

State of Florida



Public Service Commission

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

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

DATE: May 5, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Hudson, Massoudi, Rendell, Bruce, Lingo)
Office of the General Counsel (Jaeger)

RE: Docket No. 041145-WU – Application for staff-assisted rate case in Pasco County
by Holiday Utility Company, Inc.

AGENDA: 05/17/05 – Regular Agenda – Proposed Agency Action Except for Issues 13 and
15 – Interested Persons May Participate

CRITICAL DATES: 02/24/06 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\041145.RCM.DOC

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Case Background

Holiday Utility Company, Inc. (Holiday or utility) is a Class C water utility serving 338 water customers in Pasco County. According to the utility's 2003 annual report, total gross revenue was \$56,774 and total operating expenses were \$92,616.

The utility began operations in 1969. By Order No. 6780, issued July 17, 1975, in Docket No. 73489, In Re: Application of Holiday Utility Company for a certificate to operate a water system in Pasco County, Florida, the Commission granted the utility water certificate 224-W. The utility has had two staff assisted rate cases (Docket No. 800514-W and Docket No. 840291-WU). The utility currently has an open docket (Docket No. 030458-WU) for the transfer of majority organizational control to Holiday Waterworks Corporation.

The utility applied for this staff assisted rate case on September 27, 2004, and was advised that it was eligible for staff assistance by letter dated October 25, 2004. The correct filing fee of \$1,000 was paid on December 1, 2004.

The customer meeting was held on March 30, 2005, in New Port Richey at the West Pasco Government Center. One customer attended the meeting.

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

Discussion of Issues

Issue 1: Is the quality of water service provided by Holiday Utility Company, Inc. considered satisfactory?

Recommendation: Yes. The quality of service provided by Holiday Utility Company, Inc. should be considered satisfactory. Although, the operational conditions at both water treatment plants are not 100% satisfactory, DEP's inspector and staff believe that the utility is cooperating and is improving the operational conditions. Therefore, the utility should complete any and all improvements to the system that are necessary to satisfy the standards set by DEP. Also, staff recommends that a local emergency phone number, which can be easily seen, be posted at both water treatment plants within 60 days from the date of the Consummating Order. (Massoudi)

Staff Analysis: Rule 25-30.433(1), Florida Administrative Code (F.A.C.), states that:

The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of utility's product (water and wastewater); operational conditions of utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the comments and testimony of the utility's customers shall be considered.

Staff's analysis below addresses each of these three components based on the information available.

Holiday Utility is a Class C Water utility which provides water service to approximately 338 active customers in the Westwood area subdivision (120 service connections) in Pasco County and the Anclote area (218 service connections) in Pasco and Pinellas Counties. Both of these communities are served by an independent water system.

QUALITY OF UTILITY'S PRODUCT

Both of the water treatment plants (WTPs) at Westwood and Anclote are regulated by the Department of Environmental Protection (DEP). The DEP inspected the Westwood WTP on March 16, 2004. The utility has conformed with all testing and chemical analyses required by the DEP and the test results have been satisfactory for both systems. The quality of the water service meets or exceeds the regulatory standards and is considered satisfactory for both systems.

OPERATIONAL CONDITIONS AT THE PLANT

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. According to the DEP's letter dated August 21, 2003, due to recent EPA rule changes regarding disinfection byproducts, a number of water systems are in the process of changing from free chlorine to chloramines disinfection. Pasco County Utilities and New Port Richey recently converted their disinfection process from free chlorine to chloramines. The Westwood WTP is presently using free chlorine for disinfection and has an interconnect with a utility that recently converted to chloramines. Since the use of free chlorine as a disinfectant in combination with chloramines may result in water quality problems, DEP will not allow a water system that uses free chlorine to maintain an interconnect with a water system that uses chloramines. This applies to all interconnections, emergency or otherwise.

The utility has proposed a Capital Improvement Plan to staff for solving this problem and the other issues. Based on this plan, the utility intends to upgrade its existing treatment system and eliminate the Pasco County interconnection. For this project, the utility will install two new 15 horsepower (hp) submersible well pumps, meters valves and electrical controls necessary to place in service existing wells 2 and 3 that currently are nonfunctional. The addition of wells 2 and 3 will provide adequate water supply and pressure to meet the Pasco County minimum fire protection standards for residential communities of 500 gallons per minute (gpm). The utility believes this project will greatly improve system reliability, provide for badly needed fire protection enhancement, and is a prudent investment for its customers. This project is estimated to cost \$42,200 and is anticipated to be completed by mid 2006.

According to the DEP's letter dated March 26, 2004, the DEP's inspector observed deficiencies during his site inspection. The deficiencies are as follows:

1. Provide a proper smooth nosed raw tap before the check valve (62-555, F.A.C) for both systems.
2. Provide update cross connection control and auxiliary power plans (62-555.360 F.A.C.) for both systems.
3. Westwood WTP tank has areas of rust. It must be resurfaced or repainted as necessary (62-555.350 F.A.C.).
4. Provide a fence with lockable access gates around the storage tank (62-555.320(5) F.A.C.) for both systems.

Regarding deficiencies Nos. 1 and 2, the utility completed these projects and submitted the plans to DEP in year 2004. However, according to the utility's proposed Capital Improvement Plan, the utility intends to interconnect the Anclote WTP with the City of Tarpon Springs. This interconnection will eliminate the need for the purchase of an auxiliary power generator for the Anclote WTP site, by utilizing the City of Tarpon Springs as a backup water supply. This project is estimated to cost \$85,200 and is anticipated to be completed by the end of 2005.

As a result of the interconnection with the City of Tarpon Springs, the utility intends to construct a new disinfection system for the Anclote water treatment plant; specifically, the conversion from free chlorine to chloramine disinfectant. This change in disinfectant is a result of the new disinfectant by-product rule promulgated by DEP in 2004. This rule requires water systems to meet certain standards relating to Trihalomethanes (THMs), a known carcinogen. The Holiday system meets the new requirements for disinfection byproducts without any modification to the existing treatment system, based on compliance testing conducted in 2004. However, DEP requires that if any public water supply systems are interconnected, those systems share a common disinfectant. As a result of the requirement, the Anclote system must convert to chloramine disinfection because of its proposed interconnection with the City of Tarpon Springs. The City of Tarpon Springs has already converted to chloramines. This project is currently in the design phase and scheduled for construction in mid 2005. This project is estimated to cost \$36,250 to complete.

According to the utility's proposed Capital Improvement Plan, the utility also intends to install a 100 KW auxiliary power generator for the Westwood System. The generator will run on diesel fuel and will be equipped with a secondary fuel containment vessel. This project is estimated to cost \$41,500 and is anticipated to be completed by mid 2005.

Regarding deficiency No. 3, an engineering evaluation of the tank is being scheduled.

For deficiency No. 4, the utility also proposed a Capital Improvement Plan to staff. Based on this plan, the utility intends to install new fences with double access gates at both water treatment plants. This project is estimated to cost \$6,500 and is anticipated to be completed by the end of 2005.

Maintenance at the plant site appeared to have been given adequate attention. However, during the engineering field inspection, both water treatment plant sites were heavily vegetated and had poor soil conditions for vehicle transportation. There were large oak trees at both sites which can cause catastrophic damage to the treatment facilities during tropical storm and hurricane events especially to the hydropneumatic tanks and chlorine storages. Additionally, extended loss of water service may occur until a replacement tank can be located. Also, the staff noticed that there were no fences around the Westwood WTP nor the Anclote wells. Also, staff observed a lot of debris and junk materials at the Westwood WTP. The Chlorine storage at Anclote was very old and had many holes at the sides. Finally, there was no local emergency phone number at the water plants so that someone can respond to an emergency in a timely manner. However, according to the utility's proposed Capital Improvement Plan, the utility intends to improve the access roadways to both water treatment plants and to remove the vegetation and cut down the large oak trees at both sites. This project is estimated to cost \$26,660 and is anticipated to be completed by mid 2005.

Although, the operational conditions at the water treatment plant are not 100% satisfactory, the DEP inspector and staff believe that the utility is cooperating and trying to improve the operational conditions as much as possible. Therefore, the utility should complete any and all improvements to the system that are necessary to satisfy the standards set by the DEP. Also, it is recommended that a local emergency phone number, which can be easily seen,

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be posted at both water treatment plants within 60 days from the date of the Consummating Order for this rate case.

Consumptive use in Pasco County is permitted by the Southwest Florida Water Management District (SWFWMD). The utility obtained its Water Use Permit No. 202319.04 from the water management office on October 26, 1998 and it will expire on September 11, 2013.

All things considered, the operational conditions at the water treatment plants should be considered satisfactory at this time.

UTILITY'S ATTEMPT TO ADDRESS CUSTOMER SATISFACTION

An informal customer meeting was held on March 30, 2005, in the West Pasco Government Center/County Commission Board Room in New Port Richey. The meeting was open to all customers at 6:00 p.m. The meeting was attended by one customer and the utility's owner. The one customer (resident of the Westwood area) went on record with comments and concerns about the utility. The customer was concerned about the location of the wells and the disinfection method at the Westwood WTP. The customer asked if the disinfection method from free chlorine will be changed to chloramines disinfection. The staff and USWC responded that the disinfection method would not be changed at Westwood WTP.

All things considered, staff believes that the utility's good faith efforts justify a finding that the utility's attempt to address customer satisfaction is satisfactory. It is recommended that the overall quality of service be considered satisfactory.

Issue 2: Does Holiday Utility Company, Inc. have an excessive unaccounted for water problem?

Recommendation: Yes. Anclote WTP has approximately 19.32% excessive unaccounted for water. Therefore, allowable expenses for purchased electricity and chemicals should be reduced by 19.32% for Anclote WTP. (Massoudi)

Staff Analysis: It is Commission practice to allow 10% of the total water treated as an acceptable amount of unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by stuck meters, line flushing, etc.

The total treated water pumped from the wells was compared with the total water sold to the customers. The total unaccounted for water was determined to be 14.44 gpm. The reasonable unaccounted amount (10% of average daily flow) was determined to be 4.93 gpm. The excessive unaccounted for water was calculated to be 9.51 gpm which was 19.32%. This percentage shows the difference between treated water leaving the plant and the metered water sold to the customers. It appears that a large portion of the unmetered water is an issue of old meters and inaccurate metering. Staff recommends that, in accordance with Commission practice, 19.32% be considered excessive and that allowable expenses for purchased electricity and chemicals be reduced by 19.32%.

The utility's owner is in process of replacing the meters to reduce the unaccounted for water. The utility has already replaced most of the water meters in the last 12 months and has drastically reduced the unaccounted for water.

Issue 3: What portions of Holiday's systems are used and useful?

Recommendation: Both the water treatment plants and water distribution systems should be considered 100% used and useful. (Massoudi)

Staff Analysis:

Westwood Water Treatment Plant

The water treatment plant is a closed system with one six-inch well designated as Well No. 1 equipped with a 15 hp vertical turbine pump that resources the ground water table at a rate of 240 gallons per minute (gpm). The raw water is treated with liquid chlorine which is injected prior to entry into the 14,000 gallon hydropneumatic tank. The Westwood Water system also has an existing interconnection with the Pasco County water system via a two-inch meter as a backup water supply and can be utilized during emergencies. The fire hydrants are connected to the potable water system.

In accordance with the American Waterworks Association Manual of Water Supply Practices, the highest capacity well should be removed from the calculation to determine the plant's reliability. Since this water plant has just one well, staff considered just that well. Therefore, considering one well with the volume capacity of 240 gpm and no usable storage, the firm reliable capacity of the water plant is 240 gpm.

During the 12-month test year review period, the peak month of water usage occurred during July 2004. The maximum day in that maximum month was 25 gpm. Because the water plant is a closed system operation having one hydro-tank (no storage tank), the actual peak hours of the maximum days should be considered. Therefore, the actual peak hours $\{2 \times (\text{Maximum day} - \text{excessive unaccounted water})\}$ was used in the used and useful formula. The average daily flow was 17.89 gpm. The utility provides fire protection via fire hydrants throughout the distribution system. The Pasco County fire code requires a minimum of 500 gpm which is considered in the calculations. A regression analysis was performed to anticipate a growth of 2 ERCs for the next year which calculates a projection of 3.97 gpm for the statutory growth period defined in Section 367.081(2)(a)2.b., Florida Statutes. The excessive unaccounted for water was calculated to be 0.02 gpm which was almost zero percent. Therefore, in accordance with the calculation sheet (Attachment A, Page 1 of 6), it is recommended that the used and useful for the water treatment plant should be 100%.

Westwood Water Distribution System

The water distribution system has the potential of serving 128 customers (estimated to be 136 ERCs). The average number of customers served during the test year was 120 customers (estimated to be 126 ERCs). A regression analysis of growth over the past five years indicates that growth would be two ERCs per year. When we apply the two ERCs to the statutory growth period, the future growth is calculated to be 10 ERCs. By the formula approach, staff calculates the distribution system to be 100% used and useful (Attachment A, page 2 of 6).

Anclote Water Treatment Plant

This water system is a closed system with four existing wells designated as Well Nos. 2, 3, 4, and 5. Well No. 5 is considered as a standby well and is currently not in use. Well No. 2 has a diameter of six inches equipped with a two hp submersible pump with a capacity of 60 gpm. Well No. 3 has a diameter of six inches equipped with a three hp submersible pump with the volume capacity of 70 gpm. Well No. 4 has a diameter of four inches equipped with a three hp submersible pump with the volume capacity of 75 gpm. The raw water from the three operating wells is currently pumped into a 3,000-gallon hydropneumatic tank after receiving chlorination by using liquid sodium hypochlorite solution. The fire hydrants are connected to the potable water system.

In accordance with the American Waterworks Association Manual of Water Supply Practices, the highest capacity well should be removed from the calculation to determine the plant's reliability. The firm reliable capacity is calculated by using the capacity of the wells while removing the largest well (75 gpm). Considering the other two lowest volume capacity wells with 60 gpm and 70 gpm and no usable storage, the firm reliable capacity of water plant was determined to be 130 gpm.

During the 12-month test-year review period, the peak month of water usage occurred during March 2004. The maximum day in that maximum month was 79.86 gpm. Because the water plant is a closed system operation having one hydro-tank (no storage tank), the actual peak hours of the maximum days should be considered. Therefore, the actual peak hours $\{2 \times (\text{Maximum day} - \text{excessive unaccounted water})\}$ was used in the used and useful formula. The average daily flow was 49.26 gpm. The utility provides fire protection via fire hydrants throughout the distribution system. The Pasco County fire code requires a minimum of 500 gpm which is considered in the calculations. A regression analysis was performed to anticipate a growth of two ERCs for the next year which calculates a projection of 6.17 gpm for the statutory growth period defined in Section 367.081(2)(a)2.b., Florida Statutes. The excessive unaccounted for water was calculated to be 9.51 gpm which was 19.32%. Therefore, in accordance with the calculation sheet (Attachment A, Page 3 of 6), it is recommended that the used and useful for the water treatment plant should be 100%.

Anclote Water Distribution System

The water distribution system has the potential of serving 228 customers (estimated to be 269 ERCs). The average number of customers served during the test year was 218 customers (estimated to be 259 ERCs). A regression analysis of growth over the past five years indicates that growth would be two ERCs per year. When we apply the two ERCs to the statutory growth period, the future growth is calculated to be 10 ERCs. By the formula approach, staff calculates the distribution system to be 100% used and useful (Attachment A, Page 4 of 6).

USED AND USEFUL FOR PRO FORMA ITEMS

Westwood Water Treatment Plant

As previously discussed, the utility is planning to install two new 15 hp submersible well pumps to utilize the standby wells 2 and 3. Each new pump will resource the ground water table at a rate of 220 gpm. These wells were drilled by the utility in the late 1960's and early 1970's and have been out of service for an unknown period of time. The addition of wells 2 and 3 are necessary to provide an adequate backup water supply to the existing well number 1. The utility will eliminate the Pasco County interconnection after upgrading its existing treatment system.

In accordance with the American Waterworks Association Manual of Water Supply Practices, the highest capacity well should be removed from the calculation to determine the plant's reliability. The firm reliable capacity is calculated by using the capacity of the wells with the removal of the largest well (240 gpm). Considering the other two lowest volume capacity wells with 220 gpm each and no usable storage, the firm reliable capacity of water plant was determined to be 440 gpm.

Considering the other same data for the used and useful in accordance with the calculation sheet (Attachment A, Page 5 of 6), it is recommended that the used and useful for the Westwood water treatment pro forma plant should be 100%.

Anclote Water Treatment Plant

As previously discussed, the utility is planning to install a new five hp submersible well pumps to utilize the standby Well No. 5. This new pump will resource the ground water table at a rate of 60 gpm. The addition of Well No. 5 in the Anclote system would provide the community with improved fire flow and will add to the overall system reliability.

In accordance with the American Waterworks Association Manual of Water Supply Practices, the highest capacity well should be removed from the calculation to determine the plant's reliability. The firm reliable capacity is calculated by using the capacity of the wells with the removal of the largest well (75 gpm). Considering the other three lowest volume capacity wells with 60 gpm, 60 gpm, and 70 gpm, and no usable storage, the firm reliable capacity of the Anclote water plant was determined to be 190 gpm.

Considering the other same data for the used and useful in accordance with the calculation sheet (Attachment A, Page 6 of 6), it is recommended that the used and useful for the Anclote water treatment pro forma plant should be 100%.

Issue 4: What is the appropriate average test year rate base for the utility?

Recommendation: The appropriate average test year rate base for Holiday is \$30,174 for water. (Hudson)

Staff Analysis: The utility's rate base was last established by Order No. 14506, issued June 26, 1985, in Docket No. 840291-WU, In Re: Application of Holiday Utility Company, Inc., for staff assistance on a rate increase to its customers in Pasco County, Florida.

Staff has selected a test year ended June 30, 2004 for this rate case. Rate base components, established in Order No. 14506, have been updated through June 30, 2004 using information obtained from staff's audit and engineering reports. A summary of each component and the adjustments follows:

Utility Plant in Service (UPIS): The utility recorded \$271,225 for water UPIS for the test year ending June 30, 2004. Per Audit Disclosure No. 1, the utility recorded a total of \$6,687 for plant additions twice. Staff decreased this account by \$6,687 to correct the double entry. Staff has increased this account by \$3,462 to reflect plant additions reclassified from Account (Acct.) No. 620. Staff has increased this account by \$1,692 to reflect a plant addition that was not recorded on the utility's books. The utility had plant additions that replaced items currently in plant. However, the utility did not retire the replaced items. Staff has retired 75% of the replacement cost for those plant items. The retirement adjustments are as follows: decrease of \$2,357 (\$3,142 x 75%) to Acct. No. 311, decrease of \$2,123 (\$2,831 x 75%) to Acct No. 331, and a decrease of \$3,657 (\$4,876 x 75%) to Acct No. 334. Staff also made an averaging adjustment to decrease UPIS by \$8,175.

Staff's net adjustment to UPIS is a decrease of \$17,845. Staff's recommended UPIS balance is \$253,380.

Contribution in Aid of Construction (CIAC): The utility recorded CIAC of \$32,052 for the test year ended June 30, 2004. Staff has made an adjustment to increase this account by \$200 to reflect CIAC recorded as non-utility income and has decreased this account by \$100 to reflect an averaging adjustment. Based on these two adjustments, staff has calculated CIAC to be \$32,152.

Accumulated Depreciation: The utility recorded a balance for accumulated depreciation of \$236,557 for the test year. Staff has calculated accumulated depreciation using the prescribed rates in Rule 25-30.4140, F.A.C. Therefore, staff has decreased this account by \$19,616 to reflect depreciation calculated per staff. Staff has increased this account by \$1,510 to reflect an averaging adjustment. These adjustments results in accumulated depreciation of \$218,451.

Amortization of CIAC: The utility recorded \$18,762 for amortization of CIAC. Amortization of CIAC has been recalculated by staff using composite depreciation rates. This account has been increased by \$252 to reflect amortization of CIAC as calculated by staff. Staff has decreased this account by \$294 to reflect an averaging adjustment. Staff's net adjustments to this account results in Amortization of CIAC of \$18,720.

Working Capital Allowance: Working Capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30-433(2), F.A.C., staff recommends that the one-eighth of the O&M expense formula approach be used for calculating working capital allowance. Apply this formula, staff recommends a working capital allowance of \$8,677 (based on O&M of \$69,414). Working capital has been increased by \$8,677 to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year rate base is a positive \$30,174.

Rate base is shown on Schedule No. 1.

Issue 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

Recommendation: The appropriate return on equity is 9.10% with a range of 8.10% - 10.10%. The appropriate overall rate of return is 8.63%. (Hudson)

Staff Analysis: Per Audit Disclosure No. 2, the utility collects a \$40.00 deposit from its customers and does not pay interest on the customer deposits. Pursuant to Rule 25-30.311(4), F.A.C., each utility that requires deposits to be made by its customers shall pay a minimum interest on such deposits of 6 percent per annum. The deposit interest shall be made annually, either in cash or by credit on the current bill. The rule does not prohibit any public utility paying a higher rate of interest than required by this rule. The utility should be required to pay 6 percent annual interest on customer deposits.

The utility provided a list of customer deposits. The total amount on the list does not agree with the utility trial balance as of June 30, 2004. The customer list shows a balance of \$6,193 while the general ledger shows a balance of \$1,181. Based on the review of the customer deposit list, staff has determined that a number of the customer deposits have been held longer than 23 months. Pursuant to Rule 25-30.311(5), F.A.C., these deposits should have been refunded if the customer has established a satisfactory payment record. As of March 9, 2005, the utility has researched its customer deposits and refunded \$1,590 to those customers with satisfactory payment records. The utility's customer deposit balance should be \$4,603 (\$6,193 - \$1,590). Staff has made an adjustment to increase customer deposits by \$3,422 (\$4,603 - \$1,181).

Per Audit Disclosure No. 8, the utility has a loan of \$31,318 from the owner of the utility. There is no interest on the loan, no loan documents, and the utility is not making any payments on the principal. Since the loan payments are not paid and it is from a related party, staff has treated it as equity capital.

Using the leverage formula approved by Order No. PSC-04-0587-PAA-WS, issued June 10, 2004 in Docket No. 040006-WS, In Re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), Florida Statutes, the appropriate rate of return on equity is 9.10%.

The utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends a return on equity of 9.10% with a range 8.10% - 10.10% and an overall rate of return of 8.63%.

The return on equity and overall rate of return are shown on Schedule No. 2.

Issue 6: What is the appropriate test year revenue?

Recommendation: The appropriate test year revenue for this utility is \$60,269 for water. (Hudson)

Staff Analysis: Per Audit Disclosure No. 5, the utility recorded total revenues of \$64,634 for the 12-month period ended June 30, 2004. During the audit, the auditor discovered that the utility overstated its revenues for August 2003 by \$5,032. The utility recorded \$8,837 as residential revenues for the month of August instead of the actual revenues of \$3,305. Staff decreased test year revenues by \$5,032 (\$8,837 - \$3,305).

As discussed in Issue No. 2, the utility has excessive unaccounted for water. The utility has implemented a meter replacement program and has managed to reduce its unaccounted for water. The reduction in unaccounted for water results in more billable gallons. The increase in billable gallons results in an increase in gallonage revenue. The utility provided additional information with regard to its gallons. Based on staff's analysis, the utility's test year gallons should be increased by 490,000 gallons. Therefore, staff has made an adjustment to impute revenue by \$666 ($490,000/1,000 \times \1.36).

Staff recommends test year revenue of \$60,269 for water.

Test year revenue is shown on Schedule No. 3. The related adjustments are shown on Schedule No. 3-A.

Issue 7: What is the appropriate amount of operating expenses?

Recommendation: The appropriate amount of operating expenses for the utility is \$83,586 for water. (Hudson)

Staff Analysis: The utility recorded operating expenses of \$118,648 during the test year ending June 30, 2004. The test year O & M expenses have been reviewed, and invoices, canceled checks and other supporting documentation have been examined. Staff made several adjustments to the utility's operating expenses. A summary of adjustments to operating expenses is as follows:

Operations and Maintenance Expenses (O&M)

Salaries and Wages – Officers – (603) – The utility recorded \$20,796 in this account during the test year. The utility requested a \$12,000 officer's salary. The officer duties include budget and fiscal management, PSC Reporting, water quality management, used and unaccounted for water management, customer relations and check signing. Staff believes that the requested salary is appropriate and reasonable for a utility of this size. Therefore, staff has made an adjustment to decrease this account by \$8,796 (\$20,796 - \$12,000).

Purchased Power – 615 – The utility recorded \$4,668 to this account during the test year. Based on invoices reviewed by the engineer, staff has increased this account by \$263 per the engineer to reflect purchased power of \$1,675 and \$3,255 for Westwood and Anclote, respectively. Staff has also made a decrease to this account to reflect excessive unaccounted for water (UAW). This account has been decreased by \$629 ($\$3,255 \times 19.32\%$ UAW) for UAW at the Anclote plant. Staff has decreased this account by \$344 to reflect a repression adjustment as discussed in Issue No. 11. Staff recommends purchased power for the test year of \$3,958.

Chemicals – (618) – The utility recorded \$486 to this account during the test year. Based on invoices reviewed by the engineer, staff has decreased this account by \$73 per the engineer to reflect chemical expense of \$143 and \$270 for Westwood and Anclote, respectively. Staff has also made decreases to this account to reflect excessive unaccounted for water (UAW). This account has been decreased by \$52 ($\$270 \times 19.32\%$ UAW) for UAW at the Anclote plant. Staff has decreased this account by \$29 to reflect repression as discussed in Issue No. 11. Staff recommends purchased power for the test year of \$332.

Materials and Supplies – (620) – The utility recorded \$5,154 in this account during the test year. Staff has made the following adjustments: decrease of \$3,462 to reclassify plant additions to Acct. No. 331 and decrease of \$1,692 to reclassify plant additions to Acct. No. 334. Staff recommends materials and supplies for the test year of \$0.

Contractual Services – Professional – (631) – The utility recorded \$23,981 in this account during the test year. The utility included in this account \$15,682 of expenses related to the transfer docket. These expenses are non-recurring and should be amortized over 5 years at \$3,136 ($\$15,682/5$). Therefore, staff has made an adjustment to decrease this account by \$12,546 ($\$15,682 - \$3,136$). Per Audit Disclosure No. 6, staff has increased this account by \$2,058 to correct an erroneous credit journal entry. The utility included in this account \$3,699 of

engineering expenses relating to various projects. These expenses are non-recurring and should be amortized over 5 years at \$740 (\$3699/5). Staff has decreased this account by \$2,959 (\$3,699 - \$740). The amount recorded in this account also included \$2,900 of expenses related to accounting services. The utility requested \$2,000 annually for the preparing of corporate returns and PSC annual report. Staff believes this amount is reasonable and has decreased this account by \$900 (\$2,900 - \$2,000). Staff's recommends contractual services - professional expense of \$9,633.

Contractual Services Testing – (635) – This expense is included in the utility's monthly management fee for testing. The utility recorded \$5,212 in this account during the test year of which \$2,143 was a portion of the management fee. Staff has made an adjustment to increase this account by \$33 (\$2,176 - \$2,143) to annualize this account's allocated portion of the testing included in the management fee. The utility has requested an increase of its management fee. Staff believes this is reasonable and has made a pro forma adjustment to increase this account by \$188 (\$2,364 - \$2,176) to reflect this account's allocated portion of the requested management fee.

State and local authorities require that several analyses be submitted in accordance with Chapter 62-550, F.A.C. The list below includes monthly monitoring and other less frequent tests required by FDEP:

<u>Water</u>			
<u>Test</u>	<u>Frequency</u>	<u>Cost per year Westwood</u>	<u>Cost per Year Ancloste</u>
Microbiological	Monthly	\$840	\$1,524
Primary Inorganics	Monthly	\$52	\$52
Secondary Inorganics	Monthly	\$52	\$52
Asbestos	1/9 years	\$35	\$35
Nitrate & Nitrite	Quarterly	\$160	\$160
Volatile Organics	Annual	\$59	\$59
Pesticides/PCB	36 months	\$150	\$150
Radionuclides			
Group I	36 months	\$29	\$29
Group II	36 months	\$30	\$30
Unregulated Organics			
Group I	Qtr'ly/1 st yr/9 year	\$112	\$112
Group II	36 months	\$18	\$18
Group III	36 months	\$83	\$83
Lead & Copper	Biannual	\$134	\$107
TTHM	Yearly	\$75	\$75
Total		<u>\$1,829</u>	<u>\$2,486</u>

According to the invoices and other test costs, the utility's annual DEP required testing is \$4,315 which consists of \$1,829 and \$2,486 for the Westwood and Ancloste water systems, respectively. The total testing amount includes staff's recommended allocated monthly management fee for testing of \$2,364. During the test year, the utility recorded \$4,094 for DEP required testing. Staff has decreased this account by \$1,118 (\$5,212 - \$4,094) to reflect annual DEP required testing. Staff recommends contractual services – testing of \$4,315.

Contractual Services – Other – (636) – The utility recorded \$32,528 in this account during the test year. The utility charges a management fee which includes but is not limited to the following: treatment plant operations, transportation, collection office, field customer service, grounds keeping, billing and collection, meter reading, vehicle insurance and fuel, and office supplies. During the test year, the utility recorded \$31,947 in this account for the management fee. Staff had made an adjustment of \$495 (\$32,442 - \$31,947) to annualize the management fee. The utility has requested an inflationary increase of its management fee. Staff believes that the increase is appropriate and has made an adjustment to increase this account by \$2,796 (\$35,239 - \$32,443). Staff has made an adjustment to decrease this account by \$3,300 to reflect maintenance and labor already capitalized. The utility provided invoices totaling \$7,077 for hurricane related damages. Those expenses are non-recurring and staff believes this expense should be amortized over 4 years. Therefore, staff has made an adjustment to increase this account by \$1,769 (\$7,077/4).

Rents – (640) – The utility recorded \$15,264 in this account during the test year. This amount represents rent paid for land use. Rule 25-30.433(10), F.A.C., specifies that a utility is required to own the land on which the utility treatment facilities are located, or possess the right to continued use of the land, such as by holding a 99-year lease. Per Audit Disclosure No. 5 of the transfer docket's audit, the utility did not include land on its books and records. The utility indicated that all the wells and treatment plant are located on land owned by the previous owner and the land is part of his overall ranch. He owned both the ranch and the utility and saw no need to transfer the land to the utility. The utility was not charged a lease fee for use of the land. The current owners (Holiday Waterworks) purchased the land that the utility plant is situated on for \$20,000 from the previous owner of the utility. The land purchase agreement is dated April 25, 2003. On May 1, 2003, Holiday Waterworks entered into a 99-year land lease agreement with the utility for \$14,400 annually plus \$864 (6% sales tax) for a total of \$15,264.

Staff believes that the rental agreement for the land is a related party transaction. By Order No. PSC-00-1513-TRF-WS, issued August 21, 2000, in Docket No. 991835-WS, In Re: Application for allowance for funds prudently invested (AFPI) charge for additional water improvements and for additional lines associated with wastewater extension into George Mayo subdivision in Marion County, by Tradewinds Utilities, Inc., the Commission found the following:

Related party transactions require heightened scrutiny. Although a transaction between related parties is not per se unreasonable, it is the utility's burden to prove that its costs are reasonable. Florida Power Corporation v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982). This burden is even greater when the transaction is between related parties. In GTE Florida, Inc. v. Deason, 642 So. 2d 545 (Fla. 1994), the Court established that when affiliate transactions occur, that does not mean that unfair or excessive profits are being generated, without more evidence to contrary. The standard is to evaluate affiliate transactions and determine whether those transactions exceed the going market rate or are otherwise unfair.

The utility has chosen not to purchase the land but to lease or rent it from a related party. By Order No. PSC-04-1464-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, the Commission found that the appropriate rent amount for the land shall be the annual rate of return, based on the utility's current capital structure, times the original cost of the land in service. Staff's recommended rate of return is 8.63%. Therefore, staff has determined rent for the land to be \$1,726 (\$20,000 x 8.63%). Staff has decreased this account by \$12,674 (\$14,400 - \$1,726). Staff has also decreased this account by \$760 (\$864 - \$104) to reflect 6% sales tax on staff's recommended land rent.

Staff recommends rent expense of \$1,830.

Regulatory Commission Expense – (665) – The utility recorded \$0 in this account during the test year. Pursuant to Section 367.0816, Florida Statutes, rate case expense is amortized over a 4-year period. The utility paid a \$1,000 rate case filing fee for water. Staff has increased this account by \$250 (\$1,000/4). The utility is required by Rule 25-22.0407(9)(b), F.A.C., to mail

notices of the customer meeting to its customers. Staff has estimated noticing expense for wastewater of \$124 postage expense, \$33 printing expense, and \$17 for envelopes. The above results in a total rate case expense for noticing of \$174. Staff has increased this account by \$43 ($\$174/4$) to reflect rate case expense for noticing. Staff has also increased this account by \$200 ($\$801/4$) for rate case expense for the utility's consultant. Staff recommends a net increase to this account of \$493.

Miscellaneous Expense – (675) – The utility recorded \$3,703 in this account for the test year. Per Audit Disclosure No. 6, the utility included \$751 of prior period Regulatory Assessment Fees (RAFs) and \$2,250 of transfer application fees. Staff has made an adjustment of \$751 to remove prior period RAFs. Also, the utility should amortize the fees paid for the transfer application over five years which will result in \$450 ($\$2,250/5$). Therefore, staff has made an adjustment of \$1,800 ($\$2,250 - \450) to remove the unamortized portion of the transfer application fees.

Staff recommends miscellaneous expense of \$1,151.

Operation and Maintenance Expense (O&M Summary) – The total O&M adjustment is a decrease of \$43,790. Staff's recommended O&M expenses are \$69,414. O&M expenses are shown on Schedule 3-B.

Depreciation Expense (Net of Amortization of CIAC) – The utility recorded \$0 in this account during the test year. Staff calculated test year depreciation using the rates prescribed in Rule 25-30.140, F.A.C. This account has been increased by \$10,240 to reflect staff's calculated test year depreciation expense. In addition, amortization of CIAC has a negative impact on depreciation expense. The utility did not record any amortization of CIAC. Staff has calculated amortization of CIAC based on composite rates. Staff has decreased this account by \$1,299 to reflect staff's calculated amortization of CIAC. Therefore, staff recommends net depreciation expense of \$8,941.

Taxes Other Than Income – The utility recorded taxes other than income of \$5,444 during the test year. Per Audit Disclosure No. 7, the utility included in this account \$3,508 as RAFs for the 12-month period ending June 30, 2004. This amount included \$953 for late filing fees and \$2,555 for RAFs for the 12-month period ended December 31, 2003. Based on the audited test year revenues of \$60,269, the utility RAFs should be \$2,712 ($\$60,269 \times 4.5\%$) for the test year. Staff has made a net decrease of \$796 ($-\$953 + \127) to remove prior period fees and penalties and to reflect test year RAFs. The utility included in this account \$1,501 for payroll taxes. Staff has decreased this account by \$583 to reflect payroll taxes associated with staff's recommended salary.

Staff's total adjustment to this account is a decrease of \$1,379.

Income Tax – The utility recorded income tax of \$0 for water. The utility is an 1120 C corporation; however, the utility has a large amount of loss carry forwards based on its current income tax return. These loss carry forwards are in excess of staff's recommended return on equity, and will continue to be so over the next couple of years. Therefore, staff has not made an adjustment to this account.

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Operating Revenues – Revenues have been increased by \$25,922 to reflect the change in revenue required to cover expenses and allow the recommended return on investment.

Taxes Other Than Income – The expense has increased by \$1,166 to reflect RAFs of 4.5% on the change in revenues.

Operating Expenses Summary – The application of staff's recommended adjustments to the audited test year operating expenses results in staff's calculated operating expenses of \$83,586.

Operating expenses are shown on Schedule No. 3. The related adjustments are shown on Schedule 3-A.

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$86,190 for water. (Hudson)

Staff Analysis: The utility should be allowed an annual increase of \$25,922 (43.01%) for water. This will allow the utility the opportunity to recover its expenses and earn an 8.63% return on its investment. The calculations are as follows:

	<u>Water</u>
Adjusted Rate Base	\$30,174
Rate of Return	x .0863
Return on Rate Base	<u>\$2,604</u>
Adjusted O & M Expense	\$69,414
Depreciation expense (Net)	\$8,941
Taxes Other Than Income	\$5,232
Income Taxes	<u>\$0</u>
Revenue Requirement	<u><u>\$86,190</u></u>
Adjusted Test Year Revenues	<u>\$60,269</u>
Percent Increase/(Decrease)	<u><u>43.01%</u></u>

Revenue requirements are shown on Schedule No. 3.

Issue 9: Should the Commission approve pro forma plant additions and expenses for the utility, and if so what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

Recommendation: Yes. The Commission should approve pro forma plant additions and expenses for the utility. With the pro forma items, the utility's appropriate return on equity should be 11.40% with a range of 10.40% - 12.40%. The appropriate overall rate of return is 6.74%. The utility's revenue requirement should be \$120,914. The utility should complete the pro forma additions within 12 months of the issuance of the consummating order. The utility should be allowed to implement the resulting Phase II rates (as shown in Issue 12) once the completed pro forma additions have been verified by staff. If the utility fails to complete all of the pro forma additions within 12 months of the consummating order, it should not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates. (Hudson)

Staff Analysis: As discussed in Issue 1, the utility provided a Capital Improvement Plan outlining a number of pro forma plant additions that it intends to complete. The following is a chart summarizing the pro forma additions, the cost, and staff's recommended treatment:

Pro Forma Items			
	<u>Plant Item</u>	<u>Utility Requested</u>	<u>Staff Recommended</u>
1.	Install fencing at both Water Treatment Sites	\$6,500	\$6,500
2.	Initiate operation of Well Number 5 at the Anclote System	\$8,800	\$8,800
3.	Construct Water Interconnection with City of Tarpon Springs	\$85,200	\$85,200
4.	Construction of Disinfection System for Anclote Serv. Area	\$36,250	\$36,250
5.	a.) Conduct system wide water main and valve survey	\$12,200	Expense
	b.) Replace system components as determined by survey	\$31,500	\$31,500
6.	Site Access Improvement	\$26,660	\$26,660
7.	Install Auxiliary Power Generator for the Westwood System	\$41,500	\$41,500
8.	Rehabilitate Wells Number 2 and 3 at the Westwood System	\$42,200	\$42,200
9.	Securing and/or possible abandonment of wells not in use	\$37,400	\$0
10.	Water Meter Replacement Program	\$20,488	\$9,909
11.	Rehabilitation of Well House Number 1 at the Westwood	\$5,470	Expense
	Total	\$354,167	\$288,519

Staff believes the utility's proposed pro forma additions are prudent to the viability of the system and should be capitalized except as noted below:

Item No. 5(a) – The utility proposes to conduct a system wide water main and valve location survey to develop a base map. This project is non-recurring. Staff believes the cost should be expensed and amortized over 10 years which is the approximate life of this item. Therefore, it has been included as an expense at \$1,220 ($\$12,200/10$).

Item No. 9 – The utility is in the process of securing and/or possibly abandoning wells not in use. Staff believes this project is not used and useful and beneficiary to the customers of the system. Therefore, staff believes that customers should not pay for this project.

Item No. 10 – The utility has proposed a meter replacement program which is scheduled to be completed by 2008. Staff is recommending that the meter replacement and labor cost of \$9,909 be capitalized through the year 2005.

Item No. 11 – The utility is proposing to rehabilitate Well House No. 1 at the Westwood system. The proposed project is non-recurring and staff recommends that it be amortized over 5 years at \$1,094.

In order to complete the proposed projects, the utility has been pre-approved for funding at Merchantile Bank at a rate of prime plus 1%. By adding the loan amount of \$288,519 to the utility's capital structure discussed in Issue No. 5, the appropriate rate of return on equity is 11.40% with a range of 10.40% - 12.40%. The appropriate overall rate of return is 6.74%. By including the \$288,519 of pro forma plant and \$2,314 of expenses to the revenue requirement components discussed in Issues Nos. 4 and 7, respectively, staff's recommended revenue requirement should be \$120,914. The adjustments for excessive unaccounted for water should be removed. Also by following the methodology for rent expense discussed in Issue No. 7, the utility's rent expense should be \$1,348 with sales tax of \$81.

The utility should complete the pro forma additions within 12 months of the issuance of the consummating order. The utility should be allowed to implement the resulting Phase II rates (as shown in Issue 12) once the completed pro forma additions have been verified by staff. If the utility fails to complete all of the pro forma additions within 12 months of the consummating order, it should not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates.

The rate base, capital structure, operating expenses and revenue requirement which includes pro forma plant items are shown on Schedules 5, 5-A, 6, 7, 7-A and 7-B. The resulting rates are shown in Issue 12.

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Issue 10: What is the appropriate rate structure and base facility charge cost recovery percentage for this utility ?

Recommendation: The appropriate rate structure for this utility is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage should be 30%. (Bruce, Lingo)

Staff Analysis: Staff's analysis and resulting recommendations regarding this issue are shown on Attachment B.

Issue 11: Are adjustments to reflect repression of consumption appropriate in this case due to the price increases in Phase I and Phase II, and, if so, what are the appropriate repression adjustments to be applied in order to calculate Phase I and Phase II rates?

Recommendation: Yes, repression adjustments of 2,106.77 kgals for Phase I rates and 866.67 kgals for Phase II rates are appropriate. In order to monitor the effects of the recommended revenue increases for Phases I and II, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports should be provided, by customer class, meter size and Phase, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect. (Lingo)

Staff Analysis: Staff performed separate analyses for Phase I and Phase II. Our analyses are contained in Attachment C.

Issue 12: What are the appropriate monthly rates for service?

Recommendation: The recommended rates should be designed to produce revenues of \$86,190 and \$120,914 for Phases I and II, respectively. The utility should be allowed to implement Phase II rates once the completed pro forma additions have been verified by staff. For each phase, the utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Lingo, Hudson)

Staff Analysis: The appropriate revenue requirements are \$86,190 and \$120,914 for Phase I and Phase II, respectively. As discussed in Issue 10, staff recommends that the appropriate BFC cost recovery percentage is 30%. As discussed in Issue 11, staff recommends that the appropriate repression adjustments are 2,106.77 kgal and 866.67 kgal for Phases I and II, respectively. Therefore, the resulting monthly rates for service are those shown below.

Staff's recommended increase in revenue requirement is \$25,922 (approximately 43.01%), and \$60,646 (approximately 100.63%), for Phases I and II, respectively. Approximately 30% (or \$25,904) of the Phase I revenue requirement and 30% (or \$36,672) of the Phase II revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the BFC based on annualized number of factored ERCs. The remaining 70% (or \$60,286) of the Phase I revenue requirement and 70% (or \$84,242) represents the consumption charges based on the estimated number of gallons consumed during the test period less the respective repression adjustments for Phases I and II.

Schedules of the utility's existing rates and staff's recommended rates are as follows:

Monthly Rates (Phase I)

Residential and General Service Water Rates

<u>Meter Sizes</u>	<u>Current Rates</u>	<u>Staff's Recommended Rates</u>
<u>Base Facility Charge</u>		
Meter Sizes		
5/8" x 3/4"	\$5.37	\$5.69
3/4"		\$8.54
1"	\$13.45	\$14.23
1 1/2"	\$26.90	\$28.45
2"	\$43.07	\$45.52
3"	\$86.11	\$91.04
4"	\$134.56	\$142.25
6"	\$269.14	\$284.50
 <u>Gallage Charge</u>		
Per 1,000 Gallons	\$1.36	\$2.48
Gallage Charge		

Based on Staff's recommended rates, the following would be the estimated average residential water monthly billings for the consumption shown:

Monthly Consumption (In <u>Gallons</u>)	<u>Existing Monthly Billing</u>	Using Staff's Recommended <u>Rates</u>
3,000	\$9.45	\$13.13
5,000	\$12.17	\$18.09
8,000	\$16.25	\$25.53

The utility should be allowed to implement the following Phase II rates once all pro forma plant items have been completed and verified by staff.

Monthly Rates (Phase II)

Residential and General Service Water Rates

<u>Meter Sizes</u>	<u>Staff's Recommended (Phase I) Rates</u>	<u>Staff's Recommended Rates with Pro forma Plant</u>
<u>Base Facility Charge</u>		
Meter Sizes		
5/8" x 3/4"	\$5.69	\$8.06
3/4"	\$8.54	\$12.09
1"	\$14.23	\$20.15
1 1/2"	\$28.45	\$40.30
2"	\$45.52	\$64.48
3"	\$91.04	\$128.96
4"	\$142.25	\$201.50
6"	\$284.50	\$403.00
 <u>Gallonage Charge</u>		
Per 1.000 Gallons	\$2.48	\$3.59

If the utility fails to complete all of the pro forma additions within 12 months of the consummating order, it should not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates.

For each phase, the utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

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

Issue 13: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: The water rates should be reduced as shown on Schedule 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Hudson)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs which is \$516 annually for water. Using the utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

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

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

Issue 14: Should the utility be authorized to collect miscellaneous charges, and if so, what are the appropriate charges?

Recommendation: Yes, the utility should be authorized to collect miscellaneous service charges and the appropriate charges as specified in the staff analysis. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice. (Hudson)

Staff Analysis: The utility's existing tariff does not authorize the utility to collect miscellaneous service charges. Staff recommends that the utility be authorized to collect charges designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the ratepaying body as a whole. A schedule of staff's recommended charges follows:

<u>Water</u>	
<u>Charges</u>	<u>Staff Recommended Charges</u>
Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	\$25.00
Premise Visit Charge (in lieu of disconnection)	\$15.00

A definition of each charge is provided for clarification:

Initial Connection - this charge would be levied for service initiation at a location where service did not exist previously.

Normal Reconnection - this charge would be levied for transfer of service to a new customer account, a previously served location or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection - this charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), F.A.C., including a delinquency in bill payment.

Premises Visit Charge (in lieu of disconnection) - this charge would be levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service, because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The utility should file revised tariff sheets which are consistent with the Commission's vote. The approved charges should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the charges

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should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

Issue 15: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Hudson)

Staff Analysis: This recommendation proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, pursuant to Section 367.0814(7), Florida Statutes, in the event of a protest filed by a party other than the utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the utility should be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$17,594. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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

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

If the utility chooses a letter of credit as a security, it should contain the following conditions:

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Commission Clerk and Administrative Services must be a signatory to the escrow agreement.

This account must specify by whom and on whose behalf such monies were paid.

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

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

Issue 16: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open for an additional 12 months from the date of the Consummating Order to allow staff to verify completion of pro forma plant items described in Issue No. 9. Once staff has verified that the pro forma items have been completed, the docket should be closed administratively. (Jaeger)

Staff Analysis: Staff has recommended that the utility complete pro forma items described in Issue No. 9. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon issuance of a Consummating Order. However, this docket should remain open for an additional 12 months from the effective date of the Consummating Order to verify completion of the pro forma items. Once staff has verified that the work has been completed, this docket should be closed administratively.

**WATER TREATMENT PLANT – USED AND USEFUL DATA
WESTWOOD WTP**

1)		Capacity of Plant	240.00	gallons per min
2)		Maximum Day From Maximum Month	25	gallons per min
	2a)	Max. day @ peak	50	gallons per min
3)		Average Daily Flow	17.89	gallons per min
4)		Fire Flow Capacity (FF) Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)		Growth		
	a)	Average Test Year Customers in ERCs:	126	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	2	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (5b)x(5c)x [2a\5a]	3.97	gallons per min
6)		Excessive Unaccounted for Water (EUW)	0.02	gallons per min
	a)	Percentage of Excessive amount	0	
	b)	Total Unaccounted for Water	1.81	gallons per min
	c)	Reasonable Amount (10% of average Daily Flow)	1.79	gallons per min
	d)	Excessive Amount	0.02	gallons per min

USED AND USEFUL FORMULA

$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$

$[2 \times (25 - 0.02) + 500 + 3.97] / 240 = 100\% \quad \text{Used \& Useful}$

**WATER DISTRIBUTION SYSTEM – USED AND USEFUL DATA
 WESTWOOD WTP**

1)		Capacity of System (ERCs)	136	ERCs
2)		Test Year Connections Average Test Year	126	ERCs
3)		Growth		
	a)	Customer growth in connections for last 5 years including test year using Regression Analysis	2	ERCs
	b)	Statutory Growth Period	5	Years
	c)	Growth = (a)x(b) Connections allowed for growth	10	ERCs
<p>USED AND USEFUL FORMULA</p> <p>$[2+3]/(1) = 100\%$ Used and Useful</p>				

**WATER TREATMENT PLANT – USED AND USEFUL DATA
ANCLOTE WTP**

1)		Capacity of Plant	130.00	gallons per min
2)		Maximum Day From Maximum Month	79.86	gallons per min
	2a)	Max. day @ peak	159.72	gallons per min
3)		Average Daily Flow	49.26	gallons per min
4)		Fire Flow Capacity (FF) Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)		Growth		
	a)	Average Test Year Customers in ERCs:	259	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	2	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (5b)x(5c)x [2a\5a]	6.17	gallons per min
6)		Excessive Unaccounted for Water (EUW)	9.51	gallons per min
	a)	Percentage of Excessive amount	19.32%	
	b)	Total Unaccounted for Water	14.44	gallons per min
	c)	Reasonable Amount (10% of average Daily Flow)	4.93	gallons per min
	d)	Excessive Amount	9.51	gallons per min

USED AND USEFUL FORMULA

$$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$$

$$[2 \times (79.86 - 9.51) + 500 + 6.17] / 130 = 100\% \quad \text{Used \& Useful}$$

**WATER DISTRIBUTION SYSTEM – USED AND USEFUL DATA
 ANCLOTE WTP**

1)		Capacity of System (ERCs)	269	ERCs
2)		Test Year Connections Average Test Year	259	ERCs
3)		Growth		
	a)	Customer growth in connections for last 5 years including test year using Regression Analysis	2	ERCs
	b)	Statutory Growth Period	5	Years
	c)	Growth = (a)x(b) Connections allowed for growth	10	ERCs
<p>USED AND USEFUL FORMULA</p> <p>$[2+3]/(1) = 100\%$ Used and Useful</p>				

**WATER TREATMENT PLANT – USED AND USEFUL DATA
WESTWOOD WTP**

1)		Capacity of Plant	440.00	gallons per min
2)		Maximum Day From Maximum Month	25	gallons per min
	2a)	Max. day @ peak	50	gallons per min
3)		Average Daily Flow	17.89	gallons per min
4)		Fire Flow Capacity (FF) Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)		Growth		
	a)	Average Test Year Customers in ERCs:	126	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	2	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (5b)x(5c)x [2a\5a]	3.97	gallons per min
6)		Excessive Unaccounted for Water (EUW)	0.02	gallons per min
	a)	Percentage of Excessive amount	0	
	b)	Total Unaccounted for Water	1.81	gallons per min
	c)	Reasonable Amount (10% of average Daily Flow)	1.79	gallons per min
	d)	Excessive Amount	0.02	gallons per min

USED AND USEFUL FORMULA

$$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$$

$$[2 \times (25 - 0.02) + 500 + 3.97] / 440 = 100\% \quad \text{Used \& Useful}$$

**WATER TREATMENT PLANT – USED AND USEFUL DATA
ANCLOTE WTP**

1)		Capacity of Plant	190.00	gallons per min
2)		Maximum Day From Maximum Month	79.86	gallons per min
	2a)	Max. day @ peak	159.72	gallons per min
3)		Average Daily Flow	52.16	gallons per min
4)		Fire Flow Capacity (FF) Required Fire Flow: 500 gallons per minute for 4 hours	500	gallons per min
5)		Growth		
	a)	Average Test Year Customers in ERCs:	259	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	2	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (5b)x(5c)x [2a\5a]	6.17	gallons per min
6)		Excessive Unaccounted for Water (EUW)	13.68	gallons per min
	a)	Percentage of Excessive amount	26.23%	
	b)	Total Unaccounted for Water	18.90	gallons per min
	c)	Reasonable Amount (10% of average Daily Flow)	5.22	gallons per min
	d)	Excessive Amount	13.68	gallons per min

USED AND USEFUL FORMULA

$$[2 \times (\text{Max days} - \text{EUW}) + \text{FF} + \text{Growth}] / \text{Capacity of Plant}$$

$$[2 \times (79.86 - 13.68) + 500 + 6.17] / 190 = 100\% \quad \text{Used \& Useful}$$

DETERMINATION OF APPROPRIATE RATE STRUCTURE

**CURRENT
RATES:**

- (1) The utility's current water rate structure consists of a monthly base facility charge (BFC) / uniform gallonage charge rate structure. The BFC is \$5.37 and the gallonage charge is \$1.36 for each 1,000 gallons (kgal) used.

**PRIOR ORDERS
AND PRACTICES
WITH WATER
MANAGEMENT
DISTRICTS:**

- (2) The Commission has a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs or Districts). A guideline of the five Districts, which has been adopted as a practice of the Commission, is to set the BFC charges such that they recover no more than 40% of the revenues to be generated from monthly service rates.
- (3) The utility is located in the Southwest Florida Water Management District (SWFWMD or District) in the Northern Tampa Bay water use caution area.
- (4) Over the past several years, based in large part on requests made by the Water Management Districts, the Commission has been implementing the inclining-block rate structure as the rate structure of choice. However, according to the utility's **Water Use Permit (WUP) No. 202319.04**, Special Condition No. 11, the District has deleted the requirement that the utility implement a conservation oriented rate structure.

**SELECTION AND
DESIGN OF RATE
STRUCTURE:**

- (5) As discussed in a prior issue, the utility provided staff with updated consumption information, representing an increase of approximately 3% over previously filed test year kgals.
- (6) Since the updated data is not in the detail necessary to design inclining block rates, and the SWFWMD deleted the inclining block rate structure condition from Holiday's WUP, staff recommends that a continuation of the utility's current BFC / uniform gallonage charge rate structure is appropriate.
- (7) An important rate design goal is to minimize, to the extent possible, the monthly price increases at 5 kgal or less. The majority of consumption at or below 5 kgal per month is considered highly nondiscretionary, essential consumption.
- (8) Based on staff's initial analysis of fixed versus variable cost recovery allocation of revenue requirement, the utility would recover 56% from the BFC and the remaining 44% from the gallonage charge. This BFC revenue recovery allocation is greater than the Commission's practice of recovering no more than 40% through the BFC. Therefore, staff believes that additional costs should be shifted from the BFC to the gallonage charge.

DETERMINATION OF APPROPRIATE RATE STRUCTURE (cont.)

SELECTION AND DESIGN OF RATE STRUCTURE (cont.):	(9)	As shown in column (B) of Table 1 below, without a conservation adjustment to move more cost recovery from the BFC to the gallonage charge, the BFC allocation is 56%. The resulting percentage price increases, which steadily <u>decrease</u> at increasing levels of consumption, are contrary to the goal of conservation pricing and Commission practice. Furthermore, the price increases at 5 kgal or less are <u>maximized</u> , rather than minimized, when compared to the corresponding percentages in columns (C) through (F) of Table 1. Therefore, staff believes that a conservation adjustment to shift more cost recovery to the BFC is appropriate.
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TABLE 1

PRE-REPRESSION PRICE INCREASES AT VARIOUS CONSERVATION ADJUSTMENTS (CA)					
Conservation Adjustment (CA) Percentages and Resulting BFC Allocations					
(A)	(B)	(C)	(D)	(E)	(F)
Monthly Consumption	CA=0% BFC=56%	CA=30% BFC=40%	CA=38% BFC=35%	CA=47% BFC=30%	CA=56% BFC=25%
0 kgal	100.0%	40.0%	24.0%	6.0%	-12.1%
1 kgal	80.8%	41.2%	30.6%	18.7%	6.8%
3 kgal	59.0%	42.4%	38.1%	33.2%	28.4%
5 kgal	47.0%	43.1%	42.2%	41.2%	40.3%
10 kgal	32.0%	44.0%	47.4%	51.2%	55.1%
20 kgal	20.8%	44.7%	51.2%	58.7%	66.2%
30 kgal	16.2%	44.9%	52.8%	61.8%	70.7%

- (10) As shown in Table 1, several different conservation adjustments were examined. As shown in column (E), the conservation adjustment of 47%, which results in a BFC cost recovery of 30%, was the best option examined. The 47% conservation adjustment option: a) results in a rate structure consistent with Commission practice that minimizes the price increases for monthly consumption at 5 kgal or less; b) maximizes percentage increases for monthly consumption greater than 10 kgal; and c) results in a BFC allocation percentage that is within the rate structure guideline of the WMDs and is consistent with Commission practice.

RECOMMENDATION:	Based on the foregoing, the appropriate water rate structure is a continuation of the current base facility and uniform gallonage charge rate structure. The base facility charge (BFC) cost recovery percentage should be set at 30 %
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REPRESSION ANALYSIS – PHASE I

[A]	(a)	(b)	(c)	(d)	(e)
Line		<u>Current</u>	<u>Recommended Rates Before Repr Adjust</u>	<u>Change Amount</u>	<u>Change Percent</u>
1	BFC per month	\$5.37	\$5.69	\$0.32	6.0%
2	Charge per Kgal	\$1.36	\$2.30	\$0.94	69.1%
3	Avg Cons (kgal)	4.944			
4	Price of Avg Cons	\$12.09	\$17.06	\$4.97	41.1%

[B] CURRENT CONSUMPTION AND PRICE: (1) Based on updated consumption information, Holiday’s residential customers’ average monthly consumption is 4.944 kgal (see line 3, column (b) above), and the resulting average price per month is \$12.09 (see line 4, column (b) above).

MATCHING UTILITIES: (2) A search of our database of utilities receiving rate increases and decreases produced seven utilities whose average monthly consumption before a rate increase **and** whose corresponding average monthly price were within plus/minus 30% of Holiday’s corresponding values discussed in (1) above.

(3) The averages of the seven average prior monthly consumption values and average prior price values matched very well with Holiday – they were both within 9% of Holiday’s corresponding values. Furthermore, the average percentage price increase of the seven utilities was 41.8%, which is virtually identical to Holiday’s corresponding increase of 41.1%.

(4) All three measures discussed in (3) above for the seven utilities closely match the corresponding Holiday values. Therefore, staff believes it is reasonable to base Holiday’s anticipated water consumption reduction on the average of the seven utilities’ consumption reductions. The Commission has found this approach to be reasonable in the past. (See Order No. PSC-02-1114-PAA-WS, issued August 14, 2002 in Docket No. 011481-WS, In re: Application for staff-assisted rate case in Polk County by Bieber Enterprises, Inc. d/b/a Breeze Hill Utilities, holder of Certificate Nos. 598-W and 513-S, pp. 31-32.) The average reduction in quantity demanded of the seven utilities was 10.8%.

RECOMMENDED REPRESSION IN PHASE I:	Staff’s recommended repression adjustment of 10.8% results in a residential consumption reduction of approximately 2,106.8 kgal, or an overall repression adjustment of 8.0%.
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REPRESSION ANALYSIS: PHASE II

[C]	(a)	(b)	(c)	(d)	(e)
<u>Line</u>		<u>Current</u>	<u>Recom Before Repr Adjust</u>	<u>Change Amount</u>	<u>Change Percent</u>
1	BFC per month	\$5.69	\$8.06	\$2.37	41.7%
2	Charge per Kgal	\$2.48	\$3.47	\$0.99	39.9%
3	Avg Cons (kgal)	4.408			
4	Price of Avg Cons	\$16.62	\$23.36	\$6.73	40.5%
[D]	ANTICIPATED CONSUMPTION AND PRICE AFTER PHASE I:				
		(5)	Holiday's residential customers' anticipated average monthly consumption after Phase I rates become effective is 4.408 kgals (see line 3, column (b) above), and the resulting anticipated average price per month is \$16.62 (see line 4, column (b) above).		
	MATCHING UTILITIES:	(6)	A search of our database of utilities receiving rate increases and decreases produced seven utilities whose average monthly consumption before a rate increase and whose corresponding average monthly price were within plus/minus 30% of Holiday's corresponding values.		
		(7)	The averages of the seven average prior monthly consumption values and average prior price values were both within 10% of Holiday's corresponding values.		
		(8)	Due to the close match of the seven utilities' prior consumption and price values, absent any constraints, staff believes it would be reasonable to base Holiday's anticipated water consumption reduction on the average of the seven utilities' consumption reductions. As discussed in (4) on the preceding page, the Commission has found this approach to be reasonable in the past.		
		(9)	The average reduction in quantity demanded of the seven utilities discussed in (8) above was 8.1%. Based on 2.5 persons per household, this would require a reduction of approximately 4.3 gallons per person per day.		

REPRESSION ANALYSIS – PHASE II (cont.)

**DEVIATION
FROM
MATCHING
UTILITIES:**

- (10) However, staff does not believe an approximate 8% reduction in consumption as a result of Phase II rates is sustainable. Based on a review of the utility's service area, there is a high percentage of nondiscretionary to discretionary consumption. This is due in large part to a high percentage of the single-family homes (approximately 40%) which have replaced the grass in the front yard with gravel. Staff does not believe this circumstance matches the service areas of the seven matching utilities.
- (11) The high percentage of homes in Holiday's service area with graveled front lawns substantially reduces any discretionary usage associated with irrigation.
- (12) Furthermore, the mobile homes in the utility's service area are situated on small lots. There are few, if any, mobile homes with landscaped yards. This would indicate very little outdoor discretionary use.
- (13) Staff's recommended repression adjustment in Phase I would bring average consumption to approximately 53 gallons per day per capita (gpdc), indicating very little, if any discretionary usage. An additional repression adjustment of approximately 8% for Phase II would decrease average consumption to approximately 49 gpdc, which is less than minimal daily subsistence consumption.
- (14) In the alternative, a Phase II repression adjustment of 5.0% would decrease average consumption to approximately 50.5 gpdc, a value which is still slightly greater than minimal subsistence consumption.
- (15) Based on the foregoing, staff believes a repression adjustment of 5% is more reasonable. This would require a reduction of approximately 2.5 gallons per person per day per household.

**RECOMMENDED
REPRESSION IN
PHASE II:**

A repression adjustment of 5.0% results in a residential consumption reduction of approximately 866.7 kgal, or an overall repression adjustment of 3.6%.

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004
SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
DOCKET NO. 041145-WU

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$271,225	(\$17,845)	\$253,380
2. LAND & LAND RIGHTS	\$0	\$0	\$0
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0
4. CIAC	(\$32,052)	(\$100)	(\$32,152)
5. ACCUMULATED DEPRECIATION	(\$236,557)	\$18,106	(\$218,451)
6. AMORTIZATION OF CIAC	\$18,762	(\$42)	\$18,720
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$8,677</u>	<u>\$8,677</u>
8. WATER RATE BASE	<u>\$21,378</u>	<u>\$8,796</u>	<u>\$30,174</u>

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-A
DOCKET NO. 041145-WU

WATER

UTILITY PLANT IN SERVICE

1.	To remove plant items recorded twice (AD No. 1)	(\$6,687)
2.	To reclassify plant additions to Acct. 331 from Acct. 620 (AD No. 6)	\$3,462
3.	To reclassify a plant addition to Acct. 334 from Acct. 620 (AD No. 6)	\$1,692
4.	To retire 75% of replacement cost for plant in Acct. 311 (AD No. 3)	(\$2,357)
5.	To retire 75% of replacement cost for plant in Acct. 331 (AD No. 3)	(\$2,123)
6.	To retire 75% of replacement cost for plant in Acct. 334 (AD No. 3)	(\$3,657)
7.	Averaging adjustment	(\$8,175)
	Total	<u>(\$17,845)</u>

CIAC

1.	To reflect CIAC recorded as non-utility income (AD No. 4)	(\$200)
2.	Averaging adjustment	\$100
		<u>(\$100)</u>

ACCUMULATED DEPRECIATION

1.	To reflect accumulated depreciation per Rule 25-30.0140	\$19,616
2.	Averaging adjustment	(\$1,510)
3.		
	Total	<u>\$18,106</u>

AMORTIZATION OF CIAC

1	To adjust Amortization of CIAC based on composite rates	\$252
2	Averaging adjustment	(\$294)
		<u>(\$42)</u>

WORKING CAPITAL ALLOWANCE

1.	To reflect 1/8 of test year O&M expenses	<u>\$8,677</u>
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Docket No. 041145-WU
Date: May 5, 2005

HOLIDAY UTILITY COMPANY, INC										SCHEDULE NO. 2	
TEST YEAR ENDING 06/30/2004										DOCKET NO. 041145-WU	
SCHEDULE OF CAPITAL STRUCTURE											
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE			PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	WEIGHTED COST	COST	COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BEFORE PRO RATA ADJUSTMENTS						
1. COMMON STOCK	\$1,054		\$1,054								
2. RETAINED EARNINGS	(\$161,056)	\$60,028	(\$101,028)								
3. PAID IN CAPITAL	\$99,974	\$0	\$99,974								
4. OTHER COMMON EQUITY		\$31,318	\$31,318								
TOTAL COMMON EQUITY	(\$60,028)	\$91,346	\$31,318	(\$5,747)		\$25,571		84.74%		9.10%	7.71%
6. LONG TERM DEBT											
Loan from owner	\$31,318	(\$31,318)	\$0	\$0	\$0	\$0	\$0	0.00%			0.00%
			\$0	\$0	\$0	\$0	\$0	0.00%			0.00%
			\$0	\$0	\$0	\$0	\$0	0.00%			0.00%
			\$0	\$0	\$0	\$0	\$0	0.00%			0.00%
			\$0	\$0	\$0	\$0	\$0	0.00%			0.00%
TOTAL LONG TERM DEBT	\$31,318	(\$31,318)	\$0	\$0	\$0	\$0	\$0	0.00%			
7. CUSTOMER DEPOSITS	\$1,181	\$3,422	\$4,603	\$0	\$0	\$4,603		15.26%		6.00%	0.92%
8. TOTAL	(\$27,529)	\$63,450	\$35,921	(\$5,747)		\$30,174		100.00%			8.63%
RANGE OF REASONABLENESS										LOW	HIGH
RETURN ON EQUITY										8.10%	10.10%
OVERALL RATE OF RETURN										7.78%	9.48%

Docket No. 041145-WU
 Date: May 5, 2005

HOLIDAY UTILITY COMPANY, INC		SCHEDULE NO. 3			
TEST YEAR ENDING 06/30/2004		DOCKET NO. 041145-WU			
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR		
			ADJUST. FOR INCREASE		
			REVENUE REQUIREMENT		
1. OPERATING REVENUES	\$64,634	(\$4,366)	\$60,269	\$25,922 43.01%	\$86,190
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$113,204	(\$43,790)	\$69,414	\$0	\$69,414
3. DEPRECIATION (NET)	\$0	\$8,941	\$8,941	\$0	\$8,941
4. AMORTIZATION	\$0	\$0	\$0	\$0	\$0
5. TAXES OTHER THAN INCOME	\$5,444	(1,379)	\$4,065	\$1,166	\$5,232
6. INCOME TAXES	\$0	\$0	\$0	\$0	\$0
7. TOTAL OPERATING EXPENSES	\$118,648	(\$36,228)	\$82,420	\$1,166	\$83,586
8. OPERATING INCOME/(LOSS)	(\$54,014)		(\$22,151)		\$2,604
9. WATER RATE BASE	\$21,378		\$30,174		\$30,174
10. RATE OF RETURN	-252.66%		-73.41%		8.63%

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 041145-WU
PAGE 1 OF 2

WATER

OPERATING REVENUES

1. To correct a posting error of revenues for 8/03 (AD No. 5)	(\$5,032)
2. To impute revenues	<u>\$666</u>
	<u>(\$4,366)</u>

OPERATION AND MAINTENANCE EXPENSES

1. To reduce salary for system owner	<u>(\$8,796)</u>
2. Purchased Power (615)	
a. To reflect test year purchased power per engineer	\$263
b. To reduce purchase power for Anclote WTP for 19.32% UAW	(\$629)
c. To reflect repression adjustment	<u>(\$344)</u>
	<u>(\$710)</u>
3. Chemicals (618)	
a. To reflect test year chemical expense per engineer	(\$73)
b. To reduce chemical expense for Anclote WTP for 19.32% UAW	(\$52)
c. To reflect repression adjustment	<u>(\$29)</u>
	<u>(\$154)</u>
4. Materials and Supplies (620)	
a. To reclassify plant addition to Acct No. 331	(\$3,462)
b. To reclassify plant addition to Acct No. 334	<u>(\$1,692)</u>
	<u>(\$5,154)</u>
5. Contractual Services - Professional (631)	
a. To amortize expenses related to transfer docket (AD No. 6)	(\$12,546)
b. To correct an erroneous credited journal entry (AD No. 6)	\$2,058
c. To amortize non-recurring engineering expenses	(\$2,959)
d. To reflect appropriate accounting expense for the test year	<u>(\$900)</u>
	<u>(\$14,347)</u>
6. Contractual Services - Testing (635)	
a. To annualize the testing fee	\$33
b. To reflect pro forma increase in testing	\$188
c. To reflect testing expense per engineering report	<u>(\$1,118)</u>
Total	<u>(\$897)</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 041145-WU
PAGE 2 OF 2

7. Contractual Services - Other (636)	
a. To annualize the management fee	\$495
b. To reflect pro forma increase to management fee	\$2,796
c. To remove maintenance and labor already capitalized	(\$3,300)
d. To reflect maintenance repairs due to Hurricane Damage (\$7,077/4)	<u>\$1,769</u>
Total	<u>\$1,760</u>
8. Rent Expense (640)	
a. To reduce land rent	(\$12,674)
b. To reduce sales tax	(\$760)
	<u>(\$13,434)</u>
9. Regulatory Commission Expense (665)	
a. To amortize Rate Case Filing fee over 4 years (\$1,000/4)	250
b. To amortize notice expense over 4 years (\$174/4)	43
c. To amortize consulting fees (\$801/4)	200
	<u>\$493</u>
10. Miscellaneous Expense (675)	
a. To remove prior period RAFs	(\$751)
b. To amortize Filing fees for transfer docket \$2,250 - \$450(\$2,250/5)	(\$1,800)
Total	<u>(\$2,551)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$43,790)</u>

WATER

DEPRECIATION EXPENSE

1. To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	\$10,240
2. To reflect amortization of CIAC composite rates	(\$1,299)
Total	<u>\$8,941</u>

TAXES OTHER THAN INCOME

1. To remove prior period fees and penalties for RAFs	(\$796)
2. To reflect payroll taxes for the test year	(\$583)
Total	<u>(\$1,379)</u>

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004
ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSE

SCHEDULE NO. 3-B
DOCKET NO. 041145-WU

	TOTAL PER UTILITY	STAFF PER ADJUST.		TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$20,796	(\$8,796)	[1]	\$12,000
(603) SALARIES AND WAGES - OFFICERS		\$0		\$0
(604) EMPLOYEE PENSION & BENEFITS		\$0		\$0
(610) PURCHASED WATER	\$126	\$0		\$126
(615) PURCHASED POWER	\$4,668	(\$710)	[2]	\$3,958
(616) FUEL FOR POWER PRODUCTION		\$0		\$0
(618) CHEMICALS	\$486	(\$154)	[3]	\$332
(620) MATERIALS AND SUPPLIES	\$5,154	(\$5,154)	[4]	(\$0)
(630) CONTRACTUAL SERVICES - BILLING	\$0	\$0		\$0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	\$23,981	(\$14,347)	[5]	\$9,633
(635) CONTRACTUAL SERVICES - TESTING	\$5,212	(\$897)	[6]	\$4,315
(636) CONTRACTUAL SERVICES - OTHER	\$32,528	\$1,760	[7]	\$34,288
(640) RENTS	\$15,264	(\$13,434)	[8]	\$1,830
(650) TRANSPORTATION EXPENSE		\$0		\$0
(655) INSURANCE EXPENSE	\$1,287	\$0		\$1,287
(665) REGULATORY COMMISSION EXPENSE		\$493	[9]	\$493
(670) BAD DEBT EXPENSE		\$0		\$0
(675) MISCELLANEOUS EXPENSES	<u>\$3,703</u>	<u>(\$2,551)</u>	[10]	<u>\$1,151</u>
	\$113,204	(\$43,790)		\$69,414

RECOMMENDED RATE REDUCTION SCHEDULE

HOLIDAY UTILITY COMPANY, INC

TEST YEAR ENDING 06/30/2004

SCHEDULE NO. 4

DOCKET NO. 041145-WU

CALCULATION OF RATE REDUCTION AMOUNT

AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WATER RATES

RESIDENTIAL, MULTI-RESIDENTIAL, AND GENERAL SERVICE BASE FACILITY CHARGE:		MONTHLY RECOMMENDED <u>RATES</u>	MONTHLY RATE <u>REDUCTION</u>
Meter Size:			
5/8"X3/4"	\$	5.69	0.03
3/4"		8.54	0.05
1"		14.23	0.09
1-1/2"		28.45	0.17
2"		45.52	0.27
3"		91.02	0.55
4"		142.25	0.86
6"		284.50	1.71
GALLONAGE CHARGE			
Per 1,000 Gallons	\$	2.48	0.01

HOLIDAY UTILITY COMPANY, INC		SCHEDULE NO. 5	
TEST YEAR ENDING 06/30/2004 (with Pro Forma)		DOCKET NO. 041145-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$271,225	\$207,780	\$479,005
2. LAND & LAND RIGHTS	\$0	\$0	\$0
3. NON-USED AND USEFUL COMPONENTS	\$0	\$0	\$0
4. CIAC	(\$32,052)	(\$100)	(\$32,152)
5. ACCUMULATED DEPRECIATION	(\$236,557)	\$74,484	(\$162,073)
6. AMORTIZATION OF CIAC	\$18,762	(\$42)	\$18,720
7. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$9,021</u>	<u>\$9,021</u>
8. WATER RATE BASE	<u>\$21,378</u>	<u>\$291,143</u>	<u>\$312,521</u>

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004 (with Pro Forma)
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 5-A
DOCKET NO. 041145-WU

WATER

UTILITY PLANT IN SERVICE

1.	To remove plant items recorded twice (AD No. 1)	(\$6,687)
2.	To reclassify plant additions to Acct. 331 from Acct. 620 (AD No. 6)	\$3,462
3.	To reclassify a plant addition to Acct. 334 from Acct. 620 (AD No. 6)	\$1,692
4.	To retire 75% of replacement cost for plant in Acct. 311 (AD No. 3)	(\$2,357)
5.	To retire 75% of replacement cost for plant in Acct. 331 (AD No. 3)	(\$2,123)
6.	To retire 75% of replacement cost for plant in Acct. 334 (AD No. 3)	(\$3,657)
7.	To include pro forma for fencing at WTP (Acct No. 304)	\$6,500
8.	To include pro forma for Initiation of Well No. 5 (Acct. No. 311)	\$8,800
9.	To include pro forma for Interconnection (Acct. No. 309)	\$85,200
10.	To include pro forma for Disinfection system (Acct. No. 320)	\$36,250
11.	To include pro forma for Water Main Replacement (Acct No. 309)	\$31,500
12.	To include pro forma for Site Access Improvement (Acct No. 304)	\$26,660
13.	To include pro forma for Auxiliary Power Generator (Acct No. 310)	\$41,500
14.	To include pro forma for Rehabilitation of wells (Acct. No. 311)	\$42,200
15.	To include pro forma for Meter Replacement (Acct. No. 334)	\$9,909
16.	To retire 75% of replacement pro forma items	(\$62,894)
7.	Averaging adjustment	(\$8,175)
	Total	<u>\$207,780</u>

CIAC

1.	To reflect CIAC recorded as non-utility income (AD No. 4)	(\$200)
2.	Averaging adjustment	\$100
		<u>(\$100)</u>

ACCUMULATED DEPRECIATION

1.	To reflect accumulated depreciation per Rule 25-30.0140	\$19,616
2.	To reflect pro forma accumulated depreciation	(\$6,516)
3.	To reflect retirements	\$62,894
4.	Averaging adjustment	(\$1,510)
	Total	<u>\$74,484</u>

AMORTIZATION OF CIAC

1	To adjust Amortization of CIAC based on composite rates	\$252
2	Averaging adjustment	(\$294)
		<u>(\$42)</u>

WORKING CAPITAL ALLOWANCE

1.	To reflect 1/8 of test year O&M expenses	<u>\$8,897</u>
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Docket No. 041145-WU
Date: May 5, 2005

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004 (with Pro Forma)
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 6
DOCKET NO. 041145-WU

CAPITAL COMPONENT	PER UTILITY		SPECIFIC ADJUST- MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS		PRO RATA ADJUST- MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	WEIGHTED COST	
	PER UTILITY	UTILITY		PRO RATA ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS					
1. COMMON STOCK	\$1,054	\$1,054		\$1,054						
2. RETAINED EARNINGS	(\$161,056)	(\$161,056)	\$60,028	(\$101,028)						
3. PAID IN CAPITAL	\$99,974	\$99,974	\$0	\$99,974						
4. OTHER COMMON EQUITY			<u>\$31,318</u>	<u>\$31,318</u>						
TOTAL COMMON EQUITY	(\$60,028)	(\$60,028)	\$91,346	\$31,318	(\$1,179)	\$30,139	9.65%	11.40%	1.10%	
6. LONG TERM DEBT										
Loan from owner	\$31,318	\$31,318	(\$31,318)	\$0	\$0	\$0	0.00%	0.00%	0.00%	
Pro Forma Financing	\$288,519	\$288,519	\$0	\$288,519	(\$10,864)	\$277,655	88.88%	6.25%	5.55%	
			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
TOTAL LONG TERM DEBT	\$319,837	\$319,837	(\$31,318)	\$288,519	(\$10,864)	\$277,655	88.88%			
7. CUSTOMER DEPOSITS	\$1,181	\$1,181	\$3,422	\$4,603	\$0	\$4,603	1.47%	6.00%	0.09%	
8. TOTAL	\$260,990	\$260,990	\$63,450	\$324,440	(\$12,043)	\$312,397	100.00%			
RANGE OF REASONABLENESS										
RETURN ON EQUITY										
OVERALL RATE OF RETURN										
								<u>LOW</u>	<u>HIGH</u>	
								<u>10.40%</u>	<u>12.40%</u>	
								<u>6.65%</u>	<u>6.84%</u>	

Docket No. 041145-WU
 Date: May 5, 2005

HOLIDAY UTILITY COMPANY, INC		SCHEDULE NO. 7	
TEST YEAR ENDING 06/30/2004 (with Pro Forma)		DOCKET NO. 041145-WU	
SCHEDULE OF WATER OPERATING INCOME			
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR
			ADJUST. FOR INCREASE
			REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$64,634</u>	<u>(\$4,366)</u>	<u>\$60,269</u>
			<u>\$60,646</u> 100.63%
2. OPERATING EXPENSES:			
OPERATION & MAINTENANCE	\$113,204	(\$42,031)	\$71,173
DEPRECIATION (NET)	\$0	\$21,892	\$21,892
AMORTIZATION	\$0	\$0	\$0
TAXES OTHER THAN INCOME	\$5,444	(\$1,379)	\$4,065
INCOME TAXES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7. TOTAL OPERATING EXPENSES	<u>\$118,648</u>	<u>(\$21,518)</u>	<u>\$97,130</u>
8. OPERATING INCOME/(LOSS)	<u>(\$54,014)</u>		<u>(\$36,861)</u>
9. WATER RATE BASE	<u>\$21,378</u>		<u>\$312,397</u>
10. RATE OF RETURN	<u>-252.66%</u>		<u>6.74%</u>

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004 (with Pro Forma)
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 7-A
DOCKET NO. 041145-WU
PAGE 1 OF 2

WATER

OPERATING REVENUES

1. To correct a posting error of revenues for 8/03 (AD No. 5)	(\$5,032)
2. To impute revenues	\$666
	<u>(\$4,366)</u>

OPERATION AND MAINTENANCE EXPENSES

1. To reduce salary for system owner	<u>(\$8,796)</u>
2. Purchased Power (615)	
a. To reflect test year purchased power per engineer	\$263
b. To reduce purchased power for Anclote WTP for 19.32% UAW	(\$629)
c. To reflect repression adjustment (Phase I)	(\$344)
d. To reflect repression adjustment (Phase II)	<u>(\$142)</u>
	<u>(\$852)</u>
3. Chemicals (618)	
a. To reflect test year chemical expense per engineer	(\$73)
b. To reduce chemicals for Anclote WTP for 19.32% UAW	(\$52)
c. To reflect repression adjustment (Phase I)	(\$29)
d. To reflect repression adjustment (Phase II)	<u>(\$12)</u>
	<u>(\$166)</u>
4. Materials and Supplies (620)	
a. To reclassify plant addition to Acct No. 331	(\$3,462)
b. To reclassify plant addition to Acct No. 334	<u>(\$1,692)</u>
	<u>(\$5,154)</u>
5. Contractual Services - Professional (631)	
a. To amortize expenses related to transfer docket (AD No. 6)	(\$12,546)
b. To correct an erroneous credited journal entry (AD No. 6)	\$2,058
c. To amortize non-recurring engineering expenses	(\$2,959)
d. To reflect appropriate accounting expense for the test year	(\$900)
e. To amortize survey for pro forma plant (\$12,200/10)	<u>\$1,220</u>
	<u>(\$13,127)</u>
6. Contractual Services - Testing (635)	
a. To annualize the testing fee	\$33
b. To reflect pro forma increase in testing	\$188
c. To reflect testing expense per engineering report	<u>(\$1,118)</u>
Total	<u>(\$897)</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)

HOLIDAY UTILITY COMPANY, INC
TEST YEAR ENDING 06/30/2004 (with Pro Forma)
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 7-A
DOCKET NO. 041145-WU
PAGE 2 OF 2

7. Contractual Services - Other (636)	
a. To annualize the management fee	\$495
b. To reflect pro forma increase to management fee	\$2,796
c. To remove maintenance and labor already capitalized	(\$3,300)
d. To reflect maintenance repairs due to Hurricane Damage (\$7077/4)	\$1,769
Total	<u>\$1,760</u>
8. Rent Expense (640)	
a. To reduce land rent	(\$13,052)
b. To reduce sales tax	(\$783)
	<u>(\$13,835)</u>
9. Regulatory Commission Expense (665)	
a. To amortize Rate Case Filing fee over 4 years (\$1000/4)	\$250
b. To amortize notice expense over 4 years (\$174/4)	\$43
c. To amortize consulting fees (\$801/4)	\$200
	<u>\$493</u>
10. Miscellaneous Expense (675)	
a. To remove prior period RAFs	(\$751)
b. To amortize Filing fees for transfer docket \$2250 - \$450(2250/5)	(\$1,800)
c. To amortize expenses related to rehabilitation of Well No. 1 (\$5470/5)	\$1,094
Total	<u>(\$1,457)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$41,037)</u>

WATER

DEPRECIATION EXPENSE

1. To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	\$23,273
2. To reflect amortization of CIAC composite rates	(\$1,381)
Total	<u>\$21,892</u>

TAXES OTHER THAN INCOME

1. To remove prior period fees and penalties for RAFs	(\$796)
2. To reflect payroll taxes for the test year	(\$583)
Total	<u>(\$1,379)</u>

HOLIDAY UTILITY COMPANY, INC		SCHEDULE NO. 7-B		
TEST YEAR ENDING 06/30/2004 (with Pro Forma)		DOCKET NO. 041145-WU		
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE				
	TOTAL PER UTILITY	STAFF PER ADJUST.		TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$20,796	(\$8,796)	[1]	\$12,000
(603) SALARIES AND WAGES - OFFICERS		\$0		\$0
(604) EMPLOYEE PENSION & BENEFITS		\$0		\$0
(610) PURCHASED WATER	\$126	\$0		\$126
(615) PURCHASED POWER	\$4,668	(\$852)	[2]	\$3,816
(616) FUEL FOR POWER PRODUCTION		\$0		\$0
(618) CHEMICALS	\$486	(\$166)	[3]	\$320
(620) MATERIALS AND SUPPLIES	\$5,154	(\$5,154)	[4]	(\$0)
(630) CONTRACTUAL SERVICES - BILLING	\$0	\$0		\$0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	\$23,981	(\$13,127)	[5]	\$10,853
(635) CONTRACTUAL SERVICES - TESTING	\$5,212	(\$897)	[6]	\$4,315
(636) CONTRACTUAL SERVICES - OTHER	\$32,528	\$1,760	[7]	\$34,288
(640) RENTS	\$15,264	(\$13,835)	[8]	\$1,429
(650) TRANSPORTATION EXPENSE		\$0		\$0
(655) INSURANCE EXPENSE	\$1,287	\$0		\$1,287
(665) REGULATORY COMMISSION EXPENSE		\$493	[9]	\$493
(670) BAD DEBT EXPENSE		\$0		\$0
(675) MISCELLANEOUS EXPENSES	<u>\$3,703</u>	<u>(\$1,457)</u>	[10]	<u>\$2,245</u>
	<u>\$113,204</u>	<u>(\$42,031)</u>		<u>\$71,173</u>