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September 12, 2013

VIA E-FILING

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

RE: Docket No.: 130180-WS; Application of Sunlake Estates Utilities, L.L.C. for Original Water and Wastewater Certificates in Lake County, Florida
Our File No.: 46096.01

Dear Ms. Cole:

Attached are Sunlake Estates Utilities, L.L.C.'s schedules supporting the following revised rate structure request:

Wastewater:
Cap of 8,000 gallons
BFC: $18.69
Per Gallon: $3.42 (Residential), $4.10 (General Service)

Water Rates:
3 Tiered inclining Block Rate
BFC: $8.40
Residential:
0-3,000 Gal: $0.70/gal
3,001-8,000 Gal: $1.05/gal
8,001+: $1.40/gal
General Service: $1.14/gallon

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

Very truly yours,

MARTIN S. FRIEDMAN
For the Firm

MSF/der
Enclosure

cc: Ben Allen, Esquire (via e-mail, w/enclosures)
Jeremy Davis (via e-mail, w/enclosures)
Patti Daniel (via e-mail, w/enclosures)
Zach Broome, Esquire (via e-mail, w/enclosures)
Stephen Reilly, Esquire (via e-mail, w/enclosures)

UTILITY NAME: Gordon Utilities
DOCKET NO. 04-057-13
Historical Test Year Ended: July 31, 2013
CONVERSION OF BILLS TO ERCS AND CALCULATION OF RATES

(1)

03/12/13
08:37 AM

CONSERVATION RECOMMENDATION

PART 1	A		B	C	D	E	F	G	PART 2			
			Bills	Meter	Meter	Base TY		Projected			Revenue Temp	
Class / Meter Size			TY Bills	Factor	Equiv	Class Gals	Factor	Gals	ERC	Bill	ERC	Bill
Residential	5/8" x 3/4"		5,808	1.0	5,808	67,107,720		0	$11.40		$108,883	
	3/4"		0	1.5	0				15.05		0	
	1"		0	2.5	0				19.00		0	
	1 1/2"		0	5.0	0	0			19.00		0	
Gals at cap		0.0%				39,137,940				$0.43		$168,340
Gals over cap						47,864,640				$0.43		162,638
										$0.43		0
		0.0%				75,002,400						
Residential Temp					5,808						$108,887	
Residential Gals						67,107,720						$273,340
TOTAL RESIDENTIAL			5,808				Avg water	14.00%				$381,888
General	5/8" x 3/4"		12	1.0	12	100,000			$10.00	$4.10	$201	$707
	1"		12	2.5	30	240,000			46.73	4.10	561	820
	1 1/2"		36	5.0	180	360,000			85.45	4.10	3,364	1,478
	2"		0	8.0	0	0			140.52	4.10	0	0
	3"		0	16.0	0	0			308.04	4.10	0	0
	4"		0	25.0	0	0			487.23	4.10	0	0
	6"		0	50.0	0	0			934.50	4.10	0	0
General Base					222							
General Gals						700,000		12,000			$4,145	$3,758
TOTAL GENERAL SERVICE			60									$6,007
	TOTAL BILLS		5,868									
TOTAL METER EQUIVS					6,030							$388,897
TOTAL GALS						67,807,720		12				

PART 2						% from	% from
1	Revenue Requirement less Misc Revs		388,488	ERC	$	ERC	$
	Pre-conservation adjustment						
2	BFC Costs to Recover			$118,788		30%	
3	Qd Costs to Recover				$112,700		30%
4	Conservation and misc revs adjustment			0	0		
	Post-conservation adjustment						
5	BFC Costs to Recover			118,788		30%	
6	Qd Costs to Recover				112,700		30%
7	Unit Cost per BFC (R5 and Qd)			$11.88			
8	Allowed R5 kgals	35,715,000					
9	Assumed Qd kgals	891,300					
10	Total adj R5 + Qd kgals	36,401,322					
11	Unadjusted kgal charge				$4.27		
12	Conservation Unit Cost per Kgals				$3.43		
13	Base Service Unit Cost per Kgals				$4.50		

PART 3				
	Billy			
Rate Classes	M Gals	Rates	Revenues	
Residential				
5/8"	5,808	10.00	108,883	
3/4"	0	46.73	0	
1 1/2"	0	85.45	0	
2"	0	140.52	0	
Cap >	39,137,940	3.43	168,910	
Kgals above	47,864	0.00	0	
General				
5/8"	12	10.00	201	
3/4"	12	46.73	561	
1 1/2"	36	85.45	3,364	
2"	0	140.52	0	
3"	0	308.04	0	
4"	0	487.23	0	
6"	0	934.50	0	
All Gals	700,000	4.70	3,292	
(All billing kgals are unfactored)			285,143	
			285,488	
		Over (under)	145	
			0.05%	

Instructions for the Water Rates Calculator Spreadsheet

Overview:

The Water Rate Calculator spreadsheet calculates post-repression water rates for residential and non-residential customers. Once the necessary accounting, rate design, and billing determinant information has been entered into the spreadsheet, a macro driven addin (Solver) is used to calculate rates that equate post-repression revenues with post-repression revenue requirements.

The spreadsheet consists of six sheets, or pages, each designed to perform a specific task. These pages and their functions are:

'Inputs and Outputs' - This is the main page of the spreadsheet. This is where the accounting and rate design data is entered, and where the final rates and repression effects are reported along with related diagnostic information. The page is designed to be printed out in its entirety to serve as a report for the selected rate design.

'Res Billing Analysis' - This page contains the billing analysis for the residential rate class for which the residential rate design is intended. It also contains monthly ERCs and gallons for residential and non-residential rate classes which are used to test rate designs for revenue sufficiency throughout the test year. Pertinent information from this page is presented in the "Inputs and Outputs' page.

'Rates and Repression' - This page contains the formulas representing the rate-making formula of Post-Repression Revenues = Post-Repression Revenue Requirements, and is where the computations used to calculate rates and repression take place. Within these formulas, the impact that repression has on revenues and revenue requirements is taken into account. The Excel Solver addin is used here to 'solve' the rate-making formula for final rates and the effects of repression. Pertinent information from this page is presented in the "Inputs and Outputs' page.

'Revenue Sufficiency' - This page uses the test year billing determinants to see if the revenues generated by the rate design will cover the utility's monthly fixed costs. The results of the test are presented in the 'Inputs and Outputs' page.

'Change in Bills' - This page calculates the size of residential bills by usage level under old and proposed rates. This information is used in the repression calculations in the 'Rates and Repression' page.

'Instructions' - The stuff you're reading right now.

The spreadsheet utilizes the following conventions:

1) Single or multi-tiered rate designs can be specified for the residential rate class only. All other classes will have, by default, a BFC/Uniform gallonage charge rate structure. The non-residential BFC and gallonage charges will equal average fixed and average variable costs, respectively. If you want to include other customer classes (for example, Residential Irrigation customers) in the single or multi-tiered rate design, you can combine their bills and gallons with the residential billing determinants. Note also that the residential BFC charge is constrained to equal the non-residential BFC charge.

2) A repression adjustment will be applied to the number of gallons included in the residential customer class that are above a non-discretionary usage threshold. Non-discretionary usage is water used for essential purposes like drinking, cooking, washing, etc. This type of usage is highly price inelastic (not very sensitive to price changes). Other types of usage, such as outdoor irrigation, is considered as discretionary usage that is more price elastic (more sensitive to price changes). The discretionary usage threshold can be adjusted in the 'Inputs and Outputs' page.

3) Repression adjustments are applied only to residential consumption levels when the change in the customer's bill is large enough to be noticeable. This threshold is set such that in order for a repression adjustment to be made, the customer's bill must change by at least 10 percent, and the change must be $5.00 or more. These threshold parameters may be adjusted in the 'Inputs and Outputs' page.

4) Post-repression revenue requirements are calculated by adjusting pre-repression Chemical and Purchased Power expenses (or alternatively Purchased Water expenses) downward in proportion to the reduction in total kgals sold.

Data Entry and Usage Instructions

Note: The cells into which data is to be entered are shaded light blue. All other cells are protected to prevent inadvertently entering data into cells containing formulas. If necessary, protection can be toggled on and off using the Tools-Protection menu commands.

'Inputs and Outputs' Page:

Block 1: Inputs from Accounting - From the accounting spreadsheet, enter the indicated accounting information. Note that the Monthly Fixed Cost Amount contains a formula to set this amount to 1/12 of the Fixed Cost component of Revenue Requirements. This default value can be overridden by entering the needed amount in this cell.

Block 2: Billing Determinants by Rate Class - Enter the number of ERCs and Kgals for each rate class. Remember that all rate classes except Residential will be assigned a BFC/uniform gallonage rate structure with the same BFC and gallonage charge. Only the ERCs and Kgals assigned to the Residential Class are included in the residential rate design process.

Block 3: Existing Residential Rate Structure - Enter the dollar amount of the current BFC for a residential 5/8" customer, the number of Kgals (if any) included in the BFC, the number of rate blocks, the rate block break points, and the rate block gallonage charges. Note that the last rate block's upper limit is indicated by entering the value of 1,000,000.

Example #1: Current rate structure is a BFC/Uniform gallonage rate structure with a 5 kgal allotment in the BFC. The BFC is $10.00 and the gallonage charge $2.50 per kgal.

BFC	5.00
Kgal Allotment in BFC:	3
Number of Rate Blocks:	1

Block	Lower	Upper	Rate

1	0	1,000,000	2.50
2			

Example #2: Current rate structure is a flat rate structure with a BFC of $25.00.

BFC	25.00
Kgal Allotment in BFC:	0
Number of Rate Blocks:	1

Block	Lower	Upper	Rate
1	0	1,000,000	0.00
2			

Example #3: Current rate structure is a three tier inclining block rate structure with rate block break points at 6 kgal and 12 kgals. The BFC is $10.00, the first tier gallonage charge is $1.00, the second tier gallonage charge is $1.25, and the third tier gallonage charge is $1.50.

BFC	10.00
Kgal Allotment in BFC:	0
Number of Rate Blocks:	3

Block	Lower	Upper	Rate
1	0	6	1.00
2	6	12	1.25
3	12	1,000,000	1.50

Block 4: Discretionary Usage Threshold - Enter the average number of people per household in the service territory. This value determines the threshold for discretionary usage. Note that the typical value used for non-discretionary gallons per day per person is 50 gallons, and that this value may be changed as needed. The Discretionary Usage Threshold is calculated by multiplying the number of people per household times the number of gallons per day per person times 30 days per month.

Block 5: Set Elasticity for Discretionary Usage - Enter the price elasticity of demand to be applied to discretionary usage.

Block 6: Set Repression Threshold Values - Enter the percentage change and dollar amount change that must occur in a customer's bill before repression adjustments will be made.

Block 7: Residential Usage Statistics - This block is used to report selected residential usage statistics that may be helpful in designing appropriate rate structures. The section on the right side of this block entitled 'Selectable Billing Analysis Data' will retrieve from the residential billing analysis the percentage of bills, consolidated gallons, and consolidated discretionary gallons for any selected usage level.

Block 8: Set Residential Rate Design Parameters - This block is where you design the residential rate structure. Enter the percentage of total revenue requirements to be recovery through the Base Facility Charge (BFC). Next, enter the number of rate blocks, rate block break points, and rate factors for the proposed rate design.

Example: Specify a three tier inclining block rate structure with rate block break points at 6 kgal and 12 kgals, and rate factors of 1.00, 1.25, and 1.50.

Number of Rate Blocks:			3
Block	Lower	Upper	Rate Factor
1	0	6	1.00
2	6	12	1.25
3	12	1,000,000	1.50

Block 9: Press <Cntr-r> to Calculate Post-Repression Rates - Once the data in the preceding blocks have been entered (as well as the billing analysis data to be discussed below), pressing <Cntr-r> will run a macro that will find the post-repression rates that cause post-repression revenues to equal post repression revenue requirements. The residential BFC and gallonage rates are reported first by rate block along with pre-repression gallons, repressed gallons, and post repression gallons by rate block. The BFC/Uniform gallonage charge rate structure applicable to all other rate classes is reported next, along with the results of a monthly revenue sufficiency check based upon the proposed rate design. On the right side of this block is a report on the Price Induced Conservation Effects (e.g. Repression) expressed on a per customer basis. Note that a print macro activated by pressing <Cntr-p> will automatically print the 'Inputs and Outputs' page. Note also that after changing any data in the preceeding blocks, you must press <Cntr-r> again to recalculate rates and repression.

Block 10: Verify Post-Repression Revenues = Post-Repression Revenue Requirements - This block summarizes the calculations used to derive post-repression revenues and post-repression revenue requirements. After calculating a set of rates, be sure to verify that these two quantities are equal. Note that the Excel addin 'Solver' used to calculate rates is a numerical algorithm that searches for a solution (e.g. rates) until a specified level of precision is reached. If Solver reports that a valid solution is found, but that Revenues are not equal to revenue requirements, adjust Solver's solution parameters to tighten the precision of the solution.

Block 11: Change in Bills - Displays how a residential customer's bill will change at various usage levels.

'Res Billing Analysis' Page:

Residential Billing Analysis - Using either the audit results of MFRs, enter the number of bills and gallons by usage level for all rate classes and meter sizes that are to be subject of the residential rate design.

Monthly Billing Determinants - Enter the number of ERCs and Gallons for the residential and non-residential rate classes by month for the test year. This information is used in the Revenue Sufficiency page to insure that revenues from sales are sufficient to cover monthly fixed costs.

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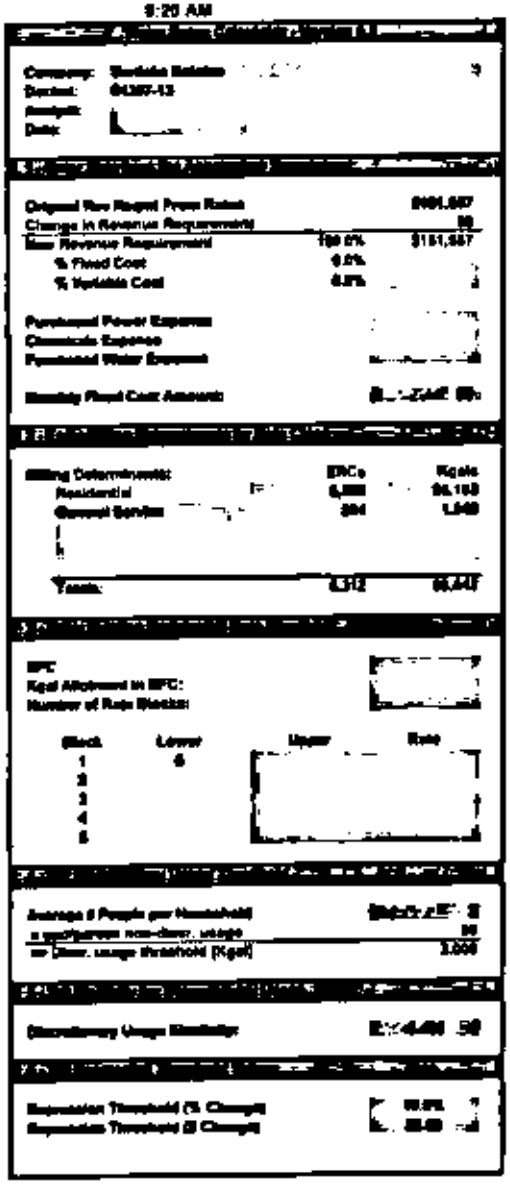
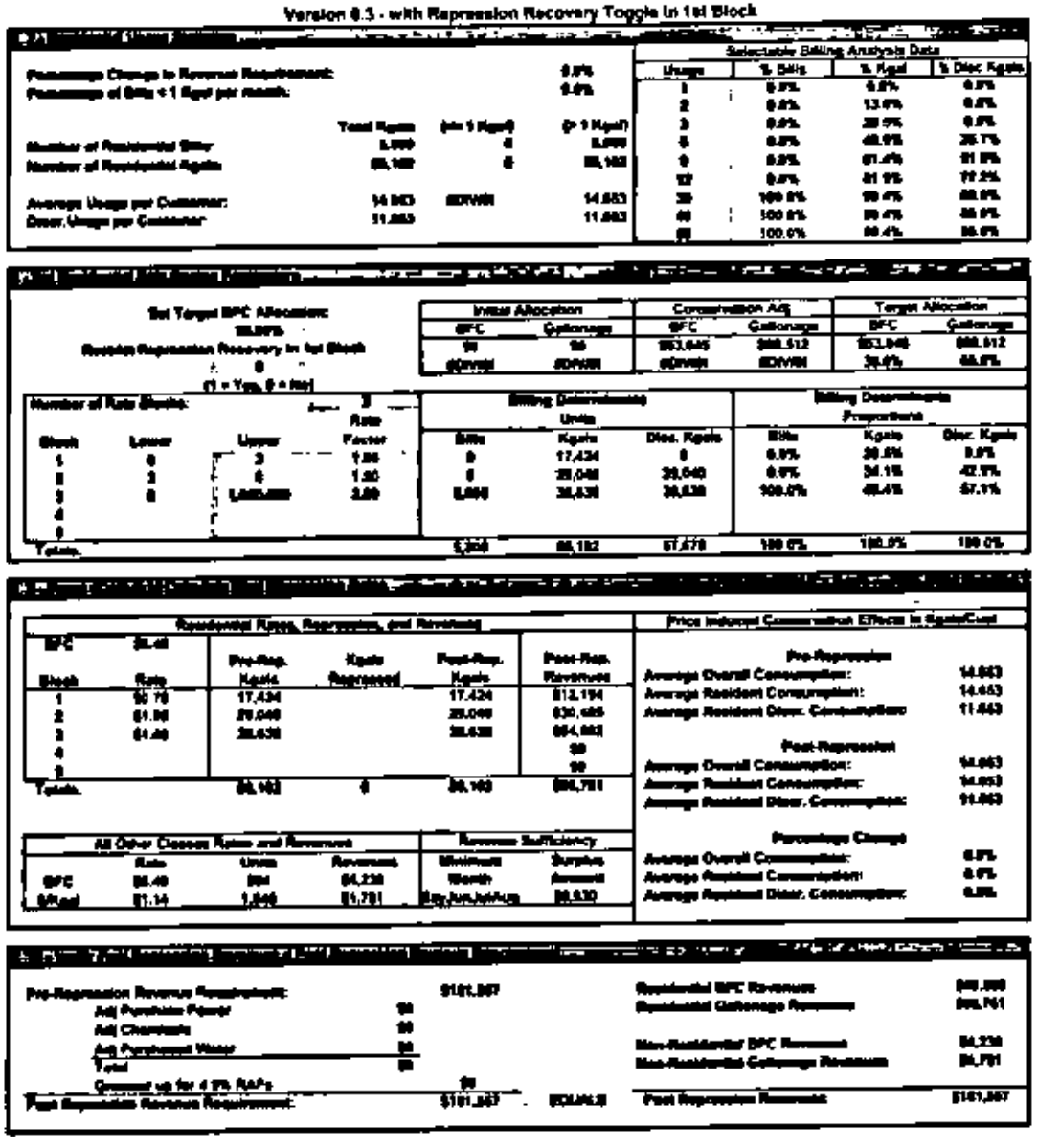
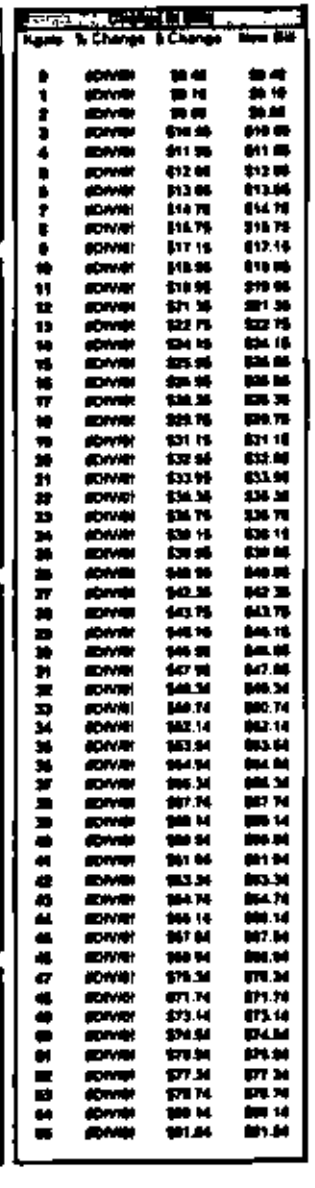
Version 8.3 - with Repression Recovery Toggle in 1st Block







Old Rate Structure:		# Bills =	0
		Allot'mt =	0

For Use with Prior Flat Rates	
Total Res Usage =	85,102
Total Res ERCs =	5,808
Average Res Usage =	14.653

Residential ERC Calculator			
Meter Size	Meter Factor	Bills	ERCs
5/8"	1	484	484
1.25"	4		0
1"	2.5		0
1.5"	5		0
2"	8		0
3"	16		0
4"	25		0
6"	50		0
8"	80		0
Totals		484	484

General Service ERC / MMB Calculator			
Meter Size	Meter Factor	Bills	ERCs
5/8"	1	1	1
1.25	4		0
1"	2.5	1	3
1.5"	5	3	15
2"	8	3	24
3"	16		0
4"	25		0
6"	50		0
8"	80		0
Totals		5	43

New Rate Structure Billing Determinants

Inputs				Outputs		
Number of Rate Blocks:			3			
Block	Lower	Upper	Rate Factor	Bills	Total KGals	Disc Usage KGals
1	0	3	1.00	0	17,424	0
2	3	8	1.56	0	28,048	28,048
3	8	1000000	2.00	5,808	38,630	38,630
4		0	0.00	0	0	0
5		0	0.00	0	0	0
Totals				5,808	85,102	67,678

Input: Discretionary Usage Threshold =	3,000

Monthly Billing Determinants

	Residential		All Other Classes	
	ERCs	Kgals	ERCs	Kgals
Jan	484	7,092	42	128
Feb	484	7,092	42	128
Mar	484	7,092	42	128
Apr	484	7,092	42	128
May	484	7,092	42	128
Jun	484	7,092	42	128
Jul	484	7,092	42	128
Aug	484	7,092	42	128
Sep	484	7,092	42	128
Oct	484	7,092	42	128
Nov	484	7,092	42	128
Dec	484	7,092	42	128
Total	5,808	85,102	504	1,540

MFR F-1 Kgals Sold	less Non-RS Kgals	equals RS Kgals
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
128	-6,964	7,092
1,536	-83,566	85,102

MFR F-1 Kgals Sold	Percent % per Mo
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
7,092	8%
85,102	100%

Output to Change in Bills Page	
Average Usage/ERC =	14.653

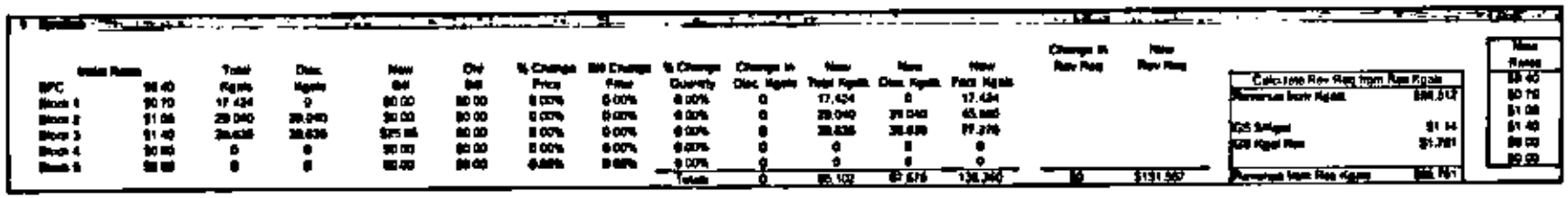
Calculate Average Usage per New Rate Block

Number of Rate Blocks:			3			
Block	Lower	Upper	Rate Factor	Bills	Kgals Sold	Average Kgals
1	0	3	1.00	0	0	0.000
2	3	8	1.56	0	0	0.000
3	8	1000000	2.00	5,808	85,102	14.653
4		0	0.00	0	0	0.000
5		0	0.00	0	0	0.000

MFR F-1 Kgals Sold	less Non-RS Kgals	equals RS Kgals
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-6,964	6,964
0	-83,566	83,566

Calculate Average Kgals Billed per New Rate Block

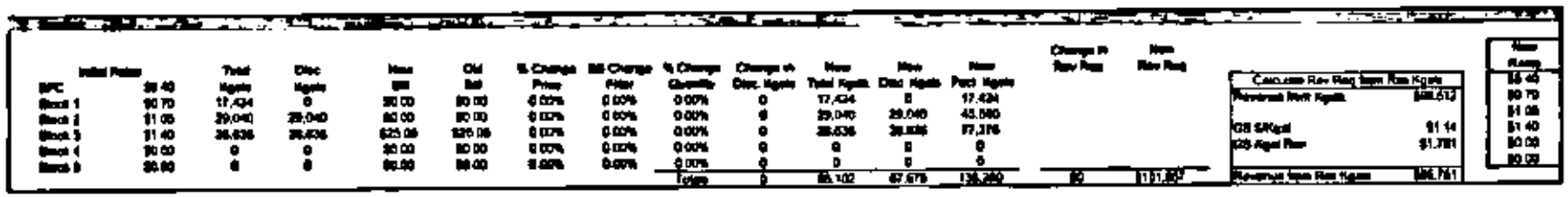
Number of Rate Blocks:			3			
Block	Lower	Upper	Rate Factor	Bills	Kgal Allotment In BFC	Average Billed Kgals
1	0	3	1.00	0	0.000	0.000
2	3	8	1.56	0	0.000	0.000
3	8	1000000	2.00	5,808	0.000	14.653
4		0	0.00	0	0.000	0.000
5		0	0.00	0	0.000	0.000



Initial Rates		Total Kgals	Disc. Kgals	New Bill	Old Bill	% Change Price	Bill Change Filter	% Change Quantity	Change in Disc. Kgals	New Total Kgals	New Disc. Kgals	New Pact Kgals	Change in Rev Req	New Rev Req
SFC	$8.40													
Block 1	$0.70	17,424	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	17,424	0	17,424		
Block 2	$1.05	29,040	29,040	$0.00	$0.00	0.00%	0.00%	0.00%	0	29,040	29,040	45,580		
Block 3	$1.40	38,636	38,636	$25.06	$0.00	0.00%	0.00%	0.00%	0	38,636	38,636	77,376		
Block 4	$0.00	0	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	0	0	0		
Block 5	$0.00	0	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	0	0	0		
								Totals	0	85,102	67,676	138,380	$0	$131,567

Calculate Rev Req from Res Kgals	
Revenue from Kgals	$86,512
GS $/Kgal	$1.14
GS Kgal Rev	$1,781
Revenue from Res Kgals	$86,781

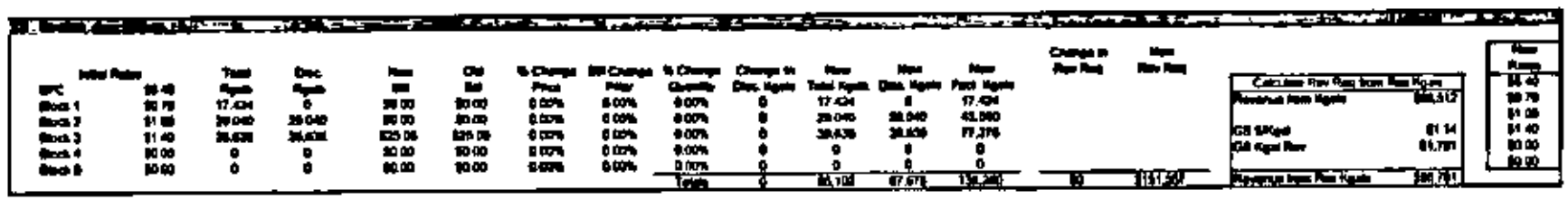
New Rates
$8.40
$0.70
$1.05
$1.40
$0.00
$0.00



Initial Rates		Total Kgals	Disc. Kgals	New Bill	Old Bill	% Change Price	Bill Change Filter	% Change Quantity	Change in Disc. Kgals	New Total Kgals	New Disc. Kgals	New Pact Kgals	Change in Rev Req	New Rev Req
SFC	$8.40													
Block 1	$0.70	17,424	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	17,424	0	17,424		
Block 2	$1.05	29,040	29,040	$0.00	$0.00	0.00%	0.00%	0.00%	0	29,040	29,040	45,580		
Block 3	$1.40	38,636	38,636	$25.06	$25.06	0.00%	0.00%	0.00%	0	38,636	38,636	77,376		
Block 4	$0.00	0	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	0	0	0		
Block 5	$0.00	0	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	0	0	0		
								Totals	0	85,102	67,676	138,380	$0	$131,567

Calculate Rev Req from Res Kgals	
Revenue from Kgals	$86,512
GS $/Kgal	$1.14
GS Kgal Rev	$1,781
Revenue from Res Kgals	$86,781

New Rates
$8.40
$0.70
$1.05
$1.40
$0.00
$0.00



Initial Rates		Total Kgals	Disc. Kgals	New Bill	Old Bill	% Change Price	Bill Change Filter	% Change Quantity	Change in Disc. Kgals	New Total Kgals	New Disc. Kgals	New Pact Kgals	Change in Rev Req	New Rev Req
SFC	$8.40													
Block 1	$0.70	17,424	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	17,424	0	17,424		
Block 2	$1.05	29,040	29,040	$0.00	$0.00	0.00%	0.00%	0.00%	0	29,040	29,040	45,580		
Block 3	$1.40	38,636	38,636	$25.06	$25.06	0.00%	0.00%	0.00%	0	38,636	38,636	77,376		
Block 4	$0.00	0	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	0	0	0		
Block 5	$0.00	0	0	$0.00	$0.00	0.00%	0.00%	0.00%	0	0	0	0		
								Totals	0	85,102	67,676	138,380	$0	$131,567

Calculate Rev Req from Res Kgals	
Revenue from Kgals	$86,512
GS $/Kgal	$1.14
GS Kgal Rev	$1,781
Revenue from Res Kgals	$86,781

New Rates
$8.40
$0.70
$1.05
$1.40
$0.00
$0.00

Inputs from Monthly Billing Determinants

Residential			General Service	
ERCs	Pre Kgals	Post Kgals	ERCs	Kgals
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	42	126
484	7,092	7,092	43	126
5,808	85,102	85,102	504	1,540

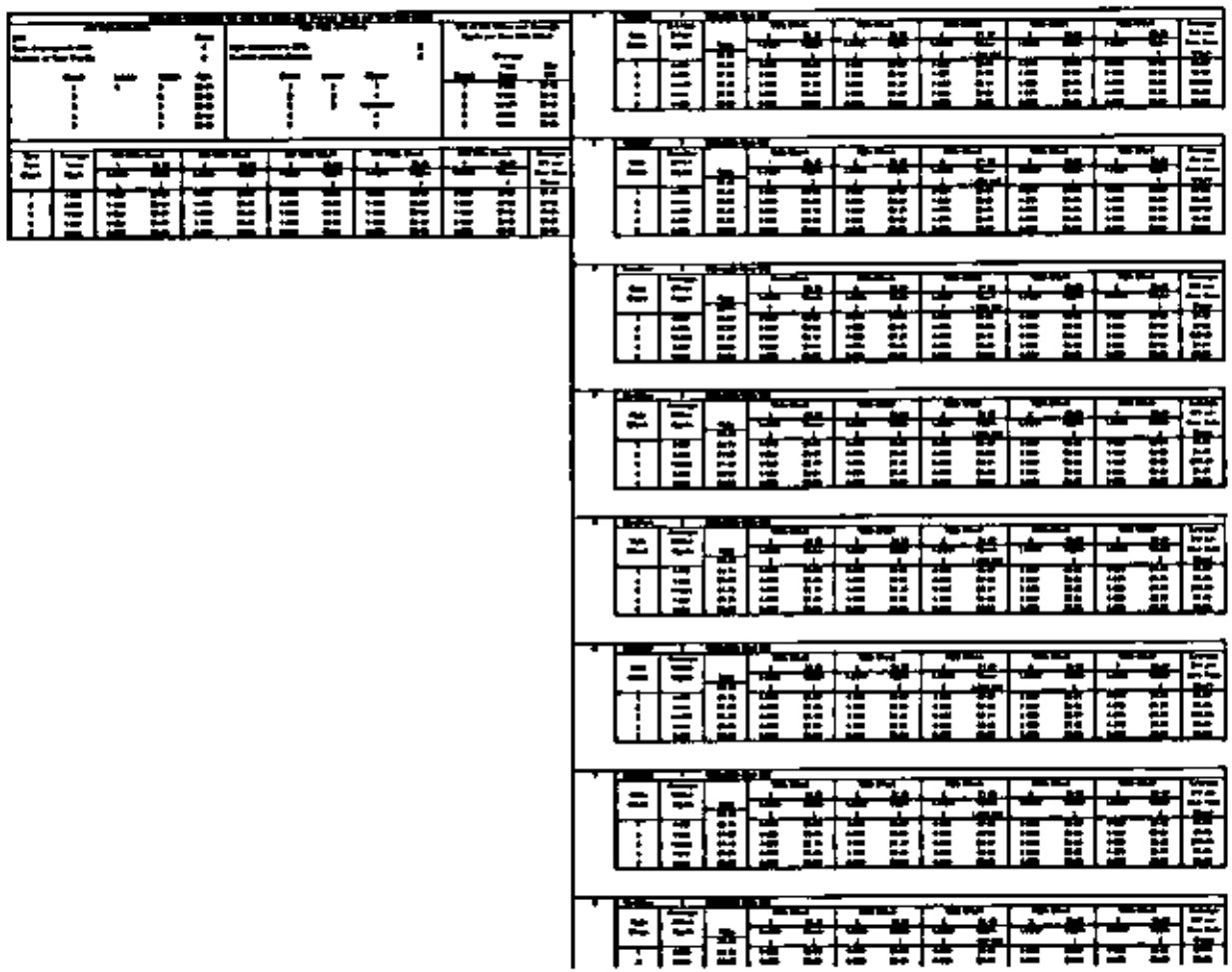
Input Rates from Rates & Repression

Residential		General Service	
	1st Block		
BFC	Gallonage	BFC	Gallonage
$8.48	$0.79	$8.48	$1.14

Monthly Fixed Costs:	0

Revenue Sufficiency Analysis

	Residential Revenues	Gen Service Revenues	Total Revenues	Monthly Fixed Cost	Monthly Surplus or (Shortage)	
Jan	$9,031	$499.66	$9,530	$0	$9,530	Jan
Feb	$9,031	$499.66	$9,530	$0	$9,530	Feb
Mar	$9,031	$499.66	$9,530	$0	$9,530	Mar
Apr	$9,031	$499.66	$9,530	$0	$9,530	Apr
May	$9,031	$499.66	$9,530	$0	$9,530	May
Jun	$9,031	$499.66	$9,530	$0	$9,530	Jun
Jul	$9,031	$499.66	$9,530	$0	$9,530	Jul
Aug	$9,031	$499.66	$9,530	$0	$9,530	Aug
Sep	$9,031	$499.66	$9,530	$0	$9,530	Sep
Oct	$9,031	$499.66	$9,530	$0	$9,530	Oct
Nov	$9,031	$499.66	$9,530	$0	$9,530	Nov
Dec	$9,031	$499.66	$9,530	$0	$9,530	Dec
Totals	$108,368	$5,997	$114,364		$9,530	MayJunJulAug

Output Minimum Monthly Surplus/Shortage

Min Month = MayJunJulAug Min Amount = $9,530