

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Volusia County by Tymber Creek Utilities,
Incorporated.

DOCKET NO. 100359-WS
ORDER NO. PSC-11-0345-PAA-WS
ISSUED: August 16, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

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

BY THE COMMISSION:

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

BACKGROUND

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, we received Tymber Creek's application for a Staff Assisted Rate Case (SARC). Our staff

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.

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issued a staff report dated February 9, 2011, and a customer meeting was held on April 6, 2011. We have the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes.

QUALITY OF SERVICE

Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), we determine the overall quality of service provided by a utility by evaluating three separate components of water and wastewater operations: 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. Customer comments or complaints are reviewed and the Utility's compliance with the Florida Department of Environmental Protection (DEP) is also considered.

Quality of the Utility's Product and Operating Condition of the Plant and Facilities

Our staff conducted a field investigation of the service area on October 7, 2010. In addition, our 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, we found that the quality of wastewater service was satisfactory; however, our 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. 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 failure to meet total suspended solids standards. On August 16, 2010, DEP issued a renewed operating permit for the wastewater treatment plant (WWTP) requiring the Utility to perform tests on the collection system, make improvements to the treatment plant and collection system, and provide an engineering report summarizing the results of the tests and improvements.

The Utility had an engineering study performed and a capital improvement plan report prepared to address the requirements of the DEP permit. The report contains a description of proposed system improvements, including leakage tests of force mains 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 later in this Order.

We note that subsequent to the issuance of the permit, the Homeowners' Association (HOA) opposed the renewal of the permit on grounds that the Utility had not adequately addressed the problems in the collection system. Tymber Creek provided a copy of its capital improvement plan report to the HOA. Our staff met with representatives of the Utility, the HOA, and the DEP to discuss the status of the negotiations regarding the capital improvement plan and other issues related to the rate case. The Utility and the HOA have continued their negotiations, the DEP is monitoring the progress of the negotiations and the renewal of the

operating permit has been held in abeyance. According to DEP, a report was due on August 1 regarding the status of the settlement negotiations between the Utility and HOA.

The Company has installed a new pump to address the lift station sewage spills and made repairs to the surge tank and aeration tank blowers to improve system performance. It appears that the Utility is making every effort to work with DEP and the HOA to resolve the concerns related to the operation of the WWTP and the collection system. The Utility has already implemented portions of the capital improvement plan and is working with the DEP and the HOA to resolve the outstanding customer concerns. We therefore find the quality of the Utility's treated wastewater and the operating condition of the plant and facilities shall be considered satisfactory.

The Utility's Attempt to Address Customer Satisfaction

A customer meeting was held on April 6, 2011, in Ormond Beach, Florida. Representatives from the Utility and DEP, as well as a Commissioner were present. Three customers attended and all spoke. The customers were concerned about the rates. Two of the customers raised concerns about odors from the WWTP. Our staff explained the rate making process to the customers and asked DEP to follow up on the complaints regarding odors.

A DEP staff member visited the WWTP and the main lift station on April 22, 2011, and found no detectable odors. The DEP staff member also spoke to a customer living adjacent to the plant who stated that odors from the plant are a frequent occurrence and have been for years, although the problem has not been reported to the DEP.

The Utility has proposed several system improvements, discussed in more detail later in this Order, which are expected to minimize or resolve any apparent odor issue, including improvements to the lift stations, additional sludge hauling, and replacement of filter media in the wastewater treatment plant. These system improvements are a part of the negotiations between the Utility and the HOA with respect to the DEP operating permit renewal. DEP is monitoring the Utility's negotiations with the HOA in an effort to resolve the outstanding concerns related to the operating permit renewal. Our Consumer Activity Tracking System reveals one customer complaint (regarding a billing issue which was resolved and closed) over the past three years. Therefore, we find the Utility's attempts to address customer concerns is satisfactory.

Summary

The Utility is working closely with the DEP and the HOA to resolve concerns related to the operation of the Utility's WWTP and lift stations and renewal of the WWTP operating permit. The upgrades to the wastewater system, including testing and repairs to the collection system, replacement of filter media, and additional sludge removal should address these issues; the DEP will continue to monitor the progress of the negotiations between the Utility and the HOA, as well as the renewal of the operating permit. Further, it appears that the Utility

addresses customer complaints in a timely manner. Therefore, we determine the overall quality of service provided by Tymber Creek is satisfactory.

USED AND USEFUL PERCENTAGES

In evaluating the used and usefulness of the water and wastewater facilities, we analyzed the Utility's records for the test year ended June 30, 2010.

Wastewater Treatment Plant

The Tymber Creek WWTP, which 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 (U&U) calculation should be 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 system's annual average daily flow, was 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 review of the Utility's records and a field investigation of the service area show that the system is close to build out, there has been no significant growth in the last five years, and the average annual daily flow has decreased since the last rate case. Therefore, the WWTP shall be considered 100 percent U&U.

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 number of lots the lines are designed to serve. Consideration is also given to growth. Tymber Creek's system has had no significant growth in the last five years and there are approximately six vacant lots in the service area. It appears that the system is close to built out, therefore, the water distribution and wastewater collection system shall be considered a 100 percent U&U.

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 2 percent of the water purchased by Tymber Creek is EUW. Accordingly, an adjustment shall be made to reduce purchased water expense by 2 percent.

AVERAGE TEST YEAR RATE BASE

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. For this SARC, we use a test year ended June 30, 2010. 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. We find it appropriate to make the adjustments identified in Table 1, below, to reflect the appropriate plant additions and retirements to water and wastewater UPIS amounts.

Table 1
Adjustments to Utility Plant In Service

<u>Adjustment Description</u>	<u>Water</u>	<u>Wastewater</u>
1. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 309.	(\$33,103)	\$0
2. To reflect cost to connect to the city water system (Acct. No. 309).	18,025	0
3. To reflect gate valves (Acct. No. 309).	707	0
4. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 310.	15,165	0
5. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 331.	58,234	0
6. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 333.	(13,917)	0
7. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 334.	(17,756)	0
8. To reflect meters and meter installations (Acct. No. 334).	13,065	0
9. To reflect plant retirements from Acct. No. 334.	(9,799)	0
10. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 335.	4,755	0
11. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 340.	3,423	0
12. To reflect Utility billing software (Acct. No. 340).	993	0
13. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 345.	373	0
14. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 348.	(660)	0
15. To reflect lift station repairs (Acct. No. 360).	0	15,055
16. To reflect plant retirements from Acct. No. 360.	0	(3,747)
17. To reflect the ending balance approved in the last order for Acct. No 361.	0	(4,961)
18. To reflect PVC replacement, roadway repairs, dewatering and mobilization (Acct. No. 361).	0	22,150
19. To reflect plant retirements from Acct. No. 361.	0	(24,157)
20. To reflect the appropriate total cost for the electronics flow meter (Acct. No. 370).	0	853
21. To reflect the ending balance approved in the last order for Acct. No. 370.	0	(5,755)
22. To reflect cost for pump assembly, aluminum flow baffle, and monitor well (\$1,983 + \$343 + \$1,580).	0	3,906
23. To reflect plant retirements from Acct. No. 370.	0	(2,930)
24. To reflect the ending balance approved in the last order for Acct. No. 380.	0	(13,841)
25. To reflect blower package (\$8,689) and blower repairs (\$2,393 + \$6,358) (Acct. No. 380).	0	17,440
26. To replace drop pipes and surge tank (Acct. No. 380).	0	396
27. To reflect chlorinator and pole for lift station (Acct. No. 380).	0	505
28. To reflect plant retirements from Acct. No. 380.	0	(13,756)

29. To reflect the ending balance approved in the last order for Acct. No. 382.	0	(908)
30. Repair broken discharge line (Acct. No. 382).	0	1,448
31. Re-route sludge waste lines (Acct. No. 382).	0	312
32. To reflect plant retirements from Acct. No. 382.	0	(1,320)
33. To reflect Utility billing software (Acct. No. 390).	0	450
34. Plant items completed outside the test year.	0	5,000
35. Averaging Adjustment	(305)	(1,085)
Total	\$39,200	(\$4,944)

Our net adjustments to UPIS result in an increase of \$39,200 for water and a decrease of \$4,944 for wastewater. We find the UPIS balances shall be \$244,114 for water and \$699,863 for wastewater.

Non-Used and Useful Plant: As discussed above, Tymber Creek's water distribution system, wastewater treatment plant, and the wastewater collection system are 100 percent U&U. Therefore, a non-U&U 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. We 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. We 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 included an unsupported amount of \$2,410 for water. Therefore, we make an adjustment to decrease this account by \$2,410 for water, which results in 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. We calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. We increased this account by \$39,902 for water and \$31,528 for wastewater to reflect our calculation of depreciation. We 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 using composite depreciation rates. In order to reflect amortization of CIAC as calculated, this account has been decreased by \$12,735 for water. We decreased this account by \$2,224 for water to reflect an averaging adjustment. Our 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., we find that the one-eighth of the O&M expense formula approach shall be used for calculating working capital allowance. Applying this formula, we determine a working capital allowance of \$15,609 (based on water O&M of \$124,870) and \$22,908 (based on wastewater O&M of \$183,268) for water and wastewater, respectively. Thus, working capital has been increased by \$433 for water and \$1,789 for wastewater to reflect one-eighth of O&M expenses.

Rate Base Summary: Based on the foregoing, we find the appropriate test year average rate base is \$72,440 for water and \$188,278 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B, and our adjustments are shown on Schedule No. 1-C.

RATE OF RETURN ON EQUITY (ROE) AND OVERALL RATE OF RETURN

According to Audit Finding 10, and supporting documentation provided by the Utility, Tymber Creek’s capital structure consists of the following components:

Table 2
 Capital Structure

<u>Account Description</u>	<u>Balance</u>
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 stated interest rate on the loans and no loan documents. Accordingly, these loans shall be treated as common equity in accordance with our past practice.³ We therefore increase the balance of paid in capital by \$151,107 (\$78,920 + \$72,187) and decrease long-term debt by the same amount.

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 long-term debt balance also includes a revolving credit line with Sun Trust Bank in the amount of \$35,000 with an outstanding balance of \$33,502 and an annual interest rate of 3.25 percent. Proceeds from the credit line were used for the expansion of the wastewater plant. Based on bank statements as of June 30, 2010, the credit line has an outstanding loan balance of \$33,488. We will therefore decrease this account by \$14 to reflect the balance of \$33,488.

The Utility's capital structure has been reconciled with the previously determined rate base. Consistent with the leverage formula currently in effect, the appropriate ROE is 9.27 percent.⁴ We determine that ROE shall be 9.27 percent with a range of 8.27 percent to 10.27 percent, and determine an overall rate of return of 7.77 percent. The ROE and overall rate of return are shown on Schedule No. 2.

TEST YEAR REVENUE

Tymber Creek recorded total revenues of \$116,474 for water and \$189,599 for wastewater for the 12-month period ended June 30, 2010. We analyzed the Utility's reported revenues, and based on the billing determinants, find test year revenue of \$113,580 for water and \$196,667 for wastewater. Therefore, we have 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.

OPERATING EXPENSE

For the test year ended June 30, 2010, Tymber Creek recorded operating expense of \$129,139 for water and \$200,887 for wastewater. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Our adjustments to the Utility's operating expenses are 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. We determine this allocation methodology is reasonable. Accordingly, we increase this expense for water by \$11, and decrease this expense for wastewater by \$11, to reflect the appropriate allocation to water and wastewater. Salaries and Wages – Employees expense shall therefore be \$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, which is calculated to be \$4,873 for each officer. This results in an annual expense of \$9,746 for both officers combined. Therefore, we increase this account by

⁴ See Order No. PSC-10-0401-PAA-WS, issued June 18, 2010, in Docket No. 100006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

\$285 for water and \$285 for wastewater. In addition, the Utility's officers occasionally provided direct labor on an as needed basis totaling \$925 for water and \$563 for wastewater. Pursuant to the National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA), Account No. 603 – Salaries and Wages – Officers should include, “the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.” Therefore, we increase this account by \$925 for water and \$563 for wastewater to reflect labor costs. This results in 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 noted above, the Utility has 1 full-time employee whose salary is allocated 25 percent to water and 75 percent to wastewater. For consistency purposes, we will apply the same methodology to employee pensions and benefits expense. Accordingly, we decrease this account by \$2,078 for water and increase this account by \$2,078 for wastewater. We therefore set 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. We have increased this account by \$2,521 to reflect the annualized increase in bulk water rates. Based on the above adjustment, we calculate purchased water expense to be \$66,108. As discussed previously, we decreased this account by \$1,322 (\$66,108 x 2 percent) for excessive unaccounted for water. This results in purchased water expense of \$64,786 (\$63,587 + \$2,521 - \$1,322).

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

Chemicals (718) – Tymber Creek recorded \$6,155 in this account. We increase this account by \$110 for an invoice that was not included in the test year, resulting in 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, we calculate \$1,507 and \$2,014 for water and wastewater, respectively. Therefore, we increase this account by \$640 for water and \$1,113 for wastewater, for 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, we decrease this account by \$28 for water and increase this account by \$1,565 for wastewater. Contractual services – professional expense shall be \$5,560 (\$5,588 - \$28) for water and \$7,153 (\$5,588 + \$1,565) for wastewater.

Contractual Services – Testing (635/735) – The Utility recorded \$7,808 for water and \$38,451 for wastewater in this account. We decrease 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. We annualized the total cost of effluent testing and increased this account by \$7,845 ($\$1,750 \times 12$ months - \$13,155) for wastewater. Further, we 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 coliform drinking water analysis testing would be increased from \$20 to \$25. Tymber Creek normally has two coliform drinking water analysis tests performed per month. We therefore make an adjustment to increase this account by \$120 for water ($\50×12 months - $\$40 \times 12$ months). After the completion of the audit report, the Utility provided invoices for bi-monthly phosphorus tests required by DEP. The cost of the bi-monthly phosphorus test is \$40; therefore we increased this account by \$960 ($\80×12 months) for wastewater. Our staff engineer reports Tymber Creek also incurred an expense of \$300 for dye testing. Amortizing this amount over 5 years results in an increase of \$60 for wastewater. We therefore find contractual services – testing expense of \$7,888 ($\$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. We increase this account by \$25,296 to reclassify these costs. The Utility provided additional invoices for leak repairs totaling \$1,026, and we increase this account by \$726 for water and \$300 for wastewater to reflect the respective invoices. The Utility provided an invoice for chlorine tank repairs of \$5,000. We have amortized the \$5,000 over 5 years which resulted in an increase of \$1,000 for wastewater. The Utility also provided an invoice for videography of wastewater lines of \$5,000. Likewise, we have amortized this amount over five years which resulted in an increase of \$1,000 for wastewater. The Utility requested a \$25 increase in the \$175 monthly fee for its meter reader. We find this amount is reasonable, and accordingly increase this account by \$300 for water ($\25×12 months). The Utility requested a \$100 increase in the monthly fee for its water operator due to increased DEP monitoring requirements. The water operator's current monthly fee is \$500. We will increase this account by \$1,200 ($\100×12 months) for water to reflect the increased fee for the water operator. Finally, we have amortized the cost of a \$1,300 fence installation over 5 years which results in an increase of \$260 for wastewater. The net effect of adjustments to this account results in an increase of \$2,226 ($\$726 + \$300 + \$1,200$) for water and \$28,156 ($\$25,296 + \$300 + \$1,000 + \$1,000 + \$300 + \260) for wastewater. We therefore determine contractual services – other expense shall be \$14,651 for water and \$36,947 for wastewater.

Rent Expense (640/740) – The Utility recorded \$3,662 for water and \$17,082 for wastewater in this account. Based on the audit report, the rent account includes \$7,324 for office rent. Tymber Creek allocated \$3,662 for both water and wastewater for office rent. We find the appropriate allocation of expenses is a 25 percent allocation to water and a 75 percent allocation to wastewater. This results in office rent of \$1,831 for water and \$5,493 for wastewater.

Accordingly, we decrease the amount reported for office rent by \$1,831 for water and increase the amount for wastewater by \$1,831.

Tymber Creek's percolation ponds are located on 3.6 acres of land (the land) owned by J. Stanley Shirah, the Utility's owner. The original cost of the land was established as \$49,432 by Order No. 24206.⁵ According to Order No. 24206, Tymber Creek represented that it would purchase the 3.6 acres and construct four additional percolation ponds. Mr. Shirah purchased the land in question in 1973 for approximately \$2,000 per acre. In 1990, a percolation pond was constructed on the land, and the land was devoted to public use. The Utility proposed to use a value of \$96,000 for the land. However, at that time, we noted that it was reasonable to adjust the value of land purchased by a utility from a related party when the requested value is significantly greater than the original purchase price. In the 1990 case, we adjusted the value of the land by applying a land-value index derived from the change in assessed property values in Volusia County from 1973 to 1991. Based on the application of this index, we found that the appropriate value of the land was \$49,432 at the time it was devoted to public service. Because it was represented by Mr. Shirah that the Utility would own the land under the percolation ponds, this amount was included in rate base. Thus, there was no rent expense for land in the 1990 case.

In 2004, Tymber Creek filed an application for a rate increase for its wastewater system. The application was assigned Docket No. 040300-SU. At that time, Tymber Creek requested rent expense for the land in the amount of \$540 per month or \$6,480 annually. In the 2004 rate proceeding, we determined that Mr. Shirah had not sold the land to the Utility as represented in the 1990 case. We therefore removed the amount of \$49,432 from rate base and calculated the appropriate rent expense for the land. In the 2004 case, we established appropriate rent amount for the land as the annual rate of return times the original cost of the land at the time it was devoted to public service. Using the approved rate of return of 8.78 percent and the value of the land of \$49,432, we recognized a rent expense for the land of \$362 per month or \$4,340 annually.⁶

In the instant docket, the Utility requested rent expense for the land in the amount of \$3,700 per month or \$44,400 annually. In our staff's preliminary report, which was prepared for Tymber Creek's customer meeting, our staff recommended an annual rent expense for the land of \$3,841. The recommended rent expense for the land was determined by multiplying the original cost of the land at the time it was placed into service by our staff's recommended overall rate of return of 7.77 percent. Tymber Creek disagreed with our staff's preliminary recommendation from the staff report and filed additional documentation to support its requested rent expense for land.

By letter dated March 16, 2011, Tymber Creek stated its position regarding its preferred treatment of the land. A copy of an appraisal prepared by Richard Dreggors from Calhoun,

⁵ See Order No. 24206, issued March 7, 1991, in Docket No. 900501-WS, In re: Application for a staff-assisted rate case in Volusia County by Tymber Creek Utilities

⁶ 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, p.10.

Dreggors, and Associates, Inc. (CDA) was included with the Utility’s letter. The appraisal valued the land upon which the percolation ponds were built at \$175,000 per acre. Mr. Dreggors identified three different approaches to value the land, 1) cost approach 2) sales comparison approach, and 3) income capitalization approach. The cost approach is “an indication of value which combines the value of the land under the highest and best use, plus the depreciated replacement or reproduction cost of improvements.” The sales comparison approach “is a method of estimating value whereby the subject property is compared with similar properties that have sold recently.” The income capitalization approach is when, “the projected or current rental income for the property is shown with deductions for vacancy and collection losses and expenses.” Mr. Dreggors chose the sales comparison approach and estimated the value of the land as if the land were vacant. Accordingly, Mr. Dreggors provided four separate sales transactions of vacant land in Volusia County. Table 3, below, summarizes the results of those sales.

Table 3
Land Sales Transactions

Sale No.	Location	Sale Date	Sale Price	Land Size (in acres)	Future Land Use	Price /Acre
VR-103	NE Corner of Clyde Morris Blvd. & Strickland Range Rd.; Daytona Beach, Volusia Co.	11/27/07	\$3,684,117	23.24	Office Transitional	\$158,525
VR-105	SE Corner of Clyde Morris Blvd. & Big Tree Rd.; Daytona Beach, Volusia Co.	5/15/07	\$3,541,250	14.16	L2 Residential & Low Intensity Commercial	\$250,088
VR-110	North Side of Museum Blvd., about 280' W of Nova Rd. (SR 5A); Daytona Beach, Volusia Co.	11/10/06	\$525,000	3.23	L1 Residential	\$162,539
177	SW Corner of Business Center Dr. & Southland Rd.; Ormond Beach, Volusia Co.	10/2/06	\$730,000	2.85	Industrial/Utilities	\$256,140

Based on the above, Mr. Dreggor concluded that the 3.6 acres of land was valued at \$175,000 per acre, for a total land value of \$630,000. Tymber Creek also submitted a lease agreement between the Utility and Mr. Shirah calling for payments of \$3,700 per month for the land. In addition, the Utility’s letter indicated that the staff’s preliminary report did not include the land for the original wastewater treatment facility, two lift stations, and one percolation pond. However, we note that \$4,524 is recorded in rate base for the land associated with the original WWTF as shown on Schedule No. 1-B.

On May 11, 2011, we received a second filing of additional information related to the rent issue in the instant docket. The Utility presented a Stipulated Order of Taking from Volusia County dated December 29, 2009, wherein Volusia County condemned the 6 acres of land adjacent to the 3.6 acres of land at issue in this case. The price of the 6 acres of land was \$798,000 or \$133,000 per acre. Tymber Creek provided the information to further support its claim that the land in question should be valued much greater than the amount we previously established.

On May 13, 2011, we received a third filing of additional information related to this rent issue. Tymber Creek explained that the reason the Utility did not purchase the land as discussed in Order No. 24206 was because Mr. Shirah, “was not willing to sell for below market value of the land that the Commission computed.” In Docket No. 900501-WS, the Utility submitted an appraisal which purported to show the value of the land at that time was \$26,971 to \$32,988 per acre. Further, Tymber Creek stated, “the utility feels that the Commission (sic) reliance upon the fact of land being placed into public service is relative to booking an asset of the utility, not a lease. This land has never been dedicated to the concept of long-term use as percolation ponds.” In addition, the Utility explained the use of the land on which the percolation ponds are located had been a provisional solution to comply with increased DEP requirements. As such, the Utility now claims the land had not been dedicated to public use. However, going forward from the instant docket, the Utility would be willing to dedicate the land to public use if a fair valuation of the land is reflected in rates. As part of this submission, Tymber Creek also included prior land leases. The Table below illustrates those leases.

Table 4
Prior Land Leases

Date	Amount
1/1/03	\$540/month
1/3/05	\$540/month
6/1/07	\$540/month
11/27/10	\$3,700/month

We have studied our previous treatment of rent expense and land leases when the land is owned by a related party. Pursuant to 25-30.433(10), F.A.C.,

A utility is required to own the land upon which the utility treatment facilities are located, or possess the right of the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative.

The purpose of this rule is to preserve continued service to the customers. In Docket No. 900501-WS, Tymber Creek’s represented that it would be purchasing the land. Based upon that representation, we determined the value of the land to be \$49,432 and included it in the Utility’s rate base. However, Mr. Shirah did not sell the land to the Utility because he did not agree with the value we determined. Apparently, he chose to lease the land to the Utility instead. Tymber Creek has had various land leases over the years. We find that the current year-to-year lease arrangement puts the wastewater operations in jeopardy of losing its primary means of disposal at the end of any given year, which would jeopardize the Utility’s ability to function.

Tymber Creek’s position is that, although the percolation ponds were built on the land in the early 1990’s, the land was on a temporary lease from Mr. Shirah and was never intended to be a permanent commitment. The Utility asserts that the land on which the percolation ponds are

located has not been dedicated to public service. Moreover, the Utility contends that dedication to public service will be established when we approve a fair valuation.

In Order No. PSC-96-0663-FOF-WS involving Rotonda West Utility Corporation, we found that the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) requires that land be recorded at the original cost when first dedicated to public use.⁷ By Order No. PSC-00-2054-PAA-WS, we found that the dedication of land to public service begins when the ponds are built, if not before, when the planning of the construction took place.⁸ Costs were expended to clear the land, build the ponds, and connect the ponds to the wastewater treatment plant. Further, we found that temporary arrangements would be imprudent because it might require the whole process to be repeated at a later time.

In this case, the Utility's percolation ponds have been on Mr. Shirah's property for over 20 years. Mr. Shirah's lease to the Utility specifies that, "on the first day of each year the monthly rent shall increase five percent (5%) above previous years' rent or sixteen percent (16%) of ad valorem assessed value or ten percent (10%) of appraised value whichever is greater." Tymber Creek provided copies of lease agreements dating back to 2007. The Utility has not provided any lease agreement documentation prior to 2007. As demonstrated by Table 4, above, the lease amount increased 685 percent between 2007 and 2010. In Order No. PSC-00-2054-PAA-WS involving Indiantown Company, we determined that a lease rate should not be escalated for future years. In that Order we also determined that our rule requires that only the original cost of land when first devoted to public service shall be included in setting rates. Further, we determined that if the lease is allowed to escalate for the benefit of the lessor, it would effectively allow the market value of land in rates.

By rule, we adhere to the value of land at the time it was dedicated to public service. We find that the land was dedicated to public service in 1991 when the percolation ponds were constructed. Pursuant to Order No. 24206, we have determined the value of the land to be \$49,432 at the time it was dedicated to public service. Consistent with our practice, the appropriate rent amount shall be determined by multiplying the annual rate of return, based on the Utility's current capital structure, by the original cost of the land in service.⁹

Tymber Creek recorded \$13,420 in this account for wastewater for land rent. Based on our decisions above, land rent should be based on the utility's current cost of capital, times the original cost of the land in service. This is the same methodology we approved in the Utility's

⁷ See Order No. PSC-96-0663-FOF-WS, issued May 13, 1996, in Docket No. 950336-WS, In re: Application for rate increase in Charlotte County by Rotonda West Utility Corporation.

⁸ See Order No. PSC-00-2054-PAA-WS, issued in October 27, 2000, in Docket No. 990939-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.

⁹ See Order Nos. PSC-07-0668-PAA-WS, issued August 20, 2007, in Docket No. 060747-WS, In re: Application for staff-assisted rate case in Highlands County by Mink Associates II, LLC d/b/a Crystal Lake Club Utilities; 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.; PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS, In re: Application for staff assisted rate case in Marion County by East Marion Sanitary Systems, Inc.; and PSC-00-0807-PAA-WU, issued April 25, 2000, in Docket No. 991290-WU, In re: Application for staff-assisted rate case in Lake County by Brendenwood Water System.

last rate case.¹⁰ The original cost of the land in service is \$49,432, and based on the Utility's current capital structure, the overall rate of return is 7.77 percent. Accordingly, the appropriate annual rent expense for land is \$3,841 ($\$49,432 \times 7.77$ percent). We have decreased this account for wastewater by \$9,579 ($\$13,420 - \$3,841$) to reflect the appropriate amount of rent expense for land.

Pursuant to Rule 12A-1.070(19)(a), F.A.C., the lease or rental of real property or a license fee arrangement to use or occupy real property between related "persons" in the capacity of lessor/lessee is subject to tax. The current sales tax, as of April 22, 2011, is 6.5 percent for Volusia County. Based on the rent expense we determined above, the sales tax on rent is \$119 ($\$1,831 \times 6.5$ percent) for water and \$607 ($\$9,334 \times 6.5$ percent) for wastewater. We have increased this account by \$119 for water and \$607 for wastewater to reflect the appropriate sales tax.

After the completion of the audit, the Utility submitted an invoice for rental of excavation equipment of \$405. We have increased this account by \$405 for water to reflect this amount.

Based on the above findings and adjustments, we determine rent expense to be \$2,355 for water ($\$3,662 - \$1,831 + \$405 + \119) and \$9,941 ($\$17,082 + \$1,831 - \$9,579 + \607) for wastewater.

At our Agenda Conference on this item, our staff made an oral modification to its filed written recommendation. Our staff recommends that within 120 days of the consummating order being issued, the utility should provide documentation, such as a 99 year lease or warranty deed, demonstrating that it has complied with Section 367.1213, F.S., and Rule 25-30.433(10), F.A.C. We believe this oral modification has clarified this issue and will give greater assurance to the ratepayers going forward, and therefore we require Tymber Creek, within 120 days of the issuance of the Consummating Order in this docket, provide written documentation of its compliance with Section 367.1213, F.S., and Rule 25-30.433(10), F.A.C.

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, we decrease this account by \$78, for a transportation expense of \$182 for water.

Insurance Expenses (655/755) – The Utility recorded \$100 for water and \$2,300 for wastewater in this account. We allocate 50 percent to each system and have increased water by \$1,100 and decreased wastewater by \$1,100 for this account. Insurance expense shall be \$1,200 for water and \$1,200 for wastewater.

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, our 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

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

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. Therefore, regulatory commission expense shall be \$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. We decrease this account by \$71 for water to disallow late charges for telephone service, and decrease this account by \$346 for water and \$2,663 for wastewater to remove the remaining unsupported balance. We find miscellaneous expense is \$3,520 (\$3,937 - \$71 - \$346) for water and \$3,417 (\$6,080 - \$2,663) for wastewater.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense result in an increase of \$3,459 for water and an increase of \$10,096 for wastewater. Our final O&M expense is \$124,870 for water and \$183,268 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. We calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Our calculated test year depreciation is \$5,238 and \$28,056 for water and wastewater, respectively. We thus make an adjustment to increase the amount reported for water by \$4,554, and to increase the amount reported for wastewater by \$13,860. We decrease amortization of CIAC by \$2,326 for water based on composite rates. This results in a net depreciation expense of \$2,912 (\$684 + \$4,554 - \$2,326) for water and \$28,056 (\$14,196 + \$13,860) 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. We calculated payroll tax of \$1,416 for water and \$2,510 for wastewater. Accordingly, we increase this account by \$1,416 for water and \$2,510 for wastewater to reflect our calculated payroll tax. The amounts included in this account for property taxes are \$1,848 and \$4,620 for water and wastewater, respectively. After review of Volusia County non-ad valorem and ad valorem tax assessment notices, the appropriate amount of property taxes is \$1,848 for water and \$5,122 for wastewater. Therefore, we increase this account by \$502 for wastewater. The Utility recorded RAFs of \$5,196 for water and \$8,899 for wastewater. Based on the test year revenues determined below, the Utility's RAFs should be \$5,111 for water and \$8,850 for wastewater. Therefore, we decrease this account by \$85 and \$49 for water and wastewater, respectively, to reflect the appropriate RAFs. In addition, the Utility submitted an invoice totaling \$2,000 for fees required by the Volusia County Health Department. As such, we increase taxes other than income by \$2,000. As discussed in the next section of this Order, we are increasing revenues by \$29,535 for water and \$50,020 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 shall be increased by \$1,329 for water and \$2,251 for wastewater to reflect RAFs of 4.5 percent on the change in

revenues. We therefore find TOTI of \$9,704 (\$7,044 + \$1,416 - \$85 + \$1,329) for water and \$20,733 (\$13,519 + \$2,510 + \$502 - \$49 + \$2,000 + \$2,251) 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, we do not make any adjustment to this account.

Operating Expenses Summary – The application of these adjustments to Tymber Creek’s recorded test year operating expenses result in operating expenses of \$137,487 for water and \$232,057 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

REVENUE REQUIREMENT

As laid forth in Table 5 below, in order to allow the Utility the opportunity to recover its expenses and earn a 7.77 percent return on its investment, Tymber Creek shall be allowed an annual increase of \$29,535 (26.00 percent) for water and an annual increase of \$50,020 (25.43 percent) for wastewater. The calculation is as follows:

Table 5
Determination of Revenue Requirement

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$72,440	\$188,278
Rate of Return	x .0777	x .0777
Return on Rate Base	\$5,629	\$14,629
Adjusted O&M expense	124,870	183,268
Depreciation expense (Net)	2,912	28,056
Amortization	0	0
Taxes Other Than Income	9,704	20,733
Income Taxes	0	0
Revenue Requirement	\$143,115	\$246,686
Less Test Year Revenues	113,580	196,667
Annual Increase	\$29,535	\$50,020
Percent Increase/(Decrease)	26.00%	25.43%

RATE STRUCTURE

The Utility's current water and wastewater system rate structures for the residential and non-residential classes consist of a monthly base facility charge (BFC) and a uniform gallonage charge. The current BFC for the water customers is \$9.75 and the gallonage charge is \$2.56 per 1,000 gallons.

Water Rates: Our 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) allows the Utility to recover its revenue requirement; 2) equitably distributes cost recovery among the Utility's customers; and 3) implements, where appropriate, water conserving rate structures consistent with our goals and practices.

Tymer Creek 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 our staff's analysis of the billing data, we find the overall average consumption is 4.8 kgal per month. This does not indicate 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, we find 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 shall be implemented. Implementing this rate structure should restrict recovery due to repression being applied to non-discretionary usage below 6 kgal in the first block, while targeting consumption in the second block and customers who consume well over 10 kgal in the third block. The rate design for the water system is shown on Table 6, below.

Table 6
 Water Rate Structure and Typical Rates

Current Rate Structure and Rates		Commission Approved Rate Structure and Rates	
BFC/Uniform gallonage charge Rate structure BFC = 44%		3-Tier Inclining Block Rate Structure Rate Factors .87, 1.00 and 1.50 BFC = 35%	
BFC	\$9.75	BFC	\$9.41
Gallonage Charge	\$2.56	1 st tier (no repression) 0-6 kgal	\$3.57
		2 nd tier (discretionary) 6-10 kgal	\$4.12
		3 rd tier (discretionary) 10+	\$6.18
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$9.75	0	\$9.41
1	\$12.31	1	\$12.98
3	\$17.43	3	\$20.12
5	\$22.55	5	\$27.26
10	\$35.35	10	\$47.31
20	\$60.95	20	\$109.11

We find it appropriate to increase the initial BFC cost recovery of 32.24 percent to 35 percent, because the increase will send 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 volume of water. Moreover, the rate structure for the water system’s non-residential class shall remain unchanged and therefore continue the BFC/uniform gallonage charge rate structure. This rate structure has been our choice for non-residential customer classes.¹¹

Based on the foregoing, we find the appropriate rate structure for the water system’s residential class is a three-tier inclining block rate structure, resulting in monthly consumption usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgals and usage block rate factors of .87, 1.0, and 1.5 respectively. As discussed below, we do not apply a repression adjustment to non-discretionary usage. As a result, an additional tier is necessary for non-discretionary usage below 6 kgals per month. 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 shall be 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 classes. The monthly BFC is \$15.89 and the usage charge is \$5.78.

¹¹ 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.*; 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.*

The existing BFC cost recovery for the wastewater system is 47.79 percent. This BFC cost recovery falls below our practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants, and therefore, we determine it appropriate to increase the initial BFC cost recovery to 50 percent.

The Utility's current wastewater gallonage cap is set at 10 kgals. Our practice is to set the residential wastewater gallonage cap at a consumption level equal to 80 percent of the total number of residential gallons sold.¹² Review of the wastewater billing data captures 80 percent of the residential gallons sold at 8 kgal. Therefore, the Utility's wastewater cap shall be set at 8 kgal. Furthermore, the general service gallonage charge shall be 1.2 times greater than the residential charge.

As discussed later in this Order, we are approving a Phase II revenue requirement associated with pro forma plant improvements. In order to comply with our practice of setting the BFC allocation to at least 50 percent (due to the capital intensive nature of wastewater plants), the BFC allocation for Phase II rates shall also be set at 50 percent. Our rate design for the wastewater system is shown below on Table 7.

Table 7
Wastewater Rate Structure and Typical Rates

Current Rate Structure and Rates		Commission Approved Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC =41%		BFC/uniform kgals charge BFC = 50%	
BFC	\$15.89	BFC	\$24.10
All kgals	\$5.78	All kgals	\$6.36
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$15.89	0	\$24.10
1	\$21.67	1	\$30.46
3	\$33.23	3	\$43.18
6	\$50.57	6	\$62.26
8	\$62.13	8	\$74.98

Based on the foregoing, the appropriate rate structure for the wastewater system's residential and non-residential class is a continuation of the monthly BFC/uniform gallonage charge rate structure. The current wastewater gallonage cap of 10 kgals is 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 is set at 50 percent.

¹² See Order Nos. 12350, issued August 10, 1983, in Docket No. 820073-WS, In re: Application of Seacoast Utilities, Inc. for an increase in water and sewer service rates to its customers in Palm Beach County, Florida.; PSC-11-0015-PAA-WS, issued January 5, 2011, in Docket No. 090531-WS, In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

REPRESSION ADJUSTMENT

Our 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, we have determined the threshold for the customer's essential usage be 6 kgals per month. Therefore, we find that a repression adjustment should only apply to water consumption above 6 kgals per month.

Using the database of utilities that have previously had repression adjustments made, our 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 we have approved in prior cases.¹³ 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).

Therefore, based on this methodology, the test year residential consumption for this Utility shall be reduced by 1,115 kgals. Purchased water expense shall be reduced by \$2,945 and regulatory assessment fees (RAFs) shall be reduced by \$139. The final post-repression revenue requirement for the water system is \$140,031. For the wastewater system, test year kgals shall be reduced by 1,064 kgals. Sludge removal expense shall be reduced by \$1,956, purchased power shall be reduced by \$809, and RAFs shall be reduced by \$124. The final post-repression revenue requirement for the wastewater system is \$243,797.

In order to monitor the effect of the changes to rate changes, the Utility is ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, these reports shall be prepared by customer class, usage block, and meter size. The reports shall be filed with our 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 is ordered to file a revised monthly report for that month within 30 days of any revision.

¹³ 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; Order No. 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.; 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.

RATES

Excluding miscellaneous service revenues, rates should be designed to produce revenue in the amount of \$140,031 for the water system and \$243,797 for the wastewater system. As discussed above, we find a three-tier inclining block rate structure for the water system's residential class is appropriate. Usage blocks shall be set to: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgal and usage block rate factors are set as 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 is 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 is set at 50 percent.

These approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility must provide proof of the date notice was given within 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. The appropriate rates for monthly service for the water and wastewater systems are shown on Schedule Nos. 4-A and 4-B.

PHASE II RATE INCREASE

Tymer Creek has 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 wastewater treatment plant. As discussed above, the Utility is making every effort to work with DEP and the HOA to resolve the concerns related to the operation of the WWTP and the collection system. The Utility has already implemented portions of the capital improvement plan and is working with the DEP and the HOA to resolve the outstanding customer concerns. Table 8, below, is a chart summarizing the pro forma items, the cost, and our approved treatment:

Table 8
 Pro Forma Items

<u>Pro Forma Items</u>	<u>Treatment</u>	
	<u>Capitalize</u>	<u>Expense</u>
1. Install automatic dialer at main lift station	\$3,300	
2. Replace monitoring well covers and bollards	3,603	
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 ¹⁴
8. Additional sludge hauling		25,200
9. Repair of collection system		15,014 ¹⁵
10. Engineering reports to summarize results		2,000
11. Maintenance cost on the monitoring systems		695
Total	<u>\$35,998</u>	<u>\$43,309</u>

We believe a Phase II revenue requirement associated with the pro forma wastewater plant and expense items is appropriate for several reasons. First, it assures that the appropriate 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. We have approved a Phase-In approach in Docket Nos. 080668-SU, 090072-WU and 090414-WU.¹⁶

The Utility's Phase II revenue requirement is \$297,116 for wastewater. Tymber Creek shall complete the pro forma items within 12 months of the issuance of a Consummating Order in this docket. Phase II rate base is shown on Schedule No. 5-A and our 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 our adjustments are shown on Schedule No. 7-B. The resulting rates are shown on Schedule No. 8.

The Utility is 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 shall submit a copy of the final invoices and cancelled checks for all plant and expense items to our staff. Once verified, the rates will be effective for service rendered on or after the stamped

¹⁴ Perform leakage tests of force main is amortized over 5 years = \$2,000/5 = \$400.

¹⁵ Reflects five-year average.

¹⁶ 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 Docket No. 090072-WU 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.

approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. Tymber Creek shall 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 must immediately notify the Commission.

FOUR YEAR RATE REDUCTION

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 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. The total reduction is \$954 for water and \$1,593 for wastewater. Using 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 shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Tymber Creek shall also 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.

APPROVAL OF RATES IN THE EVENT OF A PROTEST

By this Order, we propose to increase 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, the rates are approved as temporary rates. Tymber Creek shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The rates collected by the Utility shall be subject to the refund provisions discussed below.

Tymber Creek is authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. This Security shall be in the form of a bond or letter of credit in the amount of \$53,125. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

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

- 1) We approve the rate increase; or,
- 2) If we deny 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 shall contain the following conditions:

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

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

- 1) No monies in the escrow account may be withdrawn by the Utility without our express approval;
- 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) Our 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 shall 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 shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

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

ADJUSTMENT OF BOOKS TO NARUC USOA

To ensure that the Utility adjusts its books in accordance with our decisions above, Tymber Creek shall provide proof, within 90 days of the Consummating Order, that the adjustments for all applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for increase in the water and wastewater rates of Tymber Creek Utilities, Incorporated is approved as set forth in the body of this Order. It is further

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

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

ORDERED that the Utility shall file revised water and wastewater tariff sheets and a proposed customer notice to reflect the approved Phase I water and wastewater rates shown on Schedule 4. It is further

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

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

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

ORDERED that the Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that the Utility shall complete the pro forma items within 12 months of the issuance of the Consummating Order. It is further

ORDERED that the Utility shall be allowed to implement the Phase II rates once all pro forma items have been completed and documentation provided showing the improvements made to the system. It is further

ORDERED that the Utility shall file revised water and wastewater tariff sheets and a proposed customer notice to reflect the approved Phase II water and wastewater rates shown on Schedule 8. It is further

ORDERED that, once verified, the Phase II rates shall 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. It is further

ORDERED that the Phase II rates shall not be implemented until notice has been received by the customers. It is further

ORDERED that the Utility shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that if the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility shall immediately notify the Commission. It is further

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

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility shall file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. It is further

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

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

ORDERED that prior to implementation of any temporary rates, the Utility shall provide appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$53,125. Alternatively, the Utility may establish an escrow agreement with an independent financial institution. It is further

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

ORDERED that the Utility shall maintain a record of the amount of the bond and the amount of revenues that are subject to refund. It is further

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

ORDERED that Tymber Creek shall file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis, as more fully described in the body of this Order. It is further

ORDERED that these reports shall be filed with our 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 shall file a revised monthly report for that month within 30 days of any revision. It is further

ORDERED that within 120 days of the issuance of the Consummating Order in this docket, the Utility shall provide written documentation of its compliance with Section 367.1213, F.S., and Rule 25-30.433(10), F.A.C. It is further

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

ORDERED that this docket shall remain open for our staff to verify that the revised tariff sheets and customer notice have been filed by the Utility and approved by our staff, the Utility has submitted proof of compliance with Section 367.1213, F.S., and Rule 25-30.433(10), F.A.C., the Utility's books have been adjusted, and our staff's verification that the pro forma items have been completed and the Phase II rates properly implemented. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 16th day of August, 2011.



ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

LDH

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

As identified in the body of this order, our action, except for the granting of temporary rates subject to refund in the event of a protest, reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the NARUC USOA, which are final agency action, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 6, 2011.

ORDER NO. PSC-11-0345-PAA-WS
DOCKET NO. 100359-WS
PAGE 30

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

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	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
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>433</u>	<u>15,609</u>
8. WATER RATE BASE	<u>\$82,458</u>	<u>(\$10,018)</u>	<u>\$72,440</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	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
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>1,789</u>	<u>22,908</u>
8. WASTEWATER RATE BASE	<u>\$212,507</u>	<u>(\$24,229)</u>	<u>\$188,278</u>

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

	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 309.	(\$33,103)	\$0
2. To reflect cost to connect to the city water system (Acct. No. 309).	18,025	0
3. To reflect gate valves (Acct. No. 309).	707	0
4. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 310.	15,165	0
5. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 331.	58,234	0
6. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 333.	(13,917)	0
7. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 334.	(17,756)	0
8. To reflect meters and meter installations (Acct. No. 334).	13,065	0
9. To reflect plant retirements from Acct. No. 334.	(9,799)	0
10. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 335.	4,755	0
11. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 340.	3,423	0
12. To reflect Utility billing software (Acct. No. 340).	993	0
13. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 345.	373	0
14. To reflect the ending balance approved in Dkt. #950647-WS for Acct. No. 348.	(660)	0
15. To reflect lift station repairs (Acct. No. 360).	0	15,055
16. To reflect plant retirements from Acct. No. 360.	0	(3,747)
17. To reflect the ending balance approved in the last order for Acct. No. 361.	0	(4,961)
18. To reflect PVC replacement, roadway repairs, dewatering and mobilization (Acct. No. 361).	0	22,150
19. To reflect plant retirements from Acct. No. 361.	0	(24,157)
20. To reflect the appropriate total cost for the electronics flow meter (Acct. No. 370).	0	853
21. To reflect the ending balance approved in the last order for Acct. No. 370.	0	(5,755)
22. To reflect cost for pump assembly, aluminum flow baffle, and monitor well (\$1,983 + \$343 + \$1,580).	0	3,906
23. To reflect plant retirements from Acct. No. 370.	0	(2,930)
24. To reflect the ending balance approved in the last order for Acct. No. 380.	0	(13,841)
25. To reflect blower package (\$8,689) and blower repairs (\$2,393 + \$6,358) (Acct. No. 380).	0	17,440
26. To replace drop pipes and surge tank (Acct. No. 380).	0	396
27. To reflect chlorinator and pole for lift station (Acct. No. 380).	0	505
28. To reflect plant retirements from Acct. No. 380.	0	(13,756)
29. To reflect the ending balance approved in the last order for Acct. No. 382.	0	(908)
30. Repair broken discharge line (Acct. No. 382).	0	1,448
31. Re-route sludge waste lines (Acct. No. 382).	0	312
32. To reflect plant retirements from Acct. No. 382.	0	(1,320)
33. To reflect Utility billing software (Acct. No. 390).	0	450
34. Plant items completed outside the test year.	0	5,000
35. 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>WATER</u>	<u>WASTEWATER</u>	
<u>ACCUMULATED DEPRECIATION</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>\$433</u>	<u>\$1,789</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 BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
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	0	0	0					
5. TOTAL COMMON EQUITY	<u>\$79,388</u>	<u>\$151,107</u>	<u>\$230,495</u>	<u>(\$46,315)</u>	<u>\$184,180</u>	<u>70.64%</u>	<u>9.27%</u>	<u>6.55%</u>
6. LONG TERM DEBT - OFFICER'S 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	(8,887)	35,340	13.56%	3.25%	0.44%
8. LONG TERM DEBT - SHAREHOLDER'S LOANS	72,187	(72,187)	0	0	0	0.00%	0.00%	0.00%
9. LONG TERM DEBT - SUN TRUST	33,502	(14)	33,488	(6,729)	26,759	10.26%	3.25%	0.33%
TOTAL LONG TERM DEBT	<u>\$228,836</u>	<u>(\$151,121)</u>	<u>\$77,715</u>	<u>(\$15,616)</u>	<u>\$62,099</u>	<u>23.82%</u>		
10. CUSTOMER DEPOSITS	<u>10,260</u>	<u>4,180</u>	<u>14,440</u>	<u>0</u>	<u>14,440</u>	<u>5.54%</u>	8.00%	<u>0.44%</u>
11. TOTAL	<u>\$318,484</u>	<u>\$4,166</u>	<u>\$322,650</u>	<u>(\$61,931)</u>	<u>\$260,719</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	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$116,474</u>	<u>(\$2,894)</u>	<u>\$113,580</u>	<u>\$29,535</u> 26.00%	<u>\$143,115</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$121,411	\$3,459	\$124,870	\$0	\$124,870
3. DEPRECIATION (NET)	684	2,228	2,912	0	2,912
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	7,044	1,331	8,375	1,329	9,704
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>\$7,018</u>	<u>\$136,157</u>	<u>\$1,329</u>	<u>\$137,487</u>
8. OPERATING INCOME/(LOSS)	<u>(\$12,665)</u>		<u>(\$22,577)</u>		<u>\$5,629</u>
9. WATER RATE BASE	<u>\$82,458</u>		<u>\$72,440</u>		<u>\$72,440</u>
10. RATE OF RETURN	<u>(15.36%)</u>		<u>(31.17%)</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	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$189,599</u>	<u>\$7,068</u>	<u>\$196,667</u>	<u>\$50,020</u> 25.43%	<u>\$246,687</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$173,172	\$10,096	\$183,268	\$0	\$183,268
3. DEPRECIATION (NET)	14,196	13,860	28,056	0	28,056
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	13,519	4,963	18,482	2,251	20,733
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>\$28,920</u>	<u>\$229,807</u>	<u>\$2,251</u>	<u>\$232,057</u>
8. OPERATING INCOME/(LOSS)	<u>(\$11,288)</u>		<u>(\$33,140)</u>		<u>\$14,629</u>
9. WASTEWATER RATE BASE	<u>\$212,507</u>		<u>\$188,278</u>		<u>\$188,278</u>
10. RATE OF RETURN	<u>(5.31%)</u>		<u>(17.60%)</u>		<u>7.77%</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 3-C	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 3	
	<u>WATER</u>	<u>WASTEWATER</u>	
OPERATING REVENUES			
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. Reclassify Salaries From Acct. No. 675/775.	<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>(1,322)</u>	<u>0</u>	
	<u>\$1,199</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) To reflect audited amount.	<u>(\$28)</u>	<u>\$1,565</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	300	
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 increase in 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>\$28,156</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 the appropriate sales tax.	119	607	
d. To reflect excavation rental.	<u>405</u>	<u>0</u>	
Subtotal	<u>(\$1,307)</u>	<u>(\$7,141)</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)	
Subtotal	<u>(\$417)</u>	<u>(\$2,663)</u>	
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$3,459</u>	<u>\$10,096</u>	
DEPRECIATION EXPENSE			
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$4,554	\$13,860	
2. To reflect test year CIAC amortization as calculated.	<u>(2,326)</u>	<u>0</u>	
Total	<u>\$2,228</u>	<u>\$13,860</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.	(85)	(49)	
4. To reflect fees from Volusia County Health Department.	<u>0</u>	<u>2,000</u>	
Total	<u>\$1,331</u>	<u>\$4,963</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	COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION
(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	1,199	64,786
(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	(1,307)	2,355
(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>\$3,340</u>	<u>\$124,870</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	COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION
(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	1,565	7,153
(735) CONTRACTUAL SERVICES - TESTING	38,451	(16,431)	22,020
(736) CONTRACTUAL SERVICES - OTHER	8,791	28,156	36,947
(740) RENTS	17,082	(7,141)	9,941
(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>(2,663)</u>	<u>3,417</u>
	<u>\$173,172</u>	<u>\$10,096</u>	<u>\$183,268</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	COMMISSION APPROVED 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	\$9.41	\$0.06
3/4"	\$14.64	\$14.12	\$0.09
1"	\$24.43	\$23.53	\$0.16
1-1/2"	\$48.83	\$47.05	\$0.31
2"	\$78.15	\$75.28	\$0.50
3"	\$156.32	\$150.56	\$0.99
4"	\$244.25	\$235.25	\$1.55
6"	\$488.48	\$470.50	\$3.10
<u>Residential Service Gallonage Charge</u>			
Per 1,000 Gallons	\$2.56	N/A	N/A
0 - 6,000 Gallons	N/A	\$3.57	\$0.02
6,001 - 10,000 Gallons	N/A	\$4.12	\$0.03
Over 10,000 Gallons	N/A	\$6.18	\$0.04
<u>General Service Gallonage Charge</u>			
Per 1,000 Gallons	\$2.56	\$3.89	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$17.43	\$20.12	
5,000 Gallons	\$22.55	\$27.26	
10,000 Gallons	\$35.35	\$47.31	

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	COMMISSION APPROVED RATES	4-YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge All Meter Sizes	\$15.89	\$24.10	\$0.15
<u>Gallonge Charge</u>			
Per 1,000 Gallons (10,000 gallon maximum)	\$5.78	N/A	N/A
Per 1,000 Gallons (8,000 gallon maximum)	N/A	\$6.36	\$0.04
<u>General Service</u>			
Base Facility Charge by Meter Size:			
5/8" X 3/4"	\$15.89	\$24.10	\$0.15
3/4"	\$23.83	\$36.15	\$0.23
1"	\$39.72	\$60.25	\$0.39
1-1/2"	\$79.43	\$120.50	\$0.77
2"	\$127.10	\$192.80	\$1.23
3"	\$254.18	\$385.60	\$2.47
4"	\$397.14	\$602.50	\$3.85
6"	\$794.29	\$1,205.00	\$7.71
Gallonge Charge per 1,000 Gallons	\$5.78	\$7.63	\$0.05
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$33.23	\$43.18	
5,000 Gallons	\$44.79	\$55.90	
8,000 Gallons	\$62.13	\$74.98	

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	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$699,863	\$35,998	\$735,861
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)	(1,771)	(540,788)
6. AMORTIZATION OF CIAC	380,306	0	380,306
7. WORKING CAPITAL ALLOWANCE	<u>22,908</u>	<u>5,414</u>	<u>28,322</u>
8. WASTEWATER RATE BASE	<u>\$188,278</u>	<u>\$39,641</u>	<u>\$227,919</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

	<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>3,603</u>
Total	<u>\$0</u>	<u>\$35,998</u>
<u>ACCUMULATED DEPRECIATION</u>		
Depreciation Adjustment Per Rule 25-30.140 F.A.C.	<u>\$0</u>	<u>(\$1,771)</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	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE 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>(\$16,670)</u>	<u>\$213,825</u>	<u>71.19%</u>	<u>9.27%</u>	<u>6.60%</u>
6. LONG TERM DEBT - OFFICER'S LOANS	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
7. LONG TERM DEBT - SHIRAH BUILDERS, INC.	44,227	0	44,227	(3,199)	41,028	13.66%	3.25%	0.44%
8. LONG TERM DEBT - SHAREHOLDER'S LOANS	0	0	0	0	0	0.00%	0.00%	0.00%
9. LONG TERM DEBT - SUN TRUST	<u>33,488</u>	<u>0</u>	<u>33,488</u>	<u>(2,422)</u>	<u>31,066</u>	<u>10.34%</u>	<u>3.25%</u>	<u>0.34%</u>
TOTAL LONG TERM DEBT	<u>\$77,715</u>	<u>\$0</u>	<u>\$77,715</u>	<u>(\$5,621)</u>	<u>\$72,094</u>	<u>13.66%</u>		
10. CUSTOMER DEPOSITS	<u>14,440</u>	<u>0</u>	<u>14,440</u>	<u>0</u>	<u>14,440</u>	<u>4.81%</u>	<u>8.00%</u>	<u>0.38%</u>
11. TOTAL	<u>\$322,650</u>	<u>\$0</u>	<u>\$322,650</u>	<u>(\$22,291)</u>	<u>\$300,359</u>	<u>89.66%</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	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$246,687</u>	<u>\$0</u>	<u>\$246,687</u>	<u>\$50,429</u> 20.44%	<u>\$297,116</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$187,268	\$43,309	\$226,577	\$0	\$226,577
3. DEPRECIATION (NET)	28,056	1,771	29,827	0	29,827
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	20,733	0	20,733	2,269	23,003
6. INCOME TAXES	0	0	0	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$232,057</u>	<u>\$45,080</u>	<u>\$277,137</u>	<u>\$2,269</u>	<u>\$279,406</u>
8. OPERATING INCOME/(LOSS)	<u>\$14,629</u>		<u>(\$30,450)</u>		<u>\$17,709</u>
9. WASTEWATER RATE BASE	<u>\$188,278</u>		<u>\$227,919</u>		<u>\$227,919</u>
10. RATE OF RETURN	<u>7.77%</u>		<u>(13.36%)</u>		<u>7.77%</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 7-B	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
ADJUSTMENTS TO OPERATING INCOME (PHASE II)			
	<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>15,014</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>\$1,771</u>	

TYMBER CREEK UTILITIES, INCORPORATED

TEST YEAR ENDED 06/30/10

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE II)

	TOTAL PER UTILITY	COMMISSION ADJUSTMENTS	TOTAL PER COMMISSION
(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	7,153	2,000	9,153
(735) CONTRACTUAL SERVICES - TESTING	22,020	0	22,020
(736) CONTRACTUAL SERVICES - OTHER	36,947	16,109	53,056
(740) RENTS	9,941	0	9,941
(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>3,417</u>	<u>0</u>	<u>3,417</u>
	<u>\$183,268</u>	<u>\$43,309</u>	<u>\$226,577</u>

TYMBER CREEK UTILITIES, INCORPORATED		SCHEDULE NO. 8	
TEST YEAR ENDED 06/30/10		DOCKET NO. 100359-WS	
MONTHLY WASTEWATER RATES (PHASE II)			
	COMMISSION APPROVED PHASE I RATES	COMMISSION APPROVED PHASE II RATES	4-YEAR RATE REDUCTION
<u>Residential Service</u>			
Base Facility Charge All Meter Sizes	\$24.10	\$28.89	\$0.15
<u>Gallonge Charge</u>			
Per 1,000 Gallons (8,000 gallon cap)	\$6.36	\$7.73	\$0.04
<u>General Service</u>			
Base Facility Charge by Meter Size:			
5/8" X 3/4"	\$24.10	\$28.89	\$0.15
3/4"	\$36.15	\$43.34	\$0.23
1"	\$60.25	\$72.23	\$0.38
1-1/2"	\$120.50	\$144.45	\$0.77
2"	\$127.12	\$231.12	\$1.23
3"	\$385.60	\$462.24	\$2.45
4"	\$397.25	\$722.25	\$3.83
6"	\$794.50	\$1,444.50	\$7.67
Gallonge Charge per 1,000 gallons	\$6.94	\$9.28	\$0.05
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$37.50	\$52.08	
5,000 Gallons	\$48.80	\$67.54	
8,000 Gallons	\$65.75	\$90.73	