1,831 + \405) for water and \$9,334 ($\$17,082 + \$1,831 - \$9,579$) for wastewater.

Transportation Expenses (650) – Tymber Creek recorded \$260 for water in this account. The Utility's records substantiated a transportation expense of \$182 for water. Accordingly, staff has decreased this account by \$78. Staff recommends transportation expense of \$182 for water.

Insurance Expenses (655/755) – The Utility recorded \$100 for water and \$2,300 for wastewater in this account. Staff has allocated 50 percent to each system and increased water by \$1,100 and decreased wastewater by \$1,100 for this account. Staff recommends insurance expense of \$1,200 for water and \$1,200 for wastewater.

⁵ See Order No. PSC-04-1264-PAA-SU, at p. 10.

Regulatory Commission Expense (665/765) – Tymber Creek recorded \$0 for both water and wastewater in this account. By Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated \$765 for postage expense, \$695 for printing expense, and \$87 for envelopes. The above results in \$1,547 for postage, mailing notices, and envelopes. The Utility paid a \$2,000 rate case filing fee. The Utility also incurred consultant fees totaling \$1,834 for water and \$4,253 for wastewater for the instant docket. The total rate case expense is \$3,608 for water and \$6,026 for wastewater. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period. The four year amortization is \$902 for water and \$1,507 for wastewater. Staff recommends regulatory commission expense of \$902 and \$1,507 for water and wastewater, respectively.

Miscellaneous Expense (675/775) – The Utility recorded \$3,937 for water and \$6,080 for wastewater in this account. Staff has decreased this account by \$71 for water to disallow late telephone charges. Staff has decreased this account by \$346 for water and \$2,663 for wastewater to remove the remaining unsupported balance. Additionally, staff has increased this account by \$396 for wastewater to reflect the five-year amortization of the Utility's permit renewal. Staff recommends miscellaneous expense of \$3,520 ($\$3,937 - \$71 - \346) for water and \$3,813 ($\$6,080 - \$2,663 + \396) for wastewater.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense result in an increase of \$3,441 for water and an increase of \$12,974 for wastewater. Staff's recommended O&M expense is \$124,852 for water and \$186,146 for wastewater. O&M expenses are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Related Amortization of CIAC) – Tymber Creek recorded \$684 for water and \$14,196 for wastewater in this account. Staff has calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff's calculated test year depreciation is \$4,241 and \$26,290 for water and wastewater, respectively. Thus, staff has made an adjustment to increase the amount reported for water by \$3,557 and to increase the amount reported for wastewater by \$12,094. Staff has decreased amortization of CIAC by \$2,326 for water based on composite rates. This results in a net depreciation expense of \$1,914 ($\$684 + \$3,557 - \$2,326$) for water and \$26,290 ($\$14,196 + \$12,094$) for wastewater.

Taxes Other Than Income (TOTI) – The Utility recorded \$7,044 for water and \$13,519 for wastewater in this account for TOTI. Tymber Creek did not record any amount for payroll tax for either water or wastewater. Staff has calculated payroll tax of \$1,416 for water and \$2,510 for wastewater. Accordingly, staff has increased this account by \$1,416 for water and \$2,510 for wastewater to reflect staff's calculated payroll tax. The amounts included in this account for property taxes are \$1,848 and \$4,620 for water and wastewater, respectively. Staff reviewed the Volusia County non-ad valorem and ad valorem tax assessment notices, and the appropriate amount of property taxes is \$1,848 for water and \$5,122 for wastewater. Therefore, staff increased this account by \$502 for wastewater. The Utility recorded RAFs of \$5,196 for water and \$8,899 for wastewater. Based on staff's recommended test year revenues, the Utility's RAFs should be \$5,111 for water and \$8,850 for wastewater. Therefore, staff has decreased this account by \$85 and \$49 for water and wastewater, respectively, to reflect the appropriate RAFs.

As discussed in Issue 7, revenues have been increased by \$28,472 for water and \$49,118 for wastewater to reflect the change in revenue required to cover expenses and afford the Utility an opportunity to earn the recommended return on investment. As a result, TOTI should be increased by \$1,281 for water and \$2,210 for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Staff recommends TOTI of \$9,657 ($\$7,044 + \$1,416 - \$85 + \$1,281$) for water and \$18,693 ($\$13,519 + \$2,510 + \$502 - \$49 + \$2,210$) for wastewater.

Income Tax – The Utility did not have any income tax expense for the test year. Tymber Creek is an S Corporation. The tax liability is passed on to the owners' personal tax returns. Therefore, staff did not make an adjustment to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to Tymber Creek's recorded test year operating expenses result in staff's recommended operating expenses of \$136,423 for water and \$231,128 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. No. 3-C.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$142,052 for water and \$245,786 for wastewater. (Smith)

Staff Analysis: Tymber Creek should be allowed an annual increase of \$28,472 (25.07 percent) for water and an annual increase of \$49,118 (24.98 percent) for wastewater. This will allow the Utility the opportunity to recover its expenses and earn a 7.77 percent return on its investment. The calculation is as follows:

Table 7-1

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$72,438	\$188,638
Rate of Return	x .0777	x .0777
Return on Rate Base	\$5,628	\$14,657
Adjusted O&M expense	124,852	186,146
Depreciation expense (Net)	1,914	26,290
Amortization	0	0
Taxes Other Than Income	9,657	18,693
Income Taxes	0	0
Revenue Requirement	\$142,052	\$245,785
Less Test Year Revenues	113,580	196,667
Annual Increase	\$28,472	\$49,118
Percent Increase/(Decrease)	25.07%	24.98%

Issue 8: What is the appropriate rate structure for this Utility?

Preliminary Recommendation: The appropriate rate structure for the water system's residential class is a three-tier inclining block rate structure. However, staff's preliminary rate design called for a two-tier rate structure with usage blocks of: a) 0-10 kgal in the first usage block; and b) all usage in excess of 10 kgal in the second usage block. Moreover, as discussed in Issue 9, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 6 kgal per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgal in the third usage block and usage block rate factors of .87, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 35 percent. Furthermore, the appropriate rate structure for the wastewater residential class and non-residential class is a continuation of the traditional BFC/gallonage charge rate structure. The BFC cost recovery percentage for the wastewater system should be set at 50 percent. (Bruce)

Staff Analysis: The Utility's current water and wastewater system rate structure for the residential and non-residential class consists of a monthly base facility charge (BFC) and uniform gallonage charge. The current BFC for the water customers is \$9.75 and the gallonage charge is \$2.56.

Water Rates: 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 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 the Commission's goals and practices.

Tymber Creek Utilities, Inc. is located in Volusia County within the St. Johns River Water Management District (SJRWMD). The Utility provides wastewater service to its customers. However, the Utility purchases bulk water from the City of Ormond Beach and resells these services to the customers of the Utility. Therefore, the Utility is considered non-jurisdictional by SJRWMD.

Based on staff's analysis of the billing data, the overall average consumption is 4.8 kgal per month. This does not indicate a high overall average consumption. However, the billing data indicates that 8 percent of the customers consume over 10 kgal of water per month. Furthermore, the appropriate threshold for a customer's discretionary usage is 6.0 kgal per month. This number is derived based on the average number persons per household, gallons per day per person, and the number of days per month ($4 \times .050 \times 30$). For this reason, staff recommends that a three-tier inclining block rate structure with usage blocks set at 0-6 kgal; 6-10 kgal; and usage in excess of 10 kgal be implemented. Implementing this rate structure is done in an effort to restrict recovery due to repression being applied to non-discretionary usage below 6 kgal in the first block, while targeting families in the second block and customers who consume well over 10 kgal in the third block.

Staff's recommended rate design for the water system is shown on Table 8-1. Also, staff presented two alternate rate structures to illustrate other recovery methodologies.

Table 8-1

TYMBER CREEK UTILITIES, INC.					
STAFF'S PRELIMINARY RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES					
Current Rate Structure and Rates			Recommended Rate Structure and Rates		
BFC/Uniform gallonage charge Rate structure BFC = 42%			3-Tier Inclining Block Rate Structure Rate Factors .87, 1.00 and 1.50 BFC = 35%		
BFC	\$9.75		BFC	\$9.34	
Gallonage Charge	\$2.56		1 st tier (no repression)	0-6 kgals	\$3.54
			2 nd tier (discretionary)	6-10 kgal	\$4.07
			3 rd tier (discretionary)	10+	\$6.11
Typical Monthly Bills (1)			Typical Monthly Bills		
Cons (kgals)			Cons (kgals)		
0		\$9.75	0		\$9.34
1		\$12.31	1		\$12.88
3		\$17.43	3		\$19.96
5		\$22.55	5		\$27.04
10		\$35.35	10		\$46.86
20		\$60.95	20		\$107.96
Alternative 1			Alternative 2		
3-Tier Inclining Block Rate Structure Rate Factors .87, 1.00 and 1.50 BFC = 35%			3- Tier Inclining Block Rate Structure Rate Factors .87, 1.00 and 1.50 BFC =40%		
BFC	\$9.36		BFC	\$10.71	
1 st tier (no repression)	0-6 kgals	\$3.63	1 st tier (no repression)	0-6 kgals	\$3.27
2 nd tier (discretionary)	6-14 kgal	\$4.10	2 nd tier (discretionary)	6-10 kgal	\$3.67
3 rd tier (discretionary)	14+	\$6.15	3 rd tier (discretionary)	10+	\$5.51
Typical Monthly Bills			Typical Monthly Bills		
Cons (kgals)			Cons (kgals)		
0		\$9.36	0		\$10.71
1		\$12.99	1		\$13.98
3		\$20.25	3		\$20.52
5		\$27.51	5		\$27.06
10		\$47.54	10		\$45.01
20		\$100.84	20		\$100.11

Staff's initial BFC cost recovery is 31.67 percent. This BFC allocation falls within the guidelines of setting the BFC allocation no greater than 40 percent. However, staff recommends that the initial BFC cost recovery of 31.67 percent be increased to 35 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 nondiscretionary levels of consumption to pay a lower price for their water consumption while targeting customers who use a greater consumption of water.

Moreover, staff recommends that the rate structure for the water system's non-residential class should remain unchanged and therefore continue the BFC/uniform gallonage charge rate structure. This rate structure has been the Commission's choice for non-residential customer classes.⁶

Based on the foregoing, staff recommends that the appropriate rate structure for the water system's residential class is a three-tier inclining block rate structure. However, staff's preliminary rate design called for a two-tier rate structure with usage blocks of: a) 0-10 kgal in the first usage block; and b) all usage in excess of 10 kgal in the second usage block. Moreover, as discussed in Issue 9, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 6 kgal per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgal in the third usage block and usage block rate factors of 1.0, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 35 percent.

Wastewater Rates: The Utility's current rate structure consists of a BFC/gallonage charge rate structure for the wastewater systems' residential and non-residential class. The monthly BFC is \$15.89 and the usage charge is \$5.78.

Staff's initial BFC cost recovery for the wastewater system is 47.27 percent. This BFC cost recovery falls below the Commission's practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants. Therefore, staff believes it is appropriate to increase the initial BFC cost recovery to at least 50 percent.

The Utility's current wastewater gallonage cap is set at 10 kgal. It is Commission practice to set the residential wastewater gallonage cap at a consumption level equal to 80 percent. Staff's review of the wastewater billing data captures 80 percent of the residential gallons sold at 8 kgal. Therefore, the Utility's current wastewater cap should be set at 8 kgal. Furthermore, staff recommends that the general service gallonage charge should be 1.2 times greater than the residential charge.

⁶ See Order Nos. PSC-08-0812-PAA-WS, in Docket No. 070695-WS, In Re: Application for increase in water and wastewater rates in Martin County by Miles Grant Water and Sewer Company.; and PSC-09-0647-PAA-WS, in Docket No. 080714-WS, In Re: Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

As discussed in Issue 11, staff recommends a Phase II revenue requirement associated with pro forma plant improvements. Staff recommends that the BFC allocation for Phase II rates be increased from staff's initial allocation of 43 percent to 50 percent to comply with Commission's practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants.

Staff's recommended rate design for the wastewater system is shown below on Table 8-2 on the following page. Staff also presented two alternative rate structures to illustrate other recovery methodologies.

Table 8-2

TYMBER CREEK UTILITIES, INC.			
STAFF'S PRELIMINARY RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC =41%		BFC/uniform kgals charge BFC = 50%	
BFC	\$15.89	BFC	\$23.84
All kgals	\$5.78	All kgals	\$6.37
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$15.89	0	\$23.84
1	\$21.67	1	\$30.21
3	\$33.23	3	\$42.95
6	\$50.57	6	\$62.06
8	\$62.13	8	\$74.80
Alternative 1		Alternative 2	
BFC/uniform kgals charge BFC = 60%		BFC/uniform kgals charge BFC =70%	
BFC	\$28.57	BFC	\$33.29
All kgals	\$5.12	All kgals	\$3.87
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$28.57	0	\$33.29
1	\$33.69	1	\$37.16
3	\$43.93	3	\$44.90
6	\$59.29	6	\$56.51
8	\$69.53	8	\$64.25

Docket No. 100359-WS

Date: March 9, 2011

Based on the foregoing, staff recommends 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 current wastewater gallonage cap of 10 kgals should be changed to 8 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 should be set at 50 percent.

Issue 9: Is a repression adjustment appropriate in this case?

Preliminary Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year residential kgals sold for water should be reduced by 4.5 percent, resulting in a consumption reduction of 1,086 kgals. Purchased water expense should be reduced by \$2,874, and regulatory assessment fees (RAFs) should be reduced by \$135. The final post-repression revenue requirement for the water system should be \$139,043. For the wastewater system, test year kgals sold should be reduced by 5.3 percent, resulting in a consumption reduction of 1,031 kgals. Sludge removal expense should be reduced by \$1,920, purchased power should be reduced by \$793.89, and RAFs should be reduced by \$122.13. The final post-repression revenue requirement for the wastewater system should be \$242,949.

In order to monitor the effect of the changes to rate structure and rate changes, 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, usage block, 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: Staff conducted a detailed analysis of the consumption patterns of the Utility's residential customers as well as the increase in residential bills resulting from the increase in revenue requirements. This analysis showed the overall average consumption is 4.8 kgals per month. This does not indicate a high overall average level of consumption. However, the billing data indicates that 8 percent of the customers consume over 10 kgals of water per month. Furthermore, in Issue 9, staff recommended that the threshold for the customer's essential usage be 6 kgals per month. Therefore, staff's recommended repression adjustment only applies to water consumption above 6 kgals per month.

Using the database of utilities that have previously had repression adjustments made, staff calculated a repression adjustment for this Utility based upon the recommended increase in revenue requirements 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.⁷ This methodology also restricts any price changes due to repression from being applied to non-discretionary consumption (consumption less than 6 kgals per month), and allocates all cost recovery due to repression to discretionary levels of consumption (consumption above 6 kgals per month).

⁷ See Order Nos. PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; PSC-10-0117-PAA-WU, issued February 26, 2010, in Docket No. 080695-WU, In re: Application for general rate increase by Peoples Water Service Company of Florida, Inc.; and PSC-09-0623-PAA-WS, issued September 15, 2009, in Docket No. 080597-WS, In re: Application for general rate increase in water and wastewater systems in Lake County by Southlake Utilities, Inc.

Therefore, based on this methodology, staff calculated that the test year residential consumption for this Utility should be reduced by 1,086 kgals. Purchased water expense should be reduced by \$2,874, and regulatory assessment fees (RAFs) should be reduced by \$135. The final post-repression revenue requirement for the water system should be \$139,043. For the wastewater system, test year kgals should be reduced by 1,031 kgals. Sludge removal expense should be reduced by \$1,920, purchased power should be reduced by \$794, and RAFs should be reduced by \$122. The final post-repression revenue requirement for the wastewater system should be \$242,949.

In order to monitor the effect of the changes to rate changes, 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, usage block, 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 and wastewater rates are shown on Schedules Nos. 4-A and 4-B, respectively. The recommended rates should be designed to produce revenue \$139,043 for water and \$242,949 for wastewater, excluding miscellaneous service charges. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Bruce)

Staff Analysis: Excluding miscellaneous service revenues, the recommended rates should be designed to produce of revenue \$139,043 for the water system and \$242,949 for the wastewater system.

As discussed in Issue 8, staff recommends that the rate structure for the water system's residential class is a three-tier inclining block rate structure. However, staff's preliminary rate design called for a two-tier rate structure with usage blocks of: a) 0-10 kgals in the first usage block; and b) all usage in excess of 10 kgals in the second usage block. Moreover, as discussed in Issue 9, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 6 kgals per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgals in the third usage block and usage block rate factors of 1.0, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 35 percent. Furthermore, the appropriate rate structure for the wastewater residential class and non-residential class is a continuation of the traditional BFC/gallonage charge rate structure. The BFC cost recovery percentage for the wastewater system should be set at 50 percent.

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 and wastewater systems are shown on Schedules 4-A and 4-B.

Issue 11: Should the Commission approve pro forma plant and expenses for the Utility, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

Preliminary Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma plant and expense items. The appropriate return on equity should be 9.27 percent with a range of 8.27 to 10.27 percent. The appropriate overall rate of return is 7.77 percent. The Utility's Phase II revenue requirement remains unchanged for water and should be \$296,256 for wastewater, which equates to an increase of 20.53 percent over the Phase I wastewater revenue requirement. Tymber Creek should complete the pro forma plant and expense items within 12 months of the issuance of the instant docket's consummating order. The Utility should be allowed to implement the resulting rates once the pro forma items have been completed and documentation provided showing that all improvements have been made to the system.

The Utility should be required to submit a copy of the final invoices and cancelled checks for all pro forma plant and expense items. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. Tymber Creek should provide proof of the date notice was given within 10 days after the date of the notice. The resulting rates are shown on Schedule No. 8. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission. (Smith)

Staff Analysis: Tymber Creek requested recognition of additional pro forma plant and expense items that it intends to complete. The improvements address issues related to the Utility's collection system, lift stations, and WWTP. As discussed in Issue 1, the proposed improvements are being reviewed by the HOA and DEP in an effort to resolve concerns related to the issuance of the Utility's DEP wastewater facility permit. The following is a chart summarizing the pro forma items, the cost, and staff's recommended treatment:

Table 11-1

Pro Forma Items	Staff Recommended	
	<u>Capitalize</u>	<u>Expense</u>
1. Install automatic dialer at main lift station	\$3,300	
2. Replace monitoring well covers and bollards	2,850	
3. Install backup surge pumps, blower and motor assembly	5,675	
4. Replace two pumps at Inglewood lift station	14,400	
5. Replace filter media	5,865	
6. Install two monitoring and alarm systems	3,155	
7. Perform leakage tests of force main		\$400 ⁸
8. Additional sludge hauling		25,200
9. Repair of collection system		15,014 ⁹
10. Engineering reports to summarize results		2,000
11. Maintenance cost on the monitoring systems		695
Total	<u>\$35,245</u>	<u>\$43,309</u>

Staff is recommending a Phase II revenue requirement associated with the pro forma plant and expense items for the following reasons. First, it assures that the pro forma plant and expense items are completed prior to the Utility's recovery in rates. Second, addressing the pro forma plant and expense items in the instant docket saves additional rate case expense to the customer because the Utility would not need to file another rate case or limited proceeding to seek recovery for the additional items. The Commission has approved a Phase-In approach in Docket Nos. 080668-SU, 090072-WU and 090414-WU.¹⁰

The Utility's Phase II revenue requirement remains unchanged for water and is \$296,256 for wastewater. Tymber Creek should complete the pro forma items within 12 months of the issuance of the instant docket's consummating order. Phase II rate base is shown on Schedule No. 5-A and staff's adjustments are shown on Schedule No. 5-B. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirement is shown on Schedule No. 7-A, and staff's adjustments are shown on Schedule No. 7-B. The resulting rates are shown on Schedule No. 8.

The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing improvements made to the system. The Utility should be required to submit a copy of the final invoices and cancelled checks for all plant and expense items. Once verified, the 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. The rates should not be implemented until staff has approved the proposed customer notice and the

⁸ Perform leakage tests of force main is amortized over 5 years = $\$2,000/5 = \400 .

⁹ Reflects five-year average.

¹⁰ See Order Nos. PSC-09-0628-PAA-SU, issued September 17, 2009, in Docket No. 080668-SU, In re: Application for staff-assisted rate case in Highlands County by Fairmount Utilities, The 2nd Inc.; PSC-09-0716-PAA-WU, issued October 28, 2009, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.; and PSC-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 090414-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

Docket No. 100359-WS

Date: March 9, 2011

notice has been received by the customers. Tymber Creek should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission.

Issue 12: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Preliminary Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for regulatory assessment fees 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. Tymber Creek 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. (Smith)

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 in working capital, and the gross-up for RAFs which is \$954 for water and \$1,593 for wastewater. Using the Tymber Creek'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 should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Tymber Creek also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

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

Issue 13: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of 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. Tymber Creek 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. 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. (Smith)

Staff Analysis: This recommendation proposes 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 the Utility, staff recommends that the recommended rates be approved as temporary rates. Tymber Creek 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

Tymber Creek should be authorized to collect the temporary rates upon staff's approval of an 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 \$51,813. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If Tymber Creek 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 Tymber Creek 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 monies 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 Tymber Creek;
- 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 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 Tymber Creek, 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.

Tymber Creek 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

Docket No. 100359-WS

Date: March 9, 2011

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.

Docket No. 100359-WS

Date: March 9, 2011

Issue 14: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory 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, Tymber Creek should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. (Smith)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, Tymber Creek should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 1-A	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$204,914	\$39,200	\$244,114
2. LAND & LAND RIGHTS	1,131	0	1,131
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(155,793)	2,410	(153,383)
5. ACCUMULATED DEPRECIATION	(122,996)	(37,101)	(160,097)
6. AMORTIZATION OF CIAC	140,026	(14,959)	125,067
7. WORKING CAPITAL ALLOWANCE	<u>15,176</u>	<u>431</u>	<u>15,607</u>
8. WATER RATE BASE	<u>\$82,458</u>	<u>(\$10,020)</u>	<u>\$72,438</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 1-B	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$704,807	(\$4,944)	\$699,863
2. LAND & LAND RIGHTS	4,524	0	4,524
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(380,306)	0	(380,306)
5. ACCUMULATED DEPRECIATION	(517,943)	(21,074)	(539,017)
6. AMORTIZATION OF CIAC	380,306	0	380,306
7. WORKING CAPITAL ALLOWANCE	<u>21,119</u>	<u>2,149</u>	<u>23,268</u>
8. WASTEWATER RATE BASE	<u>\$212,507</u>	<u>(\$23,869)</u>	<u>\$188,638</u>

TYMBER CREEK UTILITIES, INCORPORATED
TEST YEAR ENDED 06/30/10
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-C
DOCKET NO. 100359-WS

PAGE 1 OF 2

<u>UTILITY PLANT IN SERVICE</u>	<u>WATER</u>	<u>WASTEWATER</u>
1. To reflect the appropriate balance for Account No. 309.	(\$14,371)	\$0
2. To reflect the appropriate balance for Account No. 310.	15,165	0
3. To reflect the appropriate balance for Account No. 331.	58,234	0
4. To reflect the appropriate balance for Account No. 333.	(13,917)	0
5. To reflect the appropriate balance for Account No. 334.	(14,490)	0
6. To reflect the appropriate balance for Account No. 335.	4,755	0
7. To reflect the appropriate balances for Account Nos. 340 & 390.	4,416	450
8. To reflect the appropriate balance for Account No. 310.	373	0
9. To reflect the appropriate balance for Account No. 345.	(660)	0
10. To reflect the appropriate balance for Account No. 360.	0	11,308
11. To reflect the appropriate balance for Account No. 361.	0	(6,968)
12. To reflect the appropriate balance for Account No. 364.	0	853
13. To reflect the appropriate balance for Account No. 370.	0	(4,779)
14. To reflect the appropriate balance for Account No. 380.	0	(9,256)
15. To reflect the appropriate balance for Account No. 382.	0	(468)
16. Plant items completed outside the test year.	0	5,000
17. Averaging Adjustment.	(305)	(1,085)
Total	<u>\$39,200</u>	<u>(\$4,944)</u>
 <u>CIAC</u>		
To reflect the appropriate CIAC balance.	<u>\$2,410</u>	<u>\$0</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 1-C	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ADJUSTMENTS TO RATE BASE		PAGE 2 OF 2	
<u>ACCUMULATED DEPRECIATION</u>		<u>WATER</u>	<u>WASTEWATER</u>
1.	Depreciation Adjustment Per Rule 25-30.140 F.A.C.	(\$39,902)	(\$31,528)
2.	Averaging Adjustment.	<u>2,801</u>	<u>10,454</u>
	Total	<u>(\$37,101)</u>	<u>(\$21,074)</u>
<u>AMORTIZATION OF CIAC</u>			
1.	To adjust Amortization of CIAC based on composite rates.	(\$12,735)	\$0
2.	Averaging Adjustment.	<u>(2,224)</u>	<u>0</u>
	Total	<u>\$14,959</u>	<u>\$0</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
	To reflect 1/8 of test year O&M expenses.	<u>\$431</u>	<u>\$2,149</u>

TYMBER CREEK UTILITIES, INCORPORATED
TEST YEAR ENDED 06/30/10
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 100359-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON STOCK	\$100	\$0	\$100					
2. RETAINED EARNINGS	79,288	0	79,288					
3. PAID IN CAPITAL	0	151,107	151,107					
4. TREASURY STOCK	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	<u>\$79,388</u>	<u>\$151,107</u>	<u>\$230,495</u>	<u>(\$46,048)</u>	<u>\$184,447</u>	<u>70.65%</u>	<u>9.27%</u>	<u>6.55%</u>
6. LONG TERM DEBT – OFFICERS LOANS	\$78,920	(\$78,920)	\$0	\$0	\$0	0.00%	0.00%	0.00%
7. LONG TERM DEBT – SHIRAH BUILDERS, INC.	44,227	0	44,227	(8,836)	35,391	13.56%	3.25%	0.44%
8. LONG TERM DEBT – SHAREHOLDER LOANS	72,187	(72,187)	0	0	0	0.00%	0.00%	0.00%
9. LONG TERM DEBT – SUN TRUST	<u>33,502</u>	<u>(14)</u>	<u>33,488</u>	<u>(6,690)</u>	<u>26,798</u>	<u>10.26%</u>	3.25%	0.33%
10. TOTAL LONG TERM DEBT	<u>\$228,836</u>	<u>(\$151,121)</u>	<u>\$77,715</u>	<u>(\$15,526)</u>	<u>\$62,189</u>	<u>23.82%</u>		
11. CUSTOMER DEPOSITS	<u>10,260</u>	<u>4,180</u>	<u>14,440</u>	<u>0</u>	<u>14,440</u>	<u>5.53%</u>	8.00%	0.44%
12. TOTAL	<u>\$318,484</u>	<u>(\$4,166)</u>	<u>\$322,650</u>	<u>(\$61,574)</u>	<u>\$261,076</u>	<u>100.00%</u>		<u>7.77%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>8.27%</u>	<u>10.27%</u>	
OVERALL RATE OF RETURN						<u>7.06%</u>	<u>8.47%</u>	

TYMBER CREEK UTILITIES, INCORPORATED			SCHEDULE NO. 3-A		
TEST YEAR ENDED 06/30/10			DOCKET NO. 100359-WS		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$116,474</u>	<u>(\$2,894)</u>	<u>\$113,580</u>	<u>\$28,472</u> 25.07%	<u>\$142,052</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$121,411	\$3,441	\$124,852	\$0	\$124,852
3. DEPRECIATION (NET)	684	1,230	1,914	0	1,914
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	7,044	1,331	8,375	1,281	9,657
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$129,139</u>	<u>\$6,003</u>	<u>\$135,142</u>	<u>\$1,281</u>	<u>\$136,423</u>
8. OPERATING INCOME/(LOSS)	<u>(\$12,665)</u>		<u>(\$21,562)</u>		<u>\$5,628</u>
9. WATER RATE BASE	<u>\$82,458</u>		<u>\$72,438</u>		<u>\$72,438</u>
10. RATE OF RETURN	<u>(15.36%)</u>		<u>(29.77%)</u>		<u>7.77%</u>

TYMBER CREEK UTILITIES, INCORPORATED			SCHEDULE NO. 3-B		
TEST YEAR ENDED 06/30/10			DOCKET NO. 100359-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$189,599</u>	<u>\$7,068</u>	<u>\$196,667</u>	<u>\$49,118</u> 24.98%	<u>\$245,785</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$173,172	\$12,974	\$186,146	\$0	\$186,146
3. DEPRECIATION (NET)	14,196	12,094	26,290	0	26,290
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	13,519	2,963	16,482	2,210	18,693
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$200,887</u>	<u>\$28,031</u>	<u>\$228,918</u>	<u>\$2,210</u>	<u>\$231,128</u>
8. OPERATING INCOME/(LOSS)	<u>(\$11,288)</u>		<u>(\$32,251)</u>		<u>\$14,657</u>
9. WASTEWATER RATE BASE	<u>\$212,507</u>		<u>\$188,638</u>		<u>\$188,638</u>
10. RATE OF RETURN	<u>(5.31%)</u>		<u>(17.10%)</u>		<u>7.77%</u>

TYMBER CREEK UTILITIES, INCORPORATED
TEST YEAR ENDED 06/30/10
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 100359-WS
PAGE 1 OF 3

OPERATING REVENUES	<u>WATER</u>	<u>WASTEWATER</u>
1. To reflect the appropriate test year revenue.	<u>(\$2,894)</u>	<u>\$7,068</u>
 OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages Employees (601/701) To reflect the appropriate salaries.	<u>\$11</u>	<u>(\$11)</u>
2. Salaries and Wages Officers (603/703)		
a. To reflect annualized salary.	\$285	\$285
b. To include direct labor.	<u>925</u>	<u>563</u>
Subtotal	<u>\$1,210</u>	<u>\$848</u>
3. Employees Pension and Benefits (604/704) To reflect appropriate allocation.	<u>(\$2,078)</u>	<u>\$2,078</u>
4. Purchased Water (610/710)		
a. To reflect increase in bulk water rate.	\$2,521	\$0
b. To reflect EUW adjustment.	<u>(1,221)</u>	<u>0</u>
Subtotal	<u>\$1,300</u>	<u>\$0</u>
5. Sludge Removal Expense (711) To reflect appropriate sludge hauling.	<u>\$0</u>	<u>\$2,065</u>
6. Chemicals (618/718) To reflect the appropriate amount.	<u>\$0</u>	<u>\$110</u>
7. Materials & Supplies (620/720) To reflect all invoices for materials and supplies.	<u>\$640</u>	<u>\$1,113</u>

(O&M EXPENSES CONTINUED ON NEXT PAGE)

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 3-C	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 3	
(O&M EXPENSES CONTINUED)			
	<u>WATER</u>	<u>WASTEWATER</u>	
8. Contractual Services - Professional (631/731)			
a. To reflect audited amount.	(\$28)	\$1,565	
b. To reflect engineering and legal costs.	<u>0</u>	3,388	
	<u>(\$28)</u>	<u>\$4,953</u>	
9. Contractual Services - Testing (635/735)			
a. To reflect appropriate amount.	(\$40)	\$0	
b. To annualize effluent testing.	0	7,845	
c. To reclassify to Account No. 736.	0	(25,296)	
d. To reflect increase in Coliform Drinking Water testing.	120	0	
e. To reflect phosphorus tests required by DEP.	0	960	
f. To reflect dye testing.	<u>0</u>	<u>60</u>	
Subtotal	<u>\$80</u>	<u>(\$16,431)</u>	
10. Contractual Services - Other (636/736)			
a. To reflect appropriate amount.	\$0	\$0	
b. To reclassify from Account No. 735.	0	25,296	
c. To reflect leak repairs.	726	0	
d. To reflect 5-year amortization of chlorine tank repairs.	0	1,000	
e. To reflect videography of lines.	0	1,000	
f. To reflect Steve Fryson's fee.	300	300	
g. To annualize Steve Woodman's fee.	1,200	0	
h. To reflect fence installation.	<u>0</u>	<u>260</u>	
Subtotal	<u>\$2,226</u>	<u>\$27,856</u>	
11. Rents (640/740)			
a. To reflect appropriate allocation for office rent.	(\$1,831)	\$1,831	
b. To reflect land rent.	0	(\$9,579)	
c. To reflect excavation rental.	405	0	
Subtotal	<u>(\$1,426)</u>	<u>(\$7,748)</u>	
12. Transportation Expense (650/750)			
To reflect gasoline charges used for Utility purposes.	<u>(\$78)</u>	<u>\$0</u>	
13. Insurance Expenses (655/755)			
To reflect 50 percent allocation to water and wastewater.	<u>\$1,100</u>	<u>(\$1,100)</u>	
14. Regulatory Expense (665/765)			
Amortize rate case expense over 4 years.	<u>\$902</u>	<u>\$1,507</u>	
(O&M EXPENSES CONTINUED ON NEXT PAGE)			

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 3-C	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 3 OF 3	
(O&M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>	
15. Miscellaneous Expense (675/775)			
a. To remove disallowed late telephone charges.	(\$71)		\$0
b. To remove unsupported balance.	(346)		(2,663)
c. To reflect 5-year amortization of permit renewal.	<u>0</u>		<u>396</u>
Subtotal	<u>(\$417)</u>		<u>(\$2,267)</u>
 TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	 <u>\$3,441</u>		 <u>\$12,974</u>
 DEPRECIATION EXPENSE			
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$3,557		\$12,094
2. To reflect test year CIAC amortization calculated by staff.	<u>(2,326)</u>		<u>0</u>
Total	<u>\$1,230</u>		<u>\$12,094</u>
 TAXES OTHER THAN INCOME			
1. To reflect Payroll Tax.	\$1,416		\$2,510
2. To reflect Property Tax.	0		502
3. To reflect the appropriate RAFs.	<u>(85)</u>		<u>(49)</u>
Total	<u>\$1,331</u>		<u>\$2,963</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 3-D	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$7,000	\$11	\$7,011
(603) SALARIES AND WAGES - OFFICERS	9,461	1,210	10,671
(604) EMPLOYEE PENSIONS AND BENEFITS	4,676	(2,078)	2,598
(610) PURCHASED WATER	63,587	1,300	64,887
(615) PURCHASED POWER	0	0	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	867	640	1,507
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	5,588	(28)	5,560
(635) CONTRACTUAL SERVICES - TESTING	7,808	80	7,888
(636) CONTRACTUAL SERVICES - OTHER	12,425	2,226	14,651
(640) RENTS	3,662	(1,426)	2,236
(650) TRANSPORTATION EXPENSE	260	(78)	182
(655) INSURANCE EXPENSE	100	1,100	1,200
(665) REGULATORY COMMISSION EXPENSE	0	902	902
(670) BAD DEBT EXPENSE	2,040	0	2,040
(675) MISCELLANEOUS EXPENSES	<u>3,937</u>	<u>(417)</u>	<u>3,520</u>
	<u>\$121,411</u>	<u>\$3,441</u>	<u>\$124,852</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 3-E	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$21,042	(\$11)	\$21,032
(703) SALARIES AND WAGES - OFFICERS	9,461	848	10,309
(704) EMPLOYEE PENSIONS AND BENEFITS	5,715	2,078	7,793
(710) PURCHASED SEWAGE TREATMENT	\$0	0	0
(711) SLUDGE REMOVAL EXPENSE	34,163	2,065	36,228
(715) PURCHASED POWER	14,979	0	14,979
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	6,155	110	6,265
(720) MATERIALS AND SUPPLIES	901	1,113	2,014
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	5,588	4,953	10,541
(735) CONTRACTUAL SERVICES - TESTING	38,451	(16,431)	22,020
(736) CONTRACTUAL SERVICES - OTHER	8,791	27,856	36,647
(740) RENTS	17,082	(7,748)	9,334
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	2,300	(1,100)	1,200
(765) REGULATORY COMMISSION EXPENSES	0	1,507	1,507
(770) BAD DEBT EXPENSE	2,464	0	2,464
(775) MISCELLANEOUS EXPENSES	<u>6,080</u>	<u>(2,267)</u>	<u>3,813</u>
	<u>\$173,172</u>	<u>(\$12,974)</u>	<u>\$186,146</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 4-A	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
MONTHLY WATER RATES			
	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" x 3/4"	\$9.75	\$9.34	\$0.06
3/4"	\$14.63	\$14.01	\$0.09
1"	\$24.38	\$23.35	\$0.16
1-1/2"	\$48.75	\$46.70	\$0.31
2"	\$78.00	\$74.72	\$0.50
3"	\$156.00	\$149.44	\$0.99
4"	\$243.75	\$233.50	\$1.55
6"	\$487.50	\$467.00	\$3.10
<u>Residential Service Gallonage Charge</u>			
Per 1,000 Gallons	\$2.56	\$0.00	\$0.00
0 - 6,000 Gallons	\$0.00	\$3.54	\$0.02
6,001 - 10,000 Gallons	\$0.00	\$4.07	\$0.03
Over 10,000 Gallons	\$0.00	\$6.11	\$0.04
<u>General Service Gallonage Charge</u>			
Per 1,000 Gallons	\$2.56	\$3.85	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$17.43	\$19.96	
5,000 Gallons	\$22.55	\$27.04	
10,000 Gallons	\$35.35	\$46.86	

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 4-B	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
MONTHLY WASTEWATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge All Meter Sizes	\$15.89	\$23.84	\$0.15
<u>Gallorage Charge</u>			
Per 1,000 Gallons (10,000 gallon maximum)	\$5.78	\$0.00	\$0.00
Per 1,000 Gallons (8,000 gallon maximum)	\$0.00	\$6.37	\$0.04
<u>General Service</u>			
Base Facility Charge by Meter Size:			
5/8" x 3/4"	\$15.89	\$23.84	\$0.15
3/4"	\$23.84	\$35.76	\$0.23
1"	\$39.73	\$59.60	\$0.38
1-1/2"	\$79.45	\$119.20	\$0.77
2"	\$127.12	\$190.72	\$1.22
3"	\$254.24	\$381.44	\$2.45
4"	\$397.25	\$596.00	\$3.83
6"	\$794.50	\$1,192.00	\$7.65
Gallorage Charge per 1,000 Gallons	\$6.94	\$7.64	\$0.05
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$33.23	\$42.95	
5,000 Gallons	\$44.79	\$55.69	
8,000 Gallons	\$62.13	\$74.80	

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 5-A	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
SCHEDULE OF WASTEWATER RATE BASE (PHASE II)			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$699,863	\$35,245	\$735,108
2. LAND & LAND RIGHTS	4,524	0	4,524
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(380,306)	0	(380,306)
5. ACCUMULATED DEPRECIATION	(539,017)	1,556	(537,461)
6. AMORTIZATION OF CIAC	380,306	0	380,306
7. WORKING CAPITAL ALLOWANCE	<u>23,268</u>	<u>5,414</u>	<u>28,682</u>
8. WASTEWATER RATE BASE	<u>\$188,638</u>	<u>\$42,215</u>	<u>\$230,853</u>

TYMBER CREEK UTILITIES, INCORPORATED
TEST YEAR ENDED 06/30/10
ADJUSTMENTS TO RATE BASE (PHASE II)

SCHEDULE NO. 5-B
DOCKET NO. 100359-WS

PAGE 1

	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. Pro Forma adjustment for two Gorman-Rupp pumps.	\$0	\$14,400
2. Pro Forma adjustment for wireless monitoring of two collection lift stations.	0	3,155
3. Pro Forma adjustment for new surge pump.	0	5,675
4. Pro Forma adjustment for filter media.	0	5,865
5. Pro Forma adjustment for automatic dialer at main lift station.	0	3,300
6. Pro Forma adjustment for monitoring well covers.	<u>0</u>	<u>2,850</u>
Total	<u>\$0</u>	<u>\$35,245</u>
<u>ACCUMULATED DEPRECIATION</u>		
Depreciation Adjustment Per Rule 25-30.140 F.A.C.	<u>\$0</u>	<u>\$1,556</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
To reflect 1/8 of test year O&M expenses.	<u>\$0</u>	<u>\$5,414</u>

TYMBER CREEK UTILITIES, INCORPORATED
TEST YEAR ENDED 06/30/10
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)

SCHEDULE NO. 6
DOCKET NO. 100359-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON STOCK	\$100	\$0	\$100					
2. RETAINED EARNINGS	79,288	0	79,288					
3. PAID IN CAPITAL	151,107	0	151,107					
4. TREASURY STOCK	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	<u>\$230,495</u>	<u>\$0</u>	<u>\$230,495</u>	<u>(\$14,478)</u>	<u>\$216,017</u>	<u>71.22%</u>	<u>9.27%</u>	<u>6.60%</u>
6. LONG TERM DEBT - OFFICERS LOANS	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
LONG TERM DEBT - SHIRAH BUILDERS, INC.	44,227	0	44,227	(2,778)	41,449	13.67%	3.25%	0.44%
LONG TERM DEBT - SHAREHOLDER LOANS	0	0	0	0	0	0.00%	0.00%	0.00%
7. LONG TERM DEBT - SUN TRUST	<u>33,488</u>	<u>0</u>	<u>33,488</u>	<u>(2,103)</u>	<u>31,385</u>	<u>10.35%</u>	3.25%	0.34%
TOTAL LONG TERM DEBT	<u>\$77,715</u>	<u>\$0</u>	<u>\$77,715</u>	<u>(\$4,881)</u>	<u>\$72,834</u>	<u>13.67%</u>		
8. CUSTOMER DEPOSITS	<u>14,440</u>	<u>0</u>	<u>14,440</u>	<u>0</u>	<u>14,440</u>	<u>4.76%</u>	8.00%	<u>0.38%</u>
9. TOTAL	<u>\$322,650</u>	<u>\$0</u>	<u>\$322,650</u>	<u>(\$19,359)</u>	<u>\$303,291</u>	<u>89.65%</u>		<u>7.77%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>8.27%</u>	<u>10.27%</u>	
OVERALL RATE OF RETURN						<u>7.05%</u>	<u>8.48%</u>	

TYMBER CREEK UTILITIES, INCORPORATED			SCHEDULE NO. 7-A		
TEST YEAR ENDED 06/30/10			DOCKET NO. 100359-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE II)					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$245,785</u>	<u>\$0</u>	<u>\$245,785</u>	<u>\$50,471</u> 20.53%	<u>\$296,256</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	<u>\$186,146</u>	<u>\$43,309</u>	<u>\$229,455</u>	<u>\$0</u>	<u>\$229,455</u>
3. DEPRECIATION (NET)	<u>26,290</u>	<u>1,611</u>	<u>27,901</u>	<u>0</u>	<u>27,901</u>
4. AMORTIZATION	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
5. TAXES OTHER THAN INCOME	<u>18,693</u>	<u>0</u>	<u>18,693</u>	<u>2,271</u>	<u>20,964</u>
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$231,128</u>	<u>\$44,920</u>	<u>\$276,048</u>	<u>\$2,271</u>	<u>\$278,319</u>
8. OPERATING INCOME/(LOSS)	<u>\$14,657</u>		<u>(\$30,263)</u>		<u>\$17,937</u>
9. WASTEWATER RATE BASE	<u>\$188,638</u>		<u>\$230,853</u>		<u>\$230,853</u>
10. RATE OF RETURN	<u>7.77%</u>		<u>(13.11%)</u>		<u>7.77%</u>

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO OPERATING INCOME (PHASE II)		SCHEDULE NO. 7-B DOCKET NO. 100359-WS	
	<u>WATER</u>	<u>WASTEWATER</u>	
OPERATION AND MAINTENANCE EXPENSES			
1. Sludge Removal Expense (711)			
To reflect additional sludge hauling expense.	<u>\$0</u>	<u>\$25,200</u>	
2. Contractual Services - Professional (631/731)			
To reflect engineering reports to summarize results.	<u>\$0</u>	<u>\$2,000</u>	
3. Contractual Services - Other (636/736)			
a. Perform leakage tests of force main.	\$0	\$400	
b. To reflect installation of Wireless Monitoring System.	0	695	
c. To reflect collection system repairs.	<u>0</u>	<u>15,109</u>	
Subtotal	<u>\$0</u>	<u>\$16,109</u>	
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$0</u>	<u>\$43,309</u>	
DEPRECIATION EXPENSE			
To reflect test year depreciation calculated per 25-30.140, F.A.C.	<u>\$0</u>	<u>\$1,611</u>	

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 7-C	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE II)			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$21,032	\$0	\$21,032
(703) SALARIES AND WAGES - OFFICERS	10,309	0	10,309
(704) EMPLOYEE PENSIONS AND BENEFITS	7,793	0	7,793
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	36,228	25,200	61,428
(715) PURCHASED POWER	14,979	0	14,979
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	6,265	0	6,265
(720) MATERIALS AND SUPPLIES	2,014	0	2,014
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	10,541	2,000	12,541
(735) CONTRACTUAL SERVICES - TESTING	22,020	0	22,020
(736) CONTRACTUAL SERVICES - OTHER	36,647	16,109	52,756
(740) RENTS	9,334	0	9,334
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	1,200	0	1,200
(765) REGULATORY COMMISSION EXPENSES	1,507	0	1,507
(770) BAD DEBT EXPENSE	2,464	0	2,464
(775) MISCELLANEOUS EXPENSES	<u>3,813</u>	<u>0</u>	<u>3,813</u>
	<u>\$186,146</u>	<u>\$43,309</u>	<u>\$229,455</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 8	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
MONTHLY WASTEWATER RATES (PHASE II)			
	STAFF RECOMMENDED PHASE I RATES	STAFF RECOMMENDED PHASE II RATES	4-YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge All Meter Sizes	\$20.55	\$28.72	\$0.15
<u>Gallorage Charge</u>			
Per 1,000 Gallons (8,000 gallon cap)	\$5.65	\$7.72	\$0.04
<u>General Service</u>			
Base Facility Charge by Meter Size:			
5/8" x 3/4"	\$20.55	\$28.72	\$0.15
3/4"	\$30.83	\$43.08	\$0.23
1"	\$51.38	\$71.80	\$0.38
1-1/2"	\$102.75	\$143.60	\$0.76
2"	\$164.40	\$229.76	\$1.22
3"	\$328.80	\$459.52	\$2.45
4"	\$513.75	\$718.00	\$3.82
6"	\$1,027.50	\$1,436.00	\$7.65
Gallorage Charge per 1,000 gallons	\$6.78	\$9.26	\$0.05
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$37.50	\$51.88	
5,000 Gallons	\$48.80	\$67.32	
8,000 Gallons	\$65.75	\$90.48	

25-22.0407 Notice of and Public Information for General Rate Increase Requests by Water and Wastewater Utilities.

(1) This rule applies to all requests for general rate increases made by water and wastewater utilities.

(2) Upon filing a petition for a general rate increase, the utility shall mail a copy of the petition to the chief executive officer of the governing body of each municipality and county within the service areas included in the rate request. Each copy of the petition shall be accompanied by a statement that a copy of the minimum filing requirements (MFRs) when accepted by the Commission can be obtained from the petitioner upon request.

(3) Within 30 days after the official date of filing established by the Commission, the utility shall place a copy of the petition and the MFRs at its official headquarters and at any business offices it has in the service areas included in the rate request. Such copies shall be available for public inspection during the utility's regular business hours. If the utility does not have a business office in a service area included in its rate request, the utility shall place a copy of the petition and the MFRs at the main county library, the local community center or other appropriate location which is within or most convenient to the service area and which is willing to accept and provide public access to the copies. If the Commission determines that these locations will not provide adequate access, the Commission will require that copies of the petition and MFRs be placed at other specified locations.

(4)(a) Within 30 days after the official date of filing established by the Commission, the utility shall place a copy of its rate case synopsis at all locations where copies of the petition and MFRs were placed.

(b) Within 30 days after the official date of filing established by the Commission, the utility shall mail a copy of its rate case synopsis to the chief executive officer of the governing body of each municipality and county within the service areas included in the rate request.

(c) The utility's rate case synopsis shall be approved by the Commission staff prior to distribution and shall include the following:

1. A summary of the section of the MFRs showing a comparison of the present and proposed rates and charges;
2. A statement of the general reasons for the rate request;
3. A statement of any anticipated major issues involved in the rate case;
4. A description of the ratemaking process and the time schedule established for the rate case; and
5. The locations where complete MFRs are available.

(5)(a) Within 50 days after the official date of filing established by the Commission, the utility shall provide, in writing, an initial customer notice to all customers within the service areas included in the rate request and to all persons in the same service areas who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the petition is filed.

(b) The initial customer notice shall be approved by Commission staff prior to distribution and shall include the following:

1. The date the notice was issued;
2. A statement that the utility has filed a rate request with the Commission and a statement of the general reasons for the request;
3. A statement of the locations where copies of the MFRs, petition, and rate case synopsis are available for public inspection and the hours and days when inspection may be made;
4. The time schedule established for the case, including the dates, times, and locations of any hearings scheduled;
5. A comparison of current rates and charges and the proposed new rates and charges;
6. The utility's address, telephone number, and business hours;
7. A statement that written comments regarding utility service or the proposed rates and charges should be addressed to the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, and that such comments should identify the docket number assigned to the proceeding;
8. A statement that complaints regarding service may be made to the Commission's Division of Service, Safety & Consumer Assistance at the following toll-free number: 1(800)342-3552; and
9. If the utility has not requested a change in its service availability charges as part of its rate request, a statement that the Commission will be reviewing the utility's service availability charges in the pending rate case and that the Commission may adjust those charges.
10. The docket number assigned by the Commission's Office of Commission Clerk.

(c) The initial customer notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(6)(a) No less than 14 days and no more than 30 days prior to the date of each service hearing, in those cases where the Commission has scheduled a service hearing, the utility shall provide written notice of the date, time, location, and purpose of the service hearing to all customers within service areas designated by the prehearing officer or the Commission staff. The notice shall be approved by the Commission staff prior to distribution. The notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(b) No less than 14 days and no more than 30 days prior to the date of the hearing, in all cases, including those in which the Commission has scheduled a service hearing, the utility shall provide written notice of the date, time, location, and purpose of the hearing to all customers within the service areas included in the rate request. The notice shall be approved by Commission staff prior to distribution. The notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(7) No less than 14 days and no more than 30 days prior to the date of each hearing held in or near a utility service area included in the rate request, the utility shall have published in a newspaper of general circulation in the area in which such hearing is to be held a display advertisement stating the date, time, location, and purpose of the hearing. The notice shall be approved by Commission staff prior to publication.

(8) When a utility files for a petition for a general rate increase and requests that its case be processed as proposed agency action in accordance with Section 367.081(8), Florida Statutes, the utility shall comply with the requirements of subsections (2), (3), (4) and (5) of this rule.

(a) No less than 14 days and no more than 30 days prior to the date of a customer meeting conducted by the Commission staff, the utility shall provide written notice of the date, time, location, and purpose of the customer meeting to all customers within service areas designated by the Commission staff. The notice shall be approved by Commission staff prior to distribution. The notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(b) If the proposed agency action order issued in the case is protested and any hearings are subsequently held, the utility shall give notice in accordance with subsections (6) and (7) above.

(9) When a utility applies for a staff-assisted rate case in accordance with Section 367.0814, Florida Statutes, and Rule 25-30.455, F.A.C., and staff-assistance is granted, the requirements of subsections (2), (3), (4), and (5) of this rule shall not apply.

(a) Upon receipt of the staff reports, the utility shall place two copies of its application for staff-assistance and the staff reports at any business offices it has in its service area. Such copies shall be available for public inspection during the utility's regular business hours. If the utility does not have a business office in its service area, the utility shall place two copies of its application and the staff reports at the main county library, the local community center or other appropriate location that is within or most convenient to the service area and that is willing to accept and provide public access to the copies.

(b) No less than 14 days and no more than 30 days prior to the date of a customer meeting conducted by the Commission staff, the utility shall provide, in writing, a customer meeting notice to all customers within its service area and to all persons in the same service areas who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the petition is filed.

(c) The customer meeting notice shall be approved by the Commission staff prior to distribution and shall include the following:

1. The date the notice was issued;
2. The time, date, location, and purpose of the customer meeting;
3. A statement that the utility has applied for a staff-assisted rate case and the general reasons for doing so;
4. A statement of the location where copies of the application and the staff reports are available for public inspection and the times during which inspection may be made;
5. A comparison of current rates and charges and the proposed new rates and charges;
6. The utility's address, telephone number, and business hours;
7. A statement that written comments regarding utility service or the proposed rates and charges should be addressed to the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, and that such comments should identify the docket number assigned to the proceeding;
8. A statement that complaints regarding service may be made to the Commission's Division of Service, Safety & Consumer Assistance at the following toll-free number: 1(800)342-3552.
9. A statement that the Commission will be reviewing the utility's service availability charges in the pending case and that the Commission may adjust those charges.

10. The docket number assigned by the Commission's Office of Commission Clerk.

(d) The customer meeting notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(e) If the proposed agency action order issued in the case is protested and any hearings are subsequently held, the utility shall give notice in accordance with subsections (6) and (7) above.

(10) After the Commission issues an order granting or denying a rate change, the utility shall notify its customers of the order and any revised rates. The customer notification shall be approved by Commission staff and be distributed no later than with the first bill containing any revised rates.

Specific Authority 350.127(2), 367.121(1)(f) FS. Law Implemented 120.569, 120.57, 367.081(2)(a), 367.0814(1), 367.0817, 367.091, 367.121(1)(a) FS. History—New 5-27-93, Amended 5-3-99.