

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-

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**DATE:** September 22, 2005

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

**FROM:** Division of Economic Regulation (Fletcher, Lester, Maurey, Rendell)  
Office of the General Counsel (Gervasi)

**RE:** Docket No. 050281-WS – Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

**AGENDA:** 10/04/05 – Regular Agenda – Decision on Suspension of Rates and on Interim Rates – Participation is at the Discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Deason

**CRITICAL DATES:** 10/07/05 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\050281.RCM.DOC

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### Case Background

Plantation Bay Utility Company (Plantation or utility) is a Class B utility providing water and wastewater service to approximately 1,251 water and 1,210 wastewater customers in Volusia County. Water and wastewater rates were last established for this utility by Order No. PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 011451-WS, In re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia County. Consummating Order No. PSC-02-1565-CO-WS, issued November 14, 2002, made Order No. PSC-02-1449-PAA-WS effective and final.

On August 8, 2005, Plantation filed the Application for Rate Increase at issue in the instant docket. The utility had a few deficiencies in the Minimum Filing Requirements (MFRs).

However, Plantation corrected those deficiencies, and the official filing date was established as September 1, 2005. The utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the historical twelve-month period ended December 31, 2004.

Plantation requested interim rates designed to generate annual water revenues of \$409,138 and wastewater revenues of \$557,994. This represents a revenue increase on an annual basis of \$62,900 (18.17%) for water and \$333,074 (148.09%) for wastewater. The utility requested final rates designed to generate annual water revenues of \$453,391 and wastewater revenues of \$628,669. This represents a revenue increase of \$107,153 (30.95%) for water and \$403,749 (179.50%) for wastewater.

This recommendation addresses the suspension of Plantation's requested final rates and the utility's requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes.

### **Discussion of Issues**

**Issue 1:** Should the utility's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. Plantation's proposed final water and wastewater rates should be suspended. (Fletcher)

**Staff Analysis:** Section 367.081(6), Florida Statutes (F.S.), provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates by a vote to that effect within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the utility.

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff recommends that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the utility's proposed rate increase.

**Issue 2:** Should an interim revenue increase be approved?

**Recommendation:** Yes, in part. On an interim basis, Plantation is not entitled to an interim water revenue increase. However, the utility should be authorized to collect annual wastewater revenues as indicated below: (Fletcher)

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Wastewater	\$224,920	\$214,097	\$439,017	95.19%

**Staff Analysis:** The utility has filed rate base, cost of capital, and operating statements to support its requested water and wastewater increases. Pursuant to Section 367.082(5)(b)1., F. S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with those used in the utility's most recent rate proceeding and annualizing any rate changes. Staff has reviewed the utility's interim request, as well as Order No. PSC-02-1449-PAA-WS, in which the Commission last established rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The rate base schedules are labeled as Nos. 1-A and 1-B, with adjustments shown on No. 1-C. The capital structure schedule is No. 2, and the operating income schedules for water and wastewater, respectively, are labeled as Nos. 3-A and 3-B, with the adjustments shown on No. 3-C.

#### RATE BASE

Based on an analysis of the MFRs and on Order No. PSC-02-1449-PAA-WS from the utility's last rate proceeding, staff believes that adjustments are necessary to the utility's rate base.

#### Non-Used and Useful Component

In its filing, Plantation calculated a used and useful (U&U) percentage of 77.47% for its water treatment plant. The utility's water treatment plant has a Florida Department of Environmental Protection permitted capacity of 750,000 gallons per day (gpd). However, the plant cannot operate at that level without additional filtration, acid injection to control the pH after softening, and additional pumping capacity. The firm reliable capacity with storage is 579,250 gpd. In its U&U calculation, Plantation utilized the maximum day demand of 263,000 gpd.

In its last rate proceeding, the Commission determined that the utility's water treatment plant was 62% U&U. The Commission utilized the average of 5 highest days from the maximum month. As such, the utility's U&U calculation is inconsistent with the methodology used in Plantation's last rate proceeding. In addition, staff discovered that the utility failed to remove non-U&U depreciation expense on structures and improvements for its water treatment plant.

Thus, staff recommends that the non-U&U water component for interim purposes should be increased by \$32,553. Accordingly, depreciation expense and property taxes should be reduced by (\$4,725) , and (\$2,525), respectively.

#### Deferred Income Taxes

Rule 25-30.433(3), Florida Administrative Code, states:

Used and useful debit deferred taxes shall be offset against used and useful credit deferred taxes in capital structure. Any resulting net debit deferred taxes shall be included as a separate line item in the rate base calculation. Any resulting net credit deferred taxes shall be included in the capital structure calculation. No other deferred debits shall be considered in rate base when the formula method of working capital is used.

By Order No. PSC-02-1449-PAA-WS, at pp. 41-44, the Commission did not reflect any accumulated deferred income taxes (ADITs) in rate base or capital structure for Plantation. On the interim and final rate base schedules, Plantation reflected a net deferred taxes balance of \$242,729 for water and \$455,267 for wastewater. However, on MFR Schedules A-18 and A-19, the utility's balance sheet does not reflect any debit or credit ADITs. Staff notes that Plantation's balance sheet in its MFRs ties to its balance sheet in the utility's 2004 Annual Report, which also reflects no debit or credit ADITs. Staff believes that the balance sheet represents the utility's books for which rate base and capital structure are determined. Based on the above, staff has removed the net debit deferred tax balance from Plantation's water and wastewater rate base for interim purposes.

#### Working Capital

The utility used the formula approach (1/8 of operation and maintenance (O&M) expenses) to calculate working capital. Based on staff's recommended adjustment to O&M expenses, staff recommends that the working capital should be \$23,169 for water and \$24,235 for wastewater. Staff's recommended working capital amounts represent reductions of (\$238) for water and (\$239) for wastewater.

Based on the above adjustments, staff recommends that Plantation's interim water rate base should be \$718,734. The utility's wastewater rate base should be \$1,453,689.

#### COST OF CAPITAL

In its interim request, Plantation used a 10.27% return on equity (ROE), which is the minimum of the range of its last authorized ROE from Order No. PSC-02-1449-PAA-WS. Consistent with the utility's last rate proceeding, the utility made an adjustment to treat affiliate long-term debt as equity. Based on the above and staff's adjustments to rate base, staff recommends that the interim weighted average cost of capital is 10.11%.

### NET OPERATING INCOME

Based on its review, staff is recommending two adjustments to operating expenses. For interim purposes, Plantation reflected annual rate case expense of \$1,904 for water and \$1,905 for wastewater. The utility stated that these amounts represent rate case expense not in its last rate proceeding. According to MFR Schedules B-7 and B-8, the utility did not reflect any rate case or regulatory commission expense in the December 31, 2001 test year for its last rate proceeding. Before the Commission's 2001 earnings investigation, Plantation's last rate proceeding was in 1995 for which the four-year rate reduction occurred on September 1, 2000. Thus, staff recommends that the rate case expense should be removed, which represents O&M expense reductions of \$1,904 for water and \$1,905 for wastewater.

Staff's second adjustment deals with income taxes. In the MFRs, Plantation made interim adjustments to include income taxes of \$34,071 for water and \$65,423 for wastewater. In the utility's last rate proceeding, the Commission did not reflect any income taxes to determine Plantation's earnings level. Consistent with the Commission's decision in that case, staff recommends that income taxes should be removed for interim purposes.

Based on the above, staff recommends that the appropriate test year operating income for water is a profit of \$83,775, which represents a return of 11.66%. This results in a return that is 155 basis points greater than staff's recommended 10.11% interim weighted average cost of capital. As such, staff recommends that Plantation should not be entitled to an interim water revenue increase. Further, staff recommends that the appropriate test year operating income, before any revenue increase, for wastewater is actually a loss of \$57,548.

### REVENUE REQUIREMENT

Based on the above adjustments, staff recommends revenue requirement of \$439,017 for wastewater. This represents an interim increase in annual revenues of \$214,097 (or 95.19%) for wastewater. This will allow the utility the opportunity to recover its operating expenses and earn a 10.11% return on its rate base.

**Issue 3:** What are the appropriate interim wastewater rates?

**Recommendation:** The wastewater service rates for Plantation in effect as of December 31, 2004, should be increased by 95.19% to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), Florida Administrative Code. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The utility should provide proof of the date notice was given within 10 days after the date of notice. (Fletcher)

**Staff Analysis:** Staff recommends that interim wastewater service rates for Plantation be designed to allow the utility the opportunity to generate annual operating revenues of \$224,920 for wastewater operations. This reflects an increase of \$214,097 for wastewater, or 95.19%, before removal of miscellaneous revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculation is as follows:

	<u>Wastewater</u>
1 Total Test Year Revenues	\$224,920
2 Less: Miscellaneous Revenues	<u>0</u>
3 Test Year Revenues from Service Rates	\$224,920
4 Revenue Increase	<u>\$214,097</u>
5 % Service Rate Increase (Line 4/Line3)	<u>95.19%</u>

The interim rate increase of 95.19% for wastewater should be applied as an across-the-board increase to the service rates in effect as of December 31, 2004. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The utility should provide proof of the date notice was given within 10 days after the date of notice.

The utility's test year, proposed interim and final wastewater rates, and staff's recommended interim wastewater rates are shown on Schedule No. 4.

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** The utility should be required to open an escrow account, file a surety bond, or obtain a letter of credit to guarantee any potential refund of revenues collected under interim conditions. If the security provided is an escrow account, the utility should deposit \$17,841 into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of \$126,184. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. (Fletcher, Lester)

**Staff Analysis:** Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As recommended in Issue 3, the total wastewater annual interim increase is \$214,097. Staff has calculated the potential refund of wastewater revenues and interest collected, in accordance with Rule 25-30.360, Florida Administrative Code, under interim conditions to be \$126,184. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the previously authorized rates shown on Schedule No. 4.

Staff has reviewed the financial data of the utility in order to determine whether Plantation can support a corporate undertaking of \$126,184. The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 2001, 2002, and 2003 annual reports of Plantation were used to determine the financial condition of the utility. Based upon staff's analysis, the utility has inadequate liquidity, profitability, ownership equity, and interest coverage. As such, staff recommends that Plantation cannot support a corporate undertaking in the amount of \$126,184. Therefore, staff recommends that the utility provide a letter of credit, bond, or escrow agreement to guarantee the funds collected subject to refund. Staff notes that this brief financial analysis is only appropriate for deciding whether the utility can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in the rate case.

If the security provided is an escrow account, said account should be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: that the account is established at the direction of this Commission for the purpose set forth above; that no withdrawals of funds shall occur without the prior approval of the Commission through the Director of the Division of the Commission Clerk and Administrative Services; that the account shall be interest bearing; that information concerning that escrow account shall be available from the institution to the Commission or its representative at all times; that the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and that pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d DCA 1972), escrow accounts are not subject to garnishments.

The utility should deposit \$17,841 into the escrow account each month for possible refund. The escrow agreement should also state the following: that if a refund to the customers is required, all interest earned on the escrow account shall be distributed to the customers; and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the utility.

If the security provided is a surety bond or a letter of credit, said instrument should be in the amount of \$126,184. If the utility chooses a surety bond as security, the surety bond should state that it will be released or should terminate only upon subsequent order of the Commission. If the utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the utility or requiring a refund.

Irrespective of the type of security provided, the utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.



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**Issue 5:** Should the docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's final action on the utility's requested rate increase. (Fletcher, Gervasi)

**Staff Analysis:** The docket should remain open pending the Commission's final action on the utility's requested rate increase.

<b>Plantation Bay Utility Company</b>			<b>Schedule No. 1-A</b>		
<b>Schedule of Water Rate Base</b>			<b>Docket No. 050281-WS</b>		
<b>Test Year Ended 12/31/04</b>					
<b>Description</b>	<b>Test Year Per Utility</b>	<b>Utility Adjust- ments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Staff Adjust- ments</b>	<b>Staff Adjusted Test Year</b>
1 Plant in Service	\$3,530,574	\$0	\$3,530,574	\$0	\$3,530,574
2 Land and Land Rights	58,949	0	58,949	0	58,949
3 Non-used and Useful Components	(101,168)	0	(101,168)	(32,553)	(133,721)
4 Accumulated Depreciation	(1,517,433)	380	(1,517,053)	0	(1,517,053)
5 CIAC	(1,778,771)	0	(1,778,771)	0	(1,778,771)
6 Amortization of CIAC	541,501	(5,914)	535,587	0	535,587
7 Deferred Income Taxes	0	242,729	242,729	(242,729)	0
8 Working Capital Allowance	<u>23,821</u>	<u>(414)</u>	<u>23,407</u>	<u>(238)</u>	<u>23,169</u>
9 <b>Rate Base</b>	<u>\$757,473</u>	<u>\$236,781</u>	<u>\$994,254</u>	<u>(\$275,520)</u>	<u>\$718,734</u>

Plantation Bay Utility Company Schedule of Wastewater Rate Base Test Year Ended 12/31/04			Schedule No. 1-B Docket No. 050281-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$4,163,818	\$0	\$4,163,818	\$0	\$4,163,818
2 Land and Land Rights	50,631	0	50,631	0	50,631
3 Non-used and Useful Components	(109,086)	0	(109,086)	0	(109,086)
4 Accumulated Depreciation	(1,378,580)	7,166	(1,371,414)	0	(1,371,414)
5 CIAC	(2,274,871)	0	(2,274,871)	0	(2,274,871)
6 Amortization of CIAC	782,352	188,024	970,376	0	970,376
7 Deferred Income Taxes	0	455,267	455,267	(455,267)	0
8 Working Capital Allowance	<u>24,059</u>	<u>414</u>	<u>24,473</u>	<u>(239)</u>	<u>24,235</u>
9 <b>Rate Base</b>	<u>\$1,258,323</u>	<u>\$650,871</u>	<u>\$1,909,194</u>	<u>(\$455,506)</u>	<u>\$1,453,689</u>

<b>Plantation Bay Utility Company</b> <b>Adjustments to Rate Base</b> <b>Test Year Ended 12/31/04</b>		<b>Schedule No. 1-C</b> <b>Docket No. 050281-WS</b>	
Explanation	Water	Wastewater	
<u>Non-used and Useful</u>			
To reflect the appropriate net non-used and useful adjustment	<u>(\$32,553)</u>	<u>\$0</u>	
<u>Deferred Income Taxes</u>			
To remove deferred income taxes from rate base.	<u>(\$242,729)</u>	<u>(\$455,267)</u>	
<u>Working Capital</u>			
To reflect the appropriate of working capital.	<u>(\$238)</u>	<u>(\$239)</u>	

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Plantation Bay Utility Company		Schedule No. 2						
Capital Structure-Simple Average		Docket No. 050281-WS						
Test Year Ended 12/31/04								
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>								
1 Long-term Debt	\$4,334,088	(\$3,571,367)	\$762,721	\$507,449	\$1,270,170	43.75%	10.00%	4.38%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	(2,607,825)	3,571,367	963,542	641,276	1,604,818	55.27%	10.27%	5.68%
5 Customer Deposits	28,460	0	28,460	0	28,460	0.98%	6.00%	0.06%
6 Deferred Income Taxes	0	0	0	0	0	0.00%	0.00%	0.00%
7 <b>Total Capital</b>	<u>\$1,754,723</u>	<u>\$0</u>	<u>\$1,754,723</u>	<u>\$1,148,725</u>	<u>\$2,903,448</u>	<u>100.00%</u>		<u>10.12%</u>
<b>Per Staff</b>								
8 Long-term Debt	\$762,721	\$0	\$762,721	\$184,554	\$947,275	43.60%	10.00%	4.36%
9 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	963,542	0	963,542	233,146	1,196,688	55.09%	10.27%	5.66%
12 Customer Deposits	28,460	0	28,460	0	28,460	1.31%	6.00%	0.08%
13 Deferred Income Taxes	0	0	0	0	0	0.00%	0.00%	0.00%
14 <b>Total Capital</b>	<u>\$1,754,723</u>	<u>\$0</u>	<u>\$1,754,723</u>	<u>\$417,700</u>	<u>\$2,172,423</u>	<u>100.00%</u>		<u>10.11%</u>
		RETURN ON EQUITY		LOW		HIGH		
		OVERALL RATE OF RETURN		10.27%		11.21%		

Plantation Bay Utility Company Statement of Water Operations Test Year Ended 12/31/04		Schedule No. 3-A Docket No. 050281-WS					
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$346,238</u>	<u>62,900</u>	<u>\$409,138</u>	<u>(62,900)</u>	<u>\$346,238</u>	<u>-\$11,662</u> -3.37%	<u>\$334,576</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$190,567	(\$3,312)	\$187,255	(\$1,904)	\$185,351		\$185,351
3 Depreciation	49,731	(12,392)	37,339	(4,725)	32,614		32,614
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	50,399	(545)	49,854	(5,355)	44,499	(525)	43,974
6 Income Taxes	0	34,071	34,071	(34,071)	0	0	0
7 <b>Total Operating Expense</b>	<u>\$290,697</u>	<u>\$17,822</u>	<u>\$308,519</u>	<u>(\$46,056)</u>	<u>\$262,463</u>	<u>(\$525)</u>	<u>\$261,939</u>
8 <b>Operating Income</b>	<u>\$55,541</u>	<u>\$45,078</u>	<u>\$100,619</u>	<u>(\$16,844)</u>	<u>\$83,775</u>	<u>(\$11,137)</u>	<u>\$72,638</u>
9 <b>Rate Base</b>	<u>\$757,473</u>		<u>\$994,254</u>		<u>\$718,734</u>		<u>\$718,734</u>
10 <b>Rate of Return</b>	<u>7.33%</u>		<u>10.12%</u>		<u>11.66%</u>		<u>10.11%</u>

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Plantation Bay Utility Company							Schedule No. 3-B	
Statement of Wastewater Operations							Docket No. 050281-WS	
Test Year Ended 12/31/04								
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement	
1 <b>Operating Revenues:</b>	<u>\$224,920</u>	<u>333,074</u>	<u>\$557,994</u>	<u>(\$333,074)</u>	<u>\$224,920</u>	<u>\$214,097</u>	<u>\$439,017</u>	
						95.19%		
<b>Operating Expenses</b>								
2 Operation & Maintenance	\$192,469	\$3,312	\$195,781	(\$1,905)	\$193,876		\$193,876	
3 Depreciation	89,955	(28,624)	61,331	0	61,331		61,331	
4 Amortization	0		0	0	0		0	
5 Taxes Other Than Income	33,334	8,915	42,249	(14,988)	27,261	9,634	36,895	
6 Income Taxes	0	65,423	65,423	(65,423)	0	0	0	
7 <b>Total Operating Expense</b>	<u>\$315,758</u>	<u>\$49,026</u>	<u>\$364,784</u>	<u>(\$82,316)</u>	<u>\$282,468</u>	<u>\$9,634</u>	<u>\$292,102</u>	
8 <b>Operating Income</b>	<u>(\$90,838)</u>	<u>\$284,048</u>	<u>\$193,210</u>	<u>(\$250,758)</u>	<u>(\$57,548)</u>	<u>\$204,462</u>	<u>\$146,915</u>	
9 <b>Rate Base</b>	<u>\$1,258,323</u>		<u>\$1,909,194</u>		<u>\$1,453,689</u>		<u>\$1,453,689</u>	
10 <b>Rate of Return</b>	<u>-7.22%</u>		<u>10.12%</u>		<u>-3.96%</u>		<u>10.11%</u>	

<b>Plantation Bay Utility Company Adjustment to Operating Income Test Year Ended 12/31/04</b>		<b>Schedule 3-C Docket No. 050281-WS</b>	
<b>Explanation</b>	<b>Water</b>	<b>Wastewater</b>	
<u>Operating Revenues</u>			
Remove requested interim revenue increase.	<u>(\$62,900)</u>	<u>(\$333,074)</u>	
<u>Operation and Maintenance Expense</u>			
To remove rate case expense not in last rate case.	<u>(\$1,904)</u>	<u>(\$1,905)</u>	
<u>Depreciation Expense - Net</u>			
To reflect appropriate net depreciation on non-U&U adjustment above.	<u>(\$4,725)</u>	<u>\$0</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above	(\$2,831)	(\$14,988)	
2 To reflect appropriate property taxes on non-U&U adjustment above.	<u>(2,525)</u>	<u>0</u>	
Total	<u>(\$5,355)</u>	<u>(\$14,988)</u>	
<u>Income Taxes</u>			
To reflect no taxes consistent with the last rate proceeding.	<u>(\$34,071)</u>	<u>(\$65,423)</u>	



<b>Plantation Bay Utility Company Wastewater Monthly Service Rates Test Year Ended 12/31/04</b>		<b>SCHEDULE NO. 4 Docket No. 050281-WS</b>		
	<b>Rates Prior to Filing</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$12.70	\$31.50	\$33.94	\$24.79
3/4"	\$19.05	\$47.24	\$50.91	\$37.18
1"	\$31.76	\$78.76	\$84.85	\$61.99
1-1/2"	\$63.02	\$156.29	\$169.70	\$123.01
2"	\$101.61	\$251.99	\$271.52	\$198.33
3"	\$203.22	\$503.99	\$509.10	\$396.66
4"	\$317.53	\$787.47	\$848.50	\$619.78
6"	\$635.02	\$1,574.85	\$1,697.00	\$1,239.48
Gallonge Charge - Per 1,000 gallons (10,000 gallon cap)	\$1.79	\$4.44	\$5.47	\$3.49
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$12.70	\$31.50	\$33.94	\$24.79
3/4"	\$19.05	\$47.24	\$50.91	\$37.18
1"	\$31.76	\$78.76	\$84.85	\$61.99
1-1/2"	\$63.02	\$156.29	\$169.70	\$123.01
2"	\$101.61	\$251.99	\$271.52	\$198.33
3"	\$203.22	\$503.99	\$509.10	\$396.66
4"	\$317.53	\$787.47	\$848.50	\$619.78
6"	\$635.02	\$1,574.85	\$1,697.00	\$1,239.48
Gallonge Charge, per 1,000 Gallons	\$2.14	\$5.31	\$6.43	\$4.18
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$18.07	\$44.82	\$50.35	\$35.26
5,000 Gallons	\$21.65	\$53.70	\$61.29	\$42.24
10,000 Gallons (Wastewater Gallonge Cap - 10,000 Gallons)	\$30.60	\$75.90	\$88.64	\$59.69