

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:** October 12, 2006

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

**FROM:** Division of Economic Regulation (Rendell, Biggins, Bulecza-Banks, Edwards)  
Office of the General Counsel (Fleming)

**RE:** Docket No. 060246-WS – Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.

**AGENDA:** 10/24/06 – 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:** Arriaga

**CRITICAL DATES:** 10/24/06 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\060246.RCM.DOC

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**Case Background**

Gold Coast Utility Corp. (Gold Coast) is a Class B utility providing water and wastewater service to approximately 131 residential and 32 general service water and wastewater customers in Polk County. The Commission recently approved the transfer of the utility's assets from Lake Wales.<sup>1</sup> Pursuant to Section 367.071, Florida Statutes (F.S.), the Commission may set rate base in transfer dockets. Although rate base is typically set in transfer proceedings, no audit was performed in that docket as a cost savings measure for this Commission because Gold Coast had

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<sup>1</sup> See, Order No. PSC-06-0331-PAA-WS, issued July 7, 2006, in Docket No. 050902-WS, In re: Application to transfer assets and Certificates Nos. 590-W and 508-S from Lake Haven Utility Associates, Ltd., d/b/a Lake Wales Utility Company to Gold Coast Utility Corp. Consummating Order No. PSC-06-0415-CO-WS, issued May 18, 2006, made Order No. PSC-06-0331-PAA-WS final and effective.

planned to file the instant rate case. Rate base was last set for this utility in 1998 at \$68,638 and \$241,248 for water and wastewater, respectively.<sup>2</sup>

On August 18, 2006, the utility filed its application for approval of final and interim rate increases in this docket and requested that the Commission process the case under the Proposed Agency Action (PAA) procedure. After review of the Minimum Filing Requirements (MFRs), staff determined that the MFRs contained a few deficiencies that will require revisions by the utility. These revisions will not be received until after the statutory 60-day timeframe to suspend the requested interim rate increase; therefore the official filing date has not been established.

Gold Coast has requested the following increases:

Increase	Water Revenues	Revenue Increase	Percentage Increase	Wastewater Revenues	Revenue Increase	Percentage Increase
Interim	\$152,671	\$12,286	8.75%	\$311,691	\$96,963	45.16%
Final	\$366,262	\$225,877	160.89%	\$584,229	\$369,501	172.07%

The 60-day statutory deadline for the Commission to suspend the utility's requested final rates was originally October 17, 2006. However, by letter dated August 24, 2006, the utility agreed to extend the statutory timeframe by which the Commission is required to address Gold Coast's interim rate request. This recommendation addresses the suspension of the utility's final rates and staff's recommended interim rate increases. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

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<sup>2</sup> Order No. PSC-99-1742-PAA-WS, issued September 7, 1999, in Docket No. 981258-WS, In re: Investigation of water and wastewater rates of Lake Haven Utility Association, Ltd. d/b/a Lake Wales Utility Co., Ltd. In Polk County for possible overearnings.

### **Discussion of Issues**

**Issue 1:** Should the proposed water and wastewater rates be suspended?

**Recommendation:** Yes. Gold Coast's proposed water and wastewater rates should be suspended. (Biggins)

**Staff Analysis:** Section 367.081(6), F.S., provides that the rates proposed by the utility shall become effective within sixty days after filing unless the Commission votes to withhold consent of implementation of the requested rates. 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 following the official filing date 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 proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff believes it is necessary to require further explanation and justification of the data, and to require production of additional and/or supporting data. This further examination will include on-site investigations by staff accountants and engineers, as well as, a customer meeting. 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 granted?

**Recommendation:** Yes. On an interim basis, the utility should be authorized to collect annual water and wastewater revenues as indicated below: (Biggins)

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$140,385	\$12,286	\$152,671	8.75%
Wastewater	\$214,728	\$96,963	\$311,691	45.16%

**Staff Analysis:** In its MFRs, Gold Coast requested interim rates designed to generate annual revenues of \$152,671 and \$311,691 for water and wastewater, respectively. This represents a water revenue increase of \$12,286, or (8.75%), and a wastewater revenue increase of \$96,963, or (45.16%). The utility has filed rate base, cost of capital, and operating statements to support its requested increases.

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying appropriate adjustments consistent with those made in the utility's most recent rate proceeding. Staff has reviewed the utility's interim request, as well as prior orders concerning the utility's 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 Schedule Nos. 1-A and 1-B with adjustments shown on Schedule No. 1-C. The capital structure schedule is Schedule No. 2. The operating income schedules for water and wastewater, respectively, are labeled as Schedule Nos. 3-A and 3-B, with the adjustments shown on Schedule No. 3-C.

### RATE BASE

The utility has filed simple average water and wastewater rate bases for the calendar year ended December 31, 2005. Based on staff's review of the MFRs and Order No. PSC-06-0331-PAA-WS, staff believes that one adjustment is necessary to the utility's water and wastewater rate bases.

### Working Capital

On MFR Schedules A-1(a) and A-2(a), Gold Coast reflected interim working capital allowances of \$18,605 and \$33,304 for water and wastewater, respectively. Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), staff used the formula approach (1/8 of operation and maintenance (O&M) expenses) to calculate working capital. Based on staff's calculation, the utility's working capital allowances are overstated and should be decreased by \$1,273 for water and wastewater. Staff's recommended working capital should be \$17,332 for water and \$32,031 for wastewater.

Based on the above adjustments, staff recommends an interim rate base of \$45,764 for water and \$120,968 for wastewater.

### COST OF CAPITAL

In its MFRs, Gold Coast used a simple average capital structure, which consisted of Long-Term Debt and Common Equity. However, the Rate of Return on Equity (ROE) for Gold Coast authorized by Order No. PSC-01-2094-FOF-SU should not be used because the ROE does not survive a transfer.<sup>3</sup> As mentioned in the case background, Order No. PSC-06-0331-PAA-WS, authorized the transfer of assets to Gold Coast Utility Corp. Therefore, staff believes that the current leverage formula should be used to determine the ROE for Gold Coast and the minimum of the range should be used.

Using the current approved leverage formula,<sup>4</sup> the return on equity is 11.55% with a range of 10.55% to 12.55%. Using the 10.55% minimum of the range, staff recommends an interim weighted average cost of capital of 7.41%.

### NET OPERATING INCOME

Pursuant to Section 367.082(5)(b)1., F.S., only those adjustments consistent with the most recent individual rate proceeding of the utility may be made. The adjustments may be annualized if necessary. Staff notes that there was no rate change during the test year. Based on staff's review, no revenue or O&M expense adjustments are necessary.

However, on MFR Schedule B-15, the utility included \$6,265 for water and \$9,714 for wastewater regulatory assessment fees (RAFs) on historical per books revenues of \$140,385 for water and \$214,728 for wastewater. Using the .045 RAF rate, pursuant to Section 367.145, F.S., and Rule 25-30.120, F.A.C., staff calculated RAFs of \$6,317 for water and \$9,663 for wastewater. As such, the utility's historical per book RAFs are understated for water and overstated for wastewater. Thus, staff recommends that RAFs should be increased by \$52 for water and decreased by \$51 for wastewater.

Based on the adjustments discussed above, staff recommends that the appropriate test year operating loss, before any revenue increase, for water is \$3,963 and \$48,866 for wastewater.

### REVENUE REQUIREMENT

Based on the above, staff's adjustments lend themselves to revenue requirements higher than that requested by the utility. In such circumstances, it has been Commission practice to limit the revenue requirement to the level requested.<sup>5</sup> Also, the interim revenue requirement is

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<sup>3</sup> See PSC-01-2094-FOF-SU, issued October 22, 2001, in Docket No. 011190-SU, In re: Investigation of possible overearnings by Tierra Verde Utilities, Inc. in Pinellas County, p. 3.

<sup>4</sup> Order No. PSC-06-0476-PAA-WS, issued June 5, 2006, in Docket No. 060006-WS, In Re: Water and Wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.; consummated by Order No. PSC-06-0554-CO-WS, issued June 27, 2006.

<sup>5</sup> See Order No. PSC-06-0675-PCO-SU, issued August 7, 2006, in Docket No. 060255-SU, In re: Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

based on amounts that will be trued-up in the determination of final rates. For these reasons, staff recommends revenue requirements of \$152,671 for water and \$311,691 for wastewater which are the interim revenue amounts required by the utility. This represents an interim increase in annual revenues of \$12,286 or 8.75% for water and \$96,963 or 45.16%. This will allow the utility the opportunity to recover its operating expenses and earn a 7.33% and 7.35% returns on its respective water and wastewater rate bases.

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

**Recommendation:** The water and wastewater service rates for Gold Coast in effect as of December 31, 2005, should be increased by 8.75% for water and 45.16% for wastewater 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), F.A.C. 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. (Biggins)

**Staff Analysis:** Staff recommends that interim wastewater service rates for Gold Coast should be designed to allow the utility the opportunity to generate annual operating revenues of \$152,671 for water and \$311,691 for wastewater operations. This reflects an increase of \$12,286 or 8.75% for water and \$96,963 or 45.16% for wastewater, before removal of miscellaneous revenues. According to MFR Schedule B-4, the utility does not reflect any test year miscellaneous service charge revenues. As such, staff recommends that interim rate increases of 8.75% for water and 45.16% for wastewater should be applied as an across the board increase to the service rates in effect as of December 31, 2005.

Gold Coast incorrectly applied an increase of approximately 9.00% to its present water residential and general service base facility charges, to calculate its requested interim base facility charges. The utility also applied an increase of approximately 8.74% to its present residential and general service gallonage charges to calculate its requested interim gallonage charges. As stated earlier, staff is recommending an across the board increase of 8.75% to the utility's present base facility and gallonage charges. As such the utility overstated its requested interim water base facility charges and understated its requested water interim gallonage charge.

Gold Coast incorrectly applied an across the board increase of 45% to calculate its requested wastewater interim rates. As discussed earlier staff is recommending an across the board increase of 45.16% to its present wastewater rates. As such, the utility understated its requested wastewater interim rates.

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), F.A.C. 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 staffs recommended interim wastewater rates are shown on Schedules Nos. 4-A and 4-B.

**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 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 8.75% of water and 45.16% of wastewater revenues into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of \$64,725. Pursuant to Rule 25-30.360(6), F.A.C., 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, F.A.C. (Biggins)

**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 annual interim increase is \$109,249, or \$12,286 for the water system and \$96,963 for the wastewater system on an annual basis. Staff has calculated the potential refunds of water and wastewater revenues and interest collected, in accordance with Rule 25-30.360, F.A.C., under interim conditions to be \$64,725. This amount is based on an estimated six months of revenue collected from staff's recommended interim rates over the previously authorized rates shown on Schedules Nos. 4-A and 4-B.

Staff has reviewed the financial data of the utility. The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 2004 and 2005 annual reports of Gold Coast were used to determine the financial condition of the utility. Gold Coast has inadequate liquidity, profitability, ownership equity, and interest coverage. Based upon this analysis, staff recommends that Gold Coast cannot support a corporate undertaking in the amount of \$64,725. Therefore, staff recommends that the utility provide a letter of credit, bond, or escrow agreement to guarantee the funds collected subject to refund. This brief financial analysis is appropriate only for deciding if 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 8.75% of water and 45.16% of wastewater revenues 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 \$64,725. 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.

Regardless 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), F.A.C., 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 25-30.340, F.A.C.

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.

Docket No. 060246-WS

Date: October 12, 2006

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

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

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

Gold Coast Utility Corp. Schedule of Water Rate Base Test Year Ended 12/31/05				Schedule No. 1-A Docket No. 060246-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	\$477,805	\$1,241	\$479,046	\$0	\$479,046
2	Land and Land Rights	\$14,473	\$0	14,473	0	14,473
3	Accumulated Depreciation	-\$444,378	\$6,695	-437,683	0	-437,683
4	CIAC	-\$237,190	\$0	-237,190	0	-237,190
5	Amortization of CIAC	\$208,596	\$1,190	209,786	0	209,786
6	Working Capital Allowance	\$18,605	\$0	18,605	-1,273	17,332
8	Rate Base	<u>\$37,911</u>	<u>\$9,126</u>	<u>\$47,037</u>	<u>-\$1,273</u>	<u>\$45,764</u>

Gold Coast Utility Corp. Schedule of Wastewater Rate Base Test Year Ended 12/31/05			Schedule No. 1-B Docket No. 060246-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	\$704,804	\$0	\$704,804	\$0	\$704,804
2	Land and Land Rights	\$34,247	\$0	34,247	0	34,247
3	Accumulated Depreciation	\$634,755	\$12,557	-647,312	0	-647,312
4	CIAC	\$189,368	\$0	-189,368	0	-189,368
5	Amortization of CIAC	\$183,661	\$2,905	186,566	0	186,566
6	Working Capital Allowance	\$33,304	\$0	33,304	-1,273	32,031
7	Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
8	Rate Base	<u>\$131,893</u>	<u>-\$9,652</u>	<u>\$122,241</u>	<u>-\$1,273</u>	<u>\$120,968</u>

Docket No. 060246-WS

Date: October 12, 2006

Gold Coast Utility Corp. Adjustments to Rate Base Test Year Ended 12/31/05		Schedule No. 1-C Docket No. 060246-WS	
Explanation		Water	Wastewater
<u>Working Capital</u>		<u>(\$1,273)</u>	<u>(\$1,273)</u>

Gold Coast Utility Corp. Capital Structure-Simple Average Test Year Ended 12/31/05						Schedule No. 2 Docket No. 060246-WS		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>								
1 Long-term Debt	\$294,414	\$0	\$294,414	-\$133,651	\$160,763	94.97%	7.24%	6.88%
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	15,599	0	\$15,599	-7,084	\$8,515	5.03%	7.93%	0.40%
5 Customer Deposits	0	0	\$0	0	\$0	0.00%	6.00%	0.00%
6 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>\$0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
10 <b>Total Capital</b>	<u>\$310,013</u>	<u>\$0</u>	<u>\$310,013</u>	<u>-\$140,735</u>	<u>\$169,278</u>	<u>100.00%</u>		<u>7.27%</u>
<b>Per Staff</b>								
11 Long-term Debt	\$294,414	\$0	\$294,414	-\$136,071	\$158,343	94.97%	7.24%	6.88%
12 Short-term Debt	0	0	\$0	\$0	0	0.00%	0.00%	0.00%
13 Preferred Stock	0	0	\$0	\$0	0	0.00%	0.00%	0.00%
14 Common Equity	15,599	0	\$15,599	-\$7,209	8,390	5.03%	10.55%	0.53%
15 Customer Deposits	0	0	\$0	\$0	0	0.00%	6.00%	0.00%
16 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
20 <b>Total Capital</b>	<u>\$310,013</u>	<u>\$0</u>	<u>\$310,013</u>	<u>-\$143,281</u>	<u>\$166,732</u>	<u>100.00%</u>		<u>7.41%</u>
						<b>LOW</b>	<b>HIGH</b>	
RETURN ON EQUITY						<u>10.55%</u>	<u>12.55%</u>	
OVERALL RATE OF								
RETURN						<u>7.41%</u>	<u>7.51%</u>	

Gold Coast Utility Corp. Statement of Water Operations Test Year Ended 12/31/05						Schedule No. 3-A Docket No. 060246-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$140,385</u>	<u>\$12,286</u>	<u>\$152,671</u>	<u>\$12,286</u>	<u>\$140,385</u>	<u>\$12,286</u> 8.75%	<u>\$152,671</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$148,840	-\$10,181	138,659	0	138,659		138,659
3 Depreciation	-4,968	0	-4,968	0	-4,968		-4,968
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	14,842	605	15,447	-501	14,946	553	15,499
6 Income Taxes	<u>0</u>	<u>113</u>	<u>113</u>	<u>-4,402</u>	<u>-4,289</u>	<u>4,415</u>	<u>126</u>
7 <b>Total Operating Expense</b>	<u>158,714</u>	<u>-9,463</u>	<u>149,251</u>	<u>-4,903</u>	<u>144,348</u>	<u>4,968</u>	<u>149,316</u>
8 <b>Operating Income</b>	<u>-\$18,329</u>	<u>\$21,749</u>	<u>\$3,420</u>	<u>-\$7,383</u>	<u>-\$3,963</u>	<u>\$7,318</u>	<u>\$3,355</u>
9 <b>Rate Base</b>	<u>\$37,911</u>		<u>\$47,037</u>		<u>\$45,764</u>		<u>\$45,764</u>
10 <b>Rate of Return</b>	<u>-48.35%</u>		<u>7.27%</u>		<u>-8.66%</u>		<u>7.33%</u>

Gold Coast Utility Corp. Statement of Wastewater Operations Test Year Ended 12/31/05						Schedule No. 3-B Docket No. 060246-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$214,728</u>	<u>\$96,963</u>	<u>\$311,691</u>	<u>\$96,963</u>	<u>\$214,728</u>	<u>\$96,963</u> 45.16%	<u>\$311,691</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$266,428	-\$10,181	\$256,247	\$0	\$256,247		\$256,247
3 Depreciation	17,752	0	17,752	0	17,752		17,752
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	24,198	4,312	28,510	-4,415	24,095	4,363	28,459
6 Income Taxes	<u>0</u>	<u>295</u>	<u>295</u>	<u>-34,796</u>	<u>-34,501</u>	<u>34,845</u>	<u>345</u>
7 <b>Total Operating Expense</b>	<u>308,378</u>	<u>-5,574</u>	<u>302,804</u>	<u>-39,210</u>	<u>263,594</u>	<u>39,209</u>	<u>302,802</u>
8 <b>Operating Income</b>	<u>-\$93,650</u>	<u>\$102,537</u>	<u>\$8,887</u>	<u>\$57,753</u>	<u>-\$48,866</u>	<u>\$57,754</u>	<u>\$8,889</u>
9 <b>Rate Base</b>	<u>\$131,893</u>		<u>\$122,241</u>		<u>\$120,968</u>		<u>\$120,968</u>
10 <b>Rate of Return</b>	<u>-71.00%</u>		<u>7.27%</u>		<u>-40.40%</u>		<u>7.35%</u>

Gold Coast Utility Corp. Adjustments to Operating Income Test Year Ended 12/31/05		Schedule 3-C Docket No. 060246-WS	
Explanation		Water	Wastewater
<u>Operating Revenues</u>			
Remove requested interim revenue increase		<u>(\$12,286)</u>	<u>(\$96,963)</u>
<u>Taxes Other Than Income</u>			
1	RAFs on revenue adjustments above	(\$553)	(\$4,363)
2	To reflect the appropriate historical test year RAFS	<u>\$52</u>	<u>(\$51)</u>
	Total	<u>(\$501)</u>	<u>(\$4,415)</u>



Gold Coast Utility Corp. Water Monthly Service Rates Test Year Ended 12/31/05		Schedule No. 4-A Docket No. 060246-WS		
	Rates Prior to Filing	Utility Requested Interim	Utility Requested Final	Staff Recomm. Interim
<b><u>Residential</u></b>				
Base Facility Charge all Meter Sizes:	\$7.19	\$7.84	\$20.46	\$7.82
Gallage Charge, per 1,000 Gallons	\$1.03	\$1.12	\$3.19	\$1.12
<b><u>General Service</u></b>				
Base Facility Charge By Meter Size:				
5/8" x 3/4"	\$18.46	\$20.12	\$0.00	\$20.08
1"	\$46.15	\$50.30	\$51.15	\$50.19
1-1/2"	\$92.28	\$100.59	\$102.30	\$100.36
2"	\$147.64	\$160.93	\$163.68	\$160.56
3"	\$295.20	\$321.77	\$327.36	\$321.03
4"	\$0.00	\$0.00	\$511.50	\$0.00
6"	\$0.00	\$0.00	\$1,023.00	\$0.00
8"	\$0.00	\$0.00	\$0.00	\$0.00
Gallage Charge, per 1,000 Gallons	\$1.03	\$1.12	\$3.19	\$1.12
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$21.55	\$23.48	\$9.57	\$23.44
5,000 Gallons	\$23.61	\$25.72	\$15.95	\$25.68
10,000 Gallons	\$28.76	\$31.32	\$31.90	\$31.28

Gold Coast Utility Corp. Wastewater Monthly Service Rates Test Year Ended 12/31/05		SCHEDULE NO. 4-B Docket No. 060246-WS		
	Rates Prior to Filing	Utility Requested Interim	Utility Requested Final	Staff Recomm. Interim
<b><u>Residential</u></b>				
Base Facility Charge All Meter Sizes:	\$12.62	\$18.30	\$37.08	\$18.32
Gallage Charge - Per 1,000 gallons (10,000 gallon cap)	\$0.00	\$0.00	\$3.74	\$0.00
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$24.24	\$35.15	\$37.08	\$35.19
1"	\$60.63	\$87.91	\$92.70	\$88.01
1-1/2"	\$121.24	\$175.80	\$185.40	\$175.99
2"	\$193.98	\$281.27	\$296.64	\$281.57
3"	\$387.98	\$562.57	\$556.20	\$563.18
4"	\$0.00	\$0.00	\$927.00	\$0.00
6"	\$0.00	\$0.00	\$1,854.00	\$0.00
8"	\$0.00	\$0.00	\$0.00	\$0.00
Gallage Charge, per 1,000 Gallons	\$1.60	\$2.32	\$4.39	\$2.32
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$12.62	\$18.30	\$48.30	\$18.32
5,000 Gallons	\$12.62	\$18.30	\$48.30	\$18.32
10,000 Gallons (Wastewater Gallage Cap - 10,000 Gallons)	\$12.62	\$18.30	\$48.30	\$18.32