

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: June 19, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Roberts, Bulecza-Banks, Fletcher)
Office of the General Counsel (Hartman)

RE: Docket No. 070627-WU – Application for staff-assisted rate case in Lake County
by Raintree Utilities, Inc.

AGENDA: 07/1/08 – Regular Agenda – Proposed Agency Action, Except for Issue 11 and 13
- Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Skop

CRITICAL DATES: 2/23/2009 (15-month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070627.RCM.DOC

Table of Contents

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Case Background.....	3
1	Quality of Service (Fletcher).....	5
2	Used and Useful (Fletcher).....	7
3	Rate Base (Roberts).....	8
4	Rate of Return (Roberts).....	10
5	Test Year Revenue (Roberts).....	11
6	Operating Expenses (Roberts).....	12
7	Revenue Requirement (Roberts).....	13
8	Rate Structure (Lingo).....	14
9	Repression (Lingo).....	17
10	Rates (Roberts, Lingo).....	19
11	Four Year Rate Reduction (Roberts).....	20
12	Service Availability Charges (Roberts, Fletcher).....	21
13	Rates Subject to Refund (Roberts).....	23
14	Close Docket (Hartman, Roberts).....	25
	Attachment A Used and Useful.....	26
	Attachment B Rate Structure.....	27
	Schedule No 1-A.....	31
	Schedule No 1-B.....	32
	Schedule No 1-C.....	33
	Schedule No 1-D.....	34
	Schedule No 2-A.....	35
	Schedule No 2-B.....	36
	Schedule No 3-A.....	37
	Schedule No 3-B.....	38
	Schedule No 3-C.....	39
	Schedule No 3-D.....	40
	Schedule No 3-E.....	41
	Schedule No 3-F.....	42
	Schedule No 4-A.....	43
	Schedule No 4-B.....	44
	Schedule No 5.....	45

Case Background

Raintree Utilities, Inc. (Raintree or Utility) is a Class C water Utility providing service to approximately 124 customers in Lake County. The Utility has two distinct service areas which include the Raintree Harbor and Bentwood subdivisions. At this time, Raintree does not have any customers connected to its Bentwood water system. Wastewater service is provided through septic tanks. According to Raintree's 2006 Annual Report, the Utility reported operating revenues of \$45,950 and a net operating income (loss) of \$600.

On September 8, 1987, this Commission issued Order No. 18131 granting Raintree an exemption from Commission jurisdiction pursuant to Section 367.022(6), Florida Statutes (F.S.).¹ Section 367.022(6), F.S., exempts those systems with the capacity or proposed capacity to serve 100 or fewer persons. The Commission found the Utility exempt based upon the initial 29 lot subdivision and associated capacity of the water plant. Raintree began operation in January 1988.

On July 18, 1991, Raintree advised the Commission that it was in the process of expanding the distribution system to serve 119 lots and had received Lake County's approval for the second phase of the development. The Utility further advised that it was preparing to file an application with the Commission for an original certificate.

On October 10, 1991, Raintree filed its application for a water certificate. The Commission granted Water Certificate 539-W to the Utility in Order No. PSC-92-0019-FOF-WU, issued March 10, 1992.² The Utility has never had rate base established and currently operates under the same rates that were established in Order No. PSC-92-0019-FOF-WU.

On April 28, 2000, the Commission issued Order No. PSC-00-0843-FOF-WU, approving the transfer of majority organizational control from Mr. Donn Monn to Mr. Keith J. Shamrock. Rate base was not established because the sale was accomplished by the transfer of stock.

On June 29, 2005, the Commission issued Order No. PSC-05-0706-PAA-WU which amended the Utility's certificate to include the additional territory of Bentwood. In addition, the Commission also approved an \$800 plant capacity charge and a meter installation charge of \$125.

On September 27, 2007, Raintree filed an application for a staff assisted rate case. The official filing date was established as November 23, 2007. This is the Utility's first staff assisted rate case. In its application, Raintree requested authority to increase its plant capacity charge from \$800 to \$2,900. By Order No. PSC-07-0981-PCO-WU, issued December 10, 2007, in this docket, the Commission approved a temporary plant capacity charge of \$2,900 subject to refund with interest pending the determination of final rates and charges in this proceeding. As Raintree Harbor is built out, the proposed plant charges will only apply to Bentwood. Raintree Harbor's

¹ Docket No. 870796-WU, In re: Petition of Raintree Harbor Phase I for Determination of Exempt Status of a Water Facility in Lake County.

² See Order No. PSC-92-0019-FOF-WU, issued March 10, 1992, in Docket No. 911039-WU, In re: Application for Raintree Utilities, Inc. for a water certificate in Lake County, Florida.

rates should be set using the traditional rate setting method. Because the Bentwood water system is newly installed and no customers have connected to date, Bentwood rates should be established using the same method applied in original certificate cases, which is 80 percent of design capacity.

Staff has audited the Utility's records for compliance with Commission rules and orders and determined the components necessary for rate setting. The staff engineer also conducted a field investigation of the Utility's plant and service area. A review of the Utility's operating expenses, maps, files, and rate application was also performed to obtain information about the physical plant operating cost. With regard to the Utility's Raintree Harbor water system, staff has selected a historical test year ending September 30, 2007, for this rate case.

This recommendation addresses Raintree's request for authority to collect revised plant capacity charges and to establish rates for both Raintree Harbor and Bentwood. The Commission has jurisdiction pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, F.S.

Discussion of Issues

Issue 1: Should the quality of service provided by Raintree Utilities, Inc. be considered satisfactory?

Recommendation: Yes. The quality of service provided by Raintree Utilities, Inc. should be considered satisfactory. (Fletcher)

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 or lack thereof over the proceeding 3-year period shall also be considered. DEP and county health departments 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.

Quality of Utility's Product

The water treatment plants (WTPs) of Raintree are regulated by the Department of Environmental Protection (DEP). The DEP inspected Raintree Harbor's WTP on August 30, 2007. Raintree has conformed to all testing and chemical analyses required by this agency and the test results have been satisfactory.

Operational Conditions at the Plant

Raintree Harbor WTP

The product provided by the Utility is reflective of the operating condition of the water plant. According to the DEP's Sanitary Survey Report dated August 30, 2007, the DEP's inspector observed the following deficiencies during her site inspection:

1. There is a gap in the sanitary seal plate on Well No.1.
2. The above ground check valve for Well No. 3 is not functioning as intended.
3. The 8" Fire Well No. 2 is not designed to supplement the existing wells for the normal domestic demands due to the required minimum five-minute contact time in the filters.

According to the DEP's Compliance Inspection Report dated May 15, 2008, all of the above deficiencies have been corrected.

Maintenance at the plant site appeared to have been given adequate attention. The plant grounds within the fenced-in area were organized.

All things considered, the operational conditions at the wastewater plant should be considered satisfactory.

Utility's Attempt to Address Customer Satisfaction

An informal customer meeting was held on April 14, 2008, at the City of Tavares Civic Center in Tavares, Florida. The evening meeting was open to all customers at 6:00 p.m. There were seven customers that attended the meeting, including one Utility representative. Three customers went on record with comments and concerns about Raintree. The customers were concerned about the rate increase and the rate structure.

Staff believes that the owner of the Raintree is putting forth a good faith effort to respond to customer complaints. Therefore, staff recommends that the Utility's attempts to resolve customer complaints should be considered satisfactory.

Based on all of the above, staff recommends that the overall quality of service provided by the Utility be considered satisfactory.

Issue 2: What portions of Raintree Utility's treatment plants and distribution systems are considered used and useful?

Recommendation: The Raintree Harbor water treatment plant and water distribution systems should be considered 100 percent used and useful. (Fletcher)

Staff Analysis: The Raintree system consists of two service areas (Raintree Harbor and Bentwood) which are not interconnected. Because rates for the Bentwood system are being set using the original certificate methodology (based on the project cost of the system serving 80 percent of the design capacity), a used and useful analysis was not performed for that system. The following is Staff's used and useful analysis and recommendation for the Raintree Harbor system.

Raintree Harbor Water Treatment Plant

The existing Raintree Harbor water system consists of three active wells, rated at 600 gallons per minute (gpm), 90 gpm, and 90 gpm. The raw water is filtered with a liquid sodium hypochlorite solution and pumped into a 5,000 gallon hydro pneumatic tank and then into the distribution system. The single maximum day in the test year (167,000 gpd) occurred on February 23, 2007; however, it appears that an anomaly, such as a line break, occurred on that day because the flows for that day are more than twice as great as any other day during the entire month of February. No information was available to ascertain why the flows were so great on that day. Therefore, staff recommends using the second single maximum day in the test year of 136,000 gpd which occurred on May 12, 2007. The Utility's records indicate that there was no excessive unaccounted for water. The Raintree Harbor service area is built out, therefore, no growth allowance should be included in the used and useful calculation. The Utility has 9 working fire hydrants in its service area and is required by Lake County to have fire flow capacity of 500 gpm for 2 hours. The firm reliable capacity of the water system is 180 gpm. Therefore, the water treatment plant is 100 percent used and useful as shown on Attachment A. In addition, because the Raintree Harbor service area is built out, it should be considered 100 percent used and useful, pursuant to Rule 25-30.4325, F.A.C.

Raintree Harbor Water Distribution System

The utility's Raintree Harbor water transmission and distribution lines were constructed to serve the 119 residential lots in that development, which is now built out. Therefore, staff recommends that the water transmission and distribution lines for Raintree Harbor are 100 percent used and useful.

Issue 3: What is the appropriate average test year rate base for the Utility?

Recommendation: The appropriate average test year rate base for the Utility is \$57,852 for Raintree Harbor and \$213,163 for Bentwood. (Roberts)

Staff Analysis: Staff selected a test year ending September 30, 2007, for this rate case. As discussed in the case background, Raintree Harbor’s rates should be set using the traditional rate setting method and Bentwood rates should be established using the same method used in original certificate cases which is 80 percent of design capacity. A summary of each component and the adjustments for Raintree Harbor and Bentwood are as follows:

Utility Plant in Service (UPIS): The Utility recorded UPIS for Raintree Harbor of \$68,550 and \$655,411 for Bentwood for the test year ending September 30, 2007.

Pursuant to Audit Finding No. 1, the Utility was unable to provide any original cost records to substantiate its 2007 plant balances. As stated in the case background, the Utility has never filed a rate case with this Commission since becoming jurisdictional in 1991. An original cost study was completed by the staff engineer due to the lack of records for the time period prior to Raintree purchasing the plant. The staff engineer's cost estimate was determined by using available maps, invoice records, and information obtained during an inspection of the visible facilities during the engineering field investigation. Based on the original cost study, staff has made an adjustment to increase plant in service by \$141,213 for Raintree Harbor. The following table illustrates the plant adjustments by primary account.

Account # 304	Increase	\$5,700	Structure and improvements
Account # 309	Increase	\$991	Master meter
Account # 311	Increase	\$23,168	Pumping equipment
Account # 320	Increase	\$46,622	Water treatment
Account # 330	Increase	\$11,448	Reservoirs - Hydro Tank
Account # 331	Increase	\$49,878	Distribution mains
Account # 333	Increase	\$6,290	Lateral services
Account # 335	Increase	\$8,344	Fire Hydrants
Account # 340	Increase	\$2,920	Office equipment and furniture
Account # 303	Decrease	(\$5,740)	Reclassify land recorded in plant
Account # 305	Decrease	(\$2,520)	Reclassified to Acct. # 304
Account # 307	Decrease	(\$3,063)	Well purchased in 2002
Account # 334	Decrease	(\$2,825)	Reclassified to Acct. # 309

Staff decreased Bentwood’s UPIS (Account No. 334) by \$12,309 to reflect the appropriate plant-in-service at 80 percent build-out and decreased land by \$927 for a calculation error. The appropriate average amount of test year plant-in-service is \$209,763 for Raintree Harbor and \$643,102 for Bentwood.

Non-used and Useful Plant: As discussed in Issue No. 2 of this recommendation, the Utility's water systems should be considered 100 percent used and useful. Therefore, no adjustments are necessary.

Contribution in Aid of Construction (CIAC): The Utility recorded CIAC of \$0 for Raintree Harbor and \$200,386 for Bentwood for the test year ending September 30, 2007. Rule 25-30.570, F.A.C., addresses the imputation of CIAC when a company has not recorded any amount on its books and the company does not submit competent substantial evidence as to the amount of CIAC. Staff has determined that CIAC should be imputed in the amount of \$29,750 for Raintree Harbor. In addition, based on staff's recommended plant capacity charge of \$2,600 discussed in Issue 12, staff has increased CIAC by \$155,320 for Bentwood.

Accumulated Depreciation: The Utility recorded a balance for accumulated depreciation of \$17,919 for Raintree Harbor and \$0 for Bentwood for the test year. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, staff has increased this account by \$120,135 for Raintree Harbor and \$141,566 for Bentwood to reflect depreciation calculated per staff. These adjustments result in average accumulated depreciation of \$138,054 for Raintree Harbor and \$141,566 for Bentwood.

Accumulated Amortization of CIAC: The Utility did not record accumulated amortization of CIAC balances for Raintree Harbor but they did record accumulated amortization of CIAC for Bentwood of \$51,339. Staff calculated the amortization of CIAC using composite rates prescribed in Rule 25-30.140, F.A.C. Based on this calculation, staff increased accumulated amortization of CIAC by \$5,207 for Raintree Harbor to reflect an averaging adjustment. Based on this recalculation, staff increased Bentwood by \$7,177 to reflect the appropriate CIAC at 80 percent build-out. These adjustments result in an average accumulated amortization of CIAC of \$5,207 for Raintree Harbor and \$58,516 for Bentwood.

Working Capital Allowance: Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or ongoing-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of O&M expense formula approach for calculating the working capital allowance. Applying this formula, staff calculated a working capital allowance of \$4,946 for Raintree Harbor and \$3,943 for Bentwood to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the forgoing, staff believes the appropriate test year average rate base is \$57,852 for Raintree Harbor and \$213,163 for Bentwood. Raintree Harbor and Bentwood rate bases are shown on Schedule No. 1-A and 1-B, respectively. Staff's adjustments for Raintree Harbor and Bentwood are shown on Schedule 1-C and 1-D.

Issue 4: What is the appropriate return on equity and overall rate of return for this Utility?

Recommendation: The appropriate return on equity is 12.01 percent for Raintree with a range of 11.01 percent - 13.01 percent. The appropriate overall rate of return is 8.25 percent. (Roberts)

Staff Analysis: According to staff's audit, the Utility recorded common stock of \$100 and negative retained earnings of \$8,195. This results in a negative common equity balance of \$8,095. Because including a negative common equity balance in the capital structure would penalize the Utility by understating the overall rate of return, we have adjusted the negative common equity balance to zero. Based on Commission practice,³ Raintree's negative common equity balance should be set to zero.

In addition, with regard to Raintree Harbor, the Utility's long-term debt as of September 30, 2007, was \$490,000. With regard to Bentwood, the Utility's pro forma long-term debt amount is \$450,000. The Utility reflected a long-term debt cost rate of 8.25 percent, which was supported through documentation provided to the staff auditors.

The appropriate rate of return on equity is 12.01 percent based on the most recent Commission-approved leverage formula.⁴ The Utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends a return on equity of 12.01 percent with a range of 11.01 percent - 13.01 percent, and an overall rate of return of 8.25 percent. The return on equity and overall rate of return are shown on Schedule No. 2-A and 2-B for Raintree Harbor and Bentwood, respectively.

³ See Order No. PSC-06-1027-PAA-WU, issued December 11, 2006, in Docket No.050563-WU, In re: Application for increase in water rates in Polk County by Park Water Company. and Order No. PSC-01-1488-PAA-WS, issued July 18, 2001, in Docket No. 981147-WS, In re: Investigation into potential overearnings in Highlands County by Highlands Ridge Associates Inc.

⁴ See Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-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.

Issue 5: What are the appropriate test year revenues?

Recommendation: The appropriate amount of test year revenue is \$47,425 for the Raintree Harbor system and \$21,991 for the Bentwood system. (Roberts)

Staff Analysis: Per Audit Finding No. 5, the Utility reported test year revenues of \$47,425 for the Raintree Harbor system and \$1,147 for the Bentwood system. Bentwood expects to have only one customer taking service in 2007, four customers in 2008, and then add thirteen customers per year until the Utility has reached 80 percent of design capacity. Based on the foregoing, staff recommends that the appropriate amount of test year revenues in this case are \$47,425 for Raintree Harbor system and \$21,991 for the Bentwood system. Test year revenues are shown on Schedule No. 3-A and 3-B and adjustments are shown on Schedule 3-C.

Issue 6: What are the appropriate test year operating expense?

Recommendation: The appropriate amount of operating expense for the Utility is \$49,498 for Raintree Harbor and \$43,924 for Bentwood. (Roberts)

Staff Analysis: The Utility recorded operating expense of \$44,759 for Raintree Harbor and \$31,519 for Bentwood during the test year ending September 30, 2007. Adjustments have been made to reflect unrecorded test year expenses and to adjust annual operating costs. The test year operating and maintenance expense (O&M) have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to the Utility's operating expenses, as summarized below:

Purchased Power – (615) – For the test year, the Utility recorded purchased power expense of \$5,277 for Raintree Harbor and \$5,300 for Bentwood. Based on Audit Finding No. 6, Raintree Harbor's purchased power expense should be reduced by \$735 to remove a Utility deposit that was paid outside of the test period.

Regulatory Commission Expense– (665) – During the test year, the Utility recorded \$125 in regulatory commission expense for Raintree Harbor as well as \$125 for Bentwood. This is based on a four-year amortization of the total filing fee of \$1,000 and allocated equally between Raintree Harbor and Bentwood. ($\$1,000/4 = \250 ; $\$250/2 = \125) Staff has increased regulatory expense for each system by \$27 to account for the cost of preparing and mailing customer notices related to this rate case.

Depreciation Expense (Net of Amortization of CIAC) – The Utility recorded \$0 for both Raintree Harbor and Bentwood for depreciation expense. Staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Staff has increased depreciation expense by \$8,414 for Raintree Harbor and by \$24,443 for Bentwood. The utility did not record any amortization of CIAC. Staff has calculated the amortization of CIAC based on composite rates. Staff has decreased Raintree Harbor by \$1,193 and Bentwood by \$13,520 to reflect staff's calculated amortization of CIAC. Therefore, staff's recommended test year net depreciation expense is \$7,220 for Raintree Harbor and \$10,923 for Bentwood.

Taxes Other Than Income (TOTI) – The Utility's records reflect a TOTI balance for Raintree Harbor of \$4,482 for the test year. Based on Audit Finding No. 7, regulatory assessment fees for Raintree Harbor were increased by \$66 to reflect the appropriate test year amount. In addition, staff decreased property taxes by \$440 to reflect the appropriate test year amount. Moreover, staff has reduced Raintree Harbor's TOTI by \$1,400 to remove the cost of documentary stamps associated with long-term debt that is included in the capital structure. No TOTI was incurred during the test year for Bentwood. Staff has included \$3,247 in Bentwood's TOTI for projected property taxes at 80 percent build out. TOTI for Raintree and Bentwood are \$3,031 and \$3,316, which includes the effect of staff's proposed revenue increase.

Operating Expenses Summary –Based on the above, staff recommends operating expenses of \$49,498 for Raintree Harbor and \$43,924 for Bentwood. Operating expenses are shown on Schedule No. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C and 3-D.

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate test year revenue requirement in this case is \$54,594 for Raintree Harbor and \$63,372 for Bentwood. (Roberts)

Staff Analysis: The Utility should be allowed an annual increase of \$7,169 (15.12 percent) for Raintree Harbor and \$41,380 (188.16 percent) for Bentwood. This will allow the Utility the opportunity to recover its expenses and earn a 12.01 percent return on its investment. The calculations are as follows:

	<u>Raintree Harbor</u>	<u>Bentwood</u>
Adjusted Rate Base	\$57,852	\$213,163
Rate of Return	x .1201	x .1201
Return on Rate Base	\$ 4,773	\$ 17,586
Adjusted O & M expense	39,569	31,546
Depreciation expense (Net)	7,220	10,923
Amortization	\$0	\$0
Taxes Other Than Income	3,031	3,316
Income Taxes	\$0	\$0
Revenue Requirement	\$54,594	\$63,372
Less Test Year Revenues	47,425	\$21,991
Annual Increase	\$7,169	\$41,380
Percent Increase/(Decrease)	15.12%	188.16%

Revenue requirement is shown on Schedule No. 3-A and 3-B.

Issue 8: What are the appropriate rate structures for the utility's Raintree Harbor and Bentwood water systems?

Recommendation: The appropriate rate structure for both the Raintree Harbor and Bentwood water systems is a two-tier inclining-block rate structure. The appropriate usage blocks are for monthly consumption of: 1) 0-8,000 (8 kgal); and 2) usage in excess of 8 kgal. The usage block rate factors should be 1.0 and 1.25, respectively. The base facility charge (BFC) cost recovery allocations should be set at 36.82 percent for the Raintree Harbor system and 25 percent for the Bentwood system. The billing cycle for both systems should be on a monthly basis. (Lingo)

Staff Analysis: The current rate structure for the utility's Raintree Harbor system is the BFC/uniform gallonage charge rate structure, with a quarterly BFC of \$39.00. Customers are also charged \$1.40 for each kgal used. This rate structure is considered usage-sensitive, because customers are charged for all gallons consumed. However, the current rate structure is also considered nonconserving, because customers receive only four price signals (bills) per year, rather than twelve. The current BFC cost recovery allocation is 42 percent. The Bentwood system is currently under construction, and its initial rates will be set in this proceeding.

Staff takes several things into consideration when designing rates, including, but not limited to: 1) the current rate structure; 2) characteristics of the utility's customer base; 3) setting the BFC between 25 percent and 40 percent whenever possible; 4) various conditions of the utility's Consumptive Use Permit; and 5) current and anticipated climatic conditions in the utility's service area. A detailed discussion of staff's rate structure methodology is contained in Attachment B.

As discussed in Issue 7, staff's preliminary recommended revenue requirement increase for the Raintree Harbor system is 15.12 percent. As will be discussed in Attachment B, the average monthly consumption for the residential customers of Raintree Harbor is 14.5 kgal. Based on the magnitude of recommended increase, coupled with the relatively high average monthly consumption, staff believes it is appropriate to place all of the increase in the gallonage charge, resulting in no increase to the current BFC. This results in lesser percentage increases to low-volume users, while sending progressively stronger price signals to higher-volume users.

As also discussed in Attachment B, the anticipated average monthly consumption for Bentwood's residential customers is 13.5 kgal. In order to design rates that send lesser price signals to low-volume users while sending more aggressive price signals to high-volume users, staff believes it is appropriate to set the BFC at 25 percent, thereby placing the maximum percentage of revenues in the gallonage charge.

Staff's recommended rate design shown on the following pages on Table 8-1. Staff has also presented two alternative rate structures per system to illustrate alternative rate recovery methodologies.

Based on the foregoing and the discussion contained in Attachment B, staff recommends that the appropriate rate structure for both the Raintree Harbor and Bentwood water systems is a two-tier inclining-block rate structure. The appropriate usage blocks are for monthly

consumption of: 1) 0-8 kgal; and 2) usage in excess of 8 kgal. The usage block rate factors should be 1.0 and 1.25, respectively. The BFC cost recovery allocation for the Raintree Harbor system should be set at 36.82percent, while the corresponding BFC cost recovery percentage for the Bentwood system should be set at 25 percent. The billing cycle for both systems should be on a monthly basis.

RAINTREE UTILITIES, INC.			
STAFF'S RECOMMENDED AND ALTERNATIVE RATE STRUCTURES			
RAINTREE HARBOR SYSTEM			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
BFC/uniform kgal, billed quarterly BFC = 65.25%		2-tier inclining-block rate structure BFC = 36.82%	
BFC (monthly) (1)	\$13.00	BFC	\$13.00
All kgals	\$1.40	0 – 8 kgal per month	\$1.50
(1) Quarterly BFC of \$39 has been restated to a monthly basis.		8+ kgal per month	\$1.88
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$13.00	0	\$13.00
3	\$17.20	3	\$17.50
5	\$20.00	5	\$20.50
10	\$27.00	10	\$28.76
20	\$41.00	20	\$47.56
30	\$55.00	30	\$66.36
Alternative 1		Alternative 2	
2-tier inclining-block rate structure BFC = 36.82%		3-tier inclining-block rate structure BFC = 36.82%	
BFC	\$13.00	BFC	\$13.00
0 – 10 kgal	\$1.52	0 – 10 kgal	\$1.44
10+ kgal	\$1.90	10 – 20 kgal	\$1.80
		20+ kgal	\$2.16
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$13.00	0	\$13.00
3	\$17.56	3	\$17.32
5	\$20.60	5	\$20.20
10	\$28.20	10	\$27.40
20	\$47.20	20	\$45.40
30	\$66.20	30	\$67.00

TABLE 8-1 (cont.)

RAINTREE UTILITIES, INC.			
STAFF'S RECOMMENDED AND ALTERNATIVE RATE STRUCTURES			
BENTWOOD SYSTEM			
<u>Current Rate Structure and Rates</u>		<u>Recommended Rate Structure and Rates</u>	
N/A – initial rates are being set in this proceeding		2-tier inclining-block rate structure BFC = 25%	
		BFC	\$22.97
		0 – 8 kgal per month	\$4.56
		8+ kgal per month	\$5.70
<u>Typical Monthly Bills</u>			
<u>Cons (kgal)</u>			
		0	\$22.97
		3	\$36.65
		5	\$45.77
		10	\$70.85
		20	\$127.85
		30	\$184.85
<u>Alternative 1</u>		<u>Alternative 2</u>	
2-tier inclining-block rate structure BFC = 25%		3-tier inclining-block rate structure BFC = 25%	
BFC	\$22.97	BFC	\$22.97
0 – 10 kgal	\$4.56	0 – 10 kgal	\$4.48
10+ kgal	\$5.83	10 – 20 kgal	\$5.60
		20+ kgal	\$6.72
<u>Typical Monthly Bills</u>		<u>Typical Monthly Bills</u>	
<u>Cons (kgal)</u>		<u>Cons (kgal)</u>	
0	\$22.97	0	\$22.97
3	\$36.95	3	\$36.41
5	\$46.27	5	\$45.37
10	\$69.57	10	\$67.77
20	\$127.87	20	\$123.77
30	\$186.17	30	\$190.97
Source: Raintree Utilities, Inc., billing information (Raintree Harbor); projected customer growth data and treatment plant capacity information (Bentwood).			

Issue 9: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, and what are the appropriate post-repression revenue requirements for the Raintree Harbor and Bentwood systems?

Recommendation: Yes, a repression adjustment to the Raintree Harbor system is appropriate. Residential water consumption should be reduced by 2.8 percent, resulting in a consumption reduction of approximately 573 kgal. Total water consumption for ratesetting is 20,039 kgals, which represents a 2.8 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$126 in purchased power expense, \$18 in chemicals and \$7 in regulatory assessment fees (RAFs). The post-repression revenue requirement is \$54,443. Staff recommends no repression adjustment to the Bentwood system; therefore, the appropriate revenue requirement is \$63,372.

In order to monitor the effects of both the changes in revenues and rate structure for the Raintree Harbor system, and to monitor the consumption patterns of the Bentwood system customers resulting from setting initial rates, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed by usage block, and the revenues billed by usage block for each system. In addition, the reports should be prepared by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision. (Lingo)

Staff Analysis: The price elasticity of demand is defined as the anticipated change in quantity demanded resulting from a change in price. All other things equal, as price increases, demand decreases.

As discussed by several Water Management Districts (WMDs) participating in the Commission's rate design workshop in February 2006, the WMDs advocate and utilize inclining-block rates because they are effective in reducing demand. This is true especially if the inclining-block rate increase (or any other price increase) is targeted toward reducing demand at the more elastic end uses. This reduction in demand is often referred to as "demand repression," and is an example the effects of the price elasticity of demand. If the anticipated consumption reductions (loss of demand) are not considered in the ratesetting process, price increases will, all other things equal, result in under-earning for the utility, jeopardizing the utility's financial health.

As discussed in Issue 8, staff recommends a 2-tier inclining-block rate structure for both the Raintree Harbor and Bentwood systems. Staff is recommending this rate structure specifically to reduce consumption. Therefore, to recognize the anticipated reduction in water demanded, staff believes a repression adjustment is appropriate.

Using our database of utilities that have previously had repression adjustments made, staff calculated repression adjustments for this utility based upon the recommended increases in revenue requirements for the test year, and the historically observed response rates of

consumption to changes in price. This is the same methodology for calculating repression adjustments that the Commission has approved in prior cases.⁵

The Bentwood system is a new system with customers just beginning to come on-line. As discussed above, in order to calculate demand repression (the anticipated change in quantity demanded) a necessary component is the current price customers are paying. However, staff does not know the current rate(s) each future customer of Bentwood is paying. Also, as discussed previously, the rates for the Bentwood system were designed consistent with the methodology in original certificate cases. Based on the foregoing, Staff does not believe a repression adjustment is appropriate for the Bentwood system at this time.

Based on staff's analysis, repression adjustments to the Raintree Harbor system are appropriate. For the Raintree Harbor system, residential water consumption should be reduced by 2.8 percent, resulting in a consumption reduction of approximately 573 kgal. Total water consumption for ratesetting for is 20,039 kgals, which represents a 2.8 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$126 in purchased power expense, \$18 in chemicals and \$7 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the Raintree Harbor water system is \$54,443. Staff recommends no repression adjustment to the Bentwood system; therefore, the appropriate revenue requirement is \$63,372.

In order to monitor the effects of both the changes in revenues and rate structure for the Raintree Harbor system, and to monitor the consumption patterns of the Bentwood system customers resulting from setting initial rates, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed by usage block, and the revenues billed by usage block for each system. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

⁵ Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, in Docket No. 010403-WU, In re: Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.; Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS, In re: Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

Issue 10: What are the appropriate rates for this utility?

Recommendation: The appropriate monthly water rates are shown on Schedule 4. Excluding miscellaneous service revenues, the recommended water rates for the Raintree Harbor system are designed to produce revenues of \$54,443, while the corresponding rates for the Bentwood system are designed to produce revenues of \$63,372. 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 the notice was given no less than 10 days after the date of the notice. (Roberts, Lingo)

Staff Analysis: Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$54,443 for the Raintree Harbor system and \$63,372 for the Bentwood system. The recommended rates are shown on Schedule No. 4. For the Raintree Harbor system, approximately 36.82 percent (or \$20,046) of the water monthly service revenues is recovered through the base facility charges, while approximately 63.18 percent (or \$34,397) represents revenue recovery through the consumption charges. For the Bentwood system, approximately 25 percent (or \$15,843) of the water monthly service revenues is recovered through the base facility charges, while approximately 75 percent (or \$47,529) represents revenue recovery through the consumption charges.

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.

Issue 11: What is the appropriate amount the 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 for both Raintree Harbor and Bentwood as shown on Schedule No. 4-A and 4-B, to remove rate case expense grossed-up for RAFs 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, F.S. 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. (Roberts)

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 \$159 each, annually for Raintree and Bentwood water system. 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-A and 4-B.

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 12: Should the Utility's proposed plant capacity charge of \$2,900 for its Bentwood water system be approved?

Recommendation: No, the Utility's proposed plant capacity charge should be denied. In accordance with Rule 25-30.580, F.A.C., the appropriate plant capacity charge for the Bentwood water system is \$2,600. Accordingly, staff recommends that the Utility refund the \$300 difference for each temporary approved charge of \$2,900 collected. In addition, the Utility should be authorized to collect meter installation fees of \$193 for 5/8" x 3/4" meters and actual cost for all others. If there is no timely protest by a substantially affected person, the Utility should file the appropriate tariff sheets within ten days of the issuance of the Consummating Order for the Commission-approved tariff changes. Staff should be given administrative authority to approve the tariff sheets upon staff's verification that the tariff is consistent with the Commission's decision. If the tariff sheets are filed and approved, the tariff sheets should become effective on or after the stamped approval date. Within ten days of the issuance of the Consummating Order for the Commission-approved tariff charges, the Utility shall also provide notice of the Commission's decision to all persons in the service area who are affected by the recommended plant capacity charges and meter installation fee and the authorization to collect donated property. The notice should be approved by Commission staff prior to distribution. The Utility should provide proof that the appropriate customers or developers have received notice within ten days of the date of the notice. In the event of a protest, the Utility should be allowed to collect staff's recommended charges, subject to refund. The Utility should file revised tariff sheets and a proposed customer notice prior to implementation. These charges should be implemented on a temporary basis pending resolution of the protest. (Roberts, Fletcher)

Staff Analysis: As stated in the case background, the Utility requested a plant capacity charge of \$2,900. By Order PSC-07-0981-PCO-WU, issued December 10, 2007, the Commission approved a temporary plant capacity charge of \$2,900 which was subject to refund and secured through an escrow agreement.

According to Rule 25-30.580, F.A.C., the guidelines for designing a utility's service availability policy are as follows:

- (1) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and
- (2) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

As reflected on Schedule No. 5 and in accordance with Rule 25-30.580, F.A.C., staff recommends that the appropriate plant capacity charge for the Utility's Bentwood water system is \$2,600. This charge will allow the Utility to collect the maximum contribution level of 75 percent at the expected build out date of 2014. Accordingly, staff recommends that the Utility refund the \$300 difference for each temporary approved charge of \$2,900 collected.

In its application, the Utility did not request a change to its currently authorized meter installation fee of \$125. However, the Utility provided a cost estimate by Utility Technicians, Inc. which reflected a cost of \$197 per meter installation. This estimate includes the cost of the meter, meter box, couplings, check valves, labor, and supervision. The supervision relates to engineering services to make sure the meters are properly installed. Due to lack of support documentation for all of the engineering services to be performed by Utility Technicians, Inc., staff believes the total cost to install a meter is \$193. The Commission approved a meter installation fee of \$250 by Order No. PSC-03-0740-PAA-WS, issued June 23, 2003,⁶ and a \$200 fee by Order No. PSC-04-1256-PAA-WU, issued December 20, 2004,⁷ In addition, a \$190 fee was approved by Order No. PSC-02-1831-TRF-WS, issued December 20, 2002.⁸ Based on the above, staff recommends that the Utility should be authorized to collect meter installation fees of \$193 for 5/8" x 3/4" meters and actual cost for all others.

If there is no timely protest by a substantially affected person, the Utility should file the appropriate tariff sheets within ten days of the issuance of the Consummating Order for the Commission-approved tariff changes. Staff should be given administrative authority to approve the tariff sheets upon staff's verification that the tariff is consistent with the Commission's decision. If the tariff sheets are filed and approved, the tariff sheets should become effective on or after the stamped approval date. Within ten days of the issuance of the Consummating Order for the Commission-approved tariff charges, the Utility shall also provide notice of the Commission's decision to all persons in the service area who are affected by the recommended plant capacity charges and meter installation fee and the authorization to collect donated property. The notice should be approved by Commission staff prior to distribution. The Utility should provide proof that the appropriate customers or developers have received notice within ten days of the date of the notice. In the event of a protest, the Utility should be allowed to collect staff's recommended charges, subject to refund. The Utility should file revised tariff sheets and a proposed customer notice prior to implementation. These charges should be implemented on a temporary basis pending resolution of the protest.

⁶ Docket No. 021067-WS, In re: Application for staff assisted rate case in Polk County by River Ranch Water Management, L.L.C.

⁷ Docket No. 041040-WU, In re: Application for certificate to operate water utility in Baker and Union Counties by B & C Water Resources, L.L.C.

⁸ Docket No. 020388-WS, In re: Request for approval to increase meter installation fees to conform to current cost in Lake County by Sun Communities Finance, LLC d/b/a/ Water Oak Utility.

Issue 13: 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), F.S., 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), F.A.C., 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. (Roberts)

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), F.S., 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 \$4,866 for Raintree Harbor and \$1,044 for Bentwood. 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, and.
- 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; and
- 8) The Commission Clerk must be a signatory to the escrow agreement.
- 9) The account must specify by whom and on whose behalf such monies were paid.

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

Issue 14: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff and that the refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively. (Hartman, Roberts)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff and that the refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.

Raintree Utilities, Inc.
 Test Year October 1, 2006 – September 30, 2007
 Raintree Harbor Water Treatment Plant Used and Useful Analysis

			Gallons	Gallons Per Minute
1	Firm Reliable Capacity (600, 90, and 90 gpm)			180
2	Single Maximum Day		136,000	94
3a	Total Test Year Water Produced	100%	22,335,000	
3b	Total Test Year Accounted For Water	93%	20,174,000	
3c	Total Test Year Unaccounted for Water	7%	2,161,000	
3d	Excessive Unaccounted for Water (7%-10%)	0%	0	0
4a	Average Test Year Customers	125 ERCs		
4b	Growth Allowance (Built out)			0
5	Fire Flow Allowance			500
6	Used and Useful Water Treatment Plant⁹			100%

⁹ $[2 \times (\text{Max Day} - \text{EUW}) + \text{Growth} + \text{FF}] / \text{FRC} = [2(94 - 0) + 0 + 500] / 180 = (188 + 5) / 180 = >100\%$

RAINTREE UTILITIES, INC.		
HISTORICAL TEST YEAR ENDED SEPTEMBER 30, 2007		ATTACHMENT B PAGE 1
DETERMINATION OF APPROPRIATE RATE STRUCTURES		
HISTORY OF CURRENT RATES	(1)	The utility's current rates for its Raintree Harbor (Raintree Harbor) system were approved in the utility's request for a certificate to provide service. ¹⁰ The utility's current rate structure for Raintree Harbor is a BFC/uniform gallonage charge rate structure. Under this usage- sensitive rate structure, customers are charged a quarterly BFC of \$39.00, plus \$1.40 for each 1,000 gallons (kgal) used. The current BFC cost recovery percentage is 42.3%.
	(2)	Although usage sensitive, the utility's current rate structure is considered a non-conserving rate structure, because customers receive only four price signals (bills) regarding their water consumption each year, rather than twelve. The more often a customer receives a consumption-driven price signal, the more rapidly that customer is able to respond to the price signal by adjusting consumption habits, thereby reducing wasteful, uneconomical, impractical, or unreasonable use of water resources.
	(3)	The Bentwood system is under construction to serve the new Bentwood subdivision, which will be directly adjacent to the Raintree Harbor service area. The initial rates for the Bentwood system will be set in this proceeding.
PRACTICES WITH THE WATER MANAGEMENT DISTRICTS	(4)	The Commission has a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs or Districts). A guideline of the five Districts is to set the base facility charges such that they recover no more than 40% of the revenues to be generated from monthly service. ¹¹ The Commission follows the WMD guideline whenever possible. ¹²
	(5)	The utility is located in the St. Johns River Water Management District in a Priority Water Resource Caution Area. ¹³
	(6)	The utility is located very near a boundary of the Central Florida Coordination Area. The Southwest Florida, St. Johns River, and South Florida Water Management Districts, in general, have jointly concluded that the availability of sustainable quantities of groundwater in central Florida is insufficient on a regional basis to meet future demands. In addition, within the next 5 to 6 years public water supply utilities in central Florida must be prepared to move to alternative water supplies as a critical component of meeting future demand. ¹⁴

¹⁰ Order No. PSC-92-0019-FOF-WU, issued March 10, 1992 in Docket No. 911039-WU, In re: Application of Raintree Utilities, Inc. for a water certificate in Lake County, Florida.

¹¹ Order No. PSC-02-0593-FOF-WS, issued April 30, 2002 in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.; Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In Re: Application for rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.)

¹² Order No. PSC-94-1452-FOF-WU, issued November 28, 1994, in Docket No. 940475-WU, In re: Application for rate increase in Martin County by Hobe Sound Water Company; Order No. PSC-01-0327-PAA-WU, issued January 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.; Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, In re: Application for staff-assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc.; Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.

¹³ St. Johns River Water Management District, Water Supply Assessment and Water Supply Plan, May 2006.

¹⁴ St. Johns River Water Management District, Recommended Action Plan for the Central Florida Coordination Area, Effort of the South Florida, Southwest Florida and St. Johns River Water Management Districts, September 18, 2006.

RAINTREE UTILITIES, INC. HISTORICAL TEST YEAR ENDED SEPTEMBER 30, 2007		ATTACHMENT B PAGE 2
DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)		
WATER CONSERVATION INITIATIVE	(7)	In response to growing water demands and water supply problems, coupled with one of the worst droughts in Florida's history, the Florida Department of Environmental Protection (FDEP) led a statewide Water Conservation Initiative (WCI) to find ways to improve efficiency in all categories of water use. In the WCI's final report, issued in April 2002, a high-priority recommendation was that the BFC portion of the bill usually should not represent more than 40% of the utility's total revenues. ¹⁵
	(8)	Many participants in the WCI, including the Florida Department of Environmental Protection, the Florida Public Service Commission, the five Florida Water Management Districts, the Florida Rural Water Association, the Florida Water Environment Association, and the Florida section of the American Water Works Association are signatories on the <u>Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply (JSOC)</u> and its associated Work Plan. ¹⁶
FLORIDA STATUTES re: WATER CONSERVATION	(9)	Section 373.227(1), Florida Statutes, states in part: "The Legislature recognizes that the proper conservation of water is an important means of achieving the economical and efficient utilization of water necessary, in part, to constitute a reasonable-beneficial use. The overall water conservation goal of the state is to prevent and reduce wasteful, uneconomical, impractical, or unreasonable use of water resources."
CURRENT AND ANTICIPATED CLIMATIC CONDITIONS	(10)	Staff evaluates available drought information to better design rates that achieve conservation. Based on information from the U.S. Drought Monitor, moderate drought conditions exist in the utility's service area.
	(11)	Based on information from the National Weather Service's Climate Prediction Center, for the period of June through August 2008, higher than average temperatures will be mitigated by greater than average rainfall, thereby improving the drought situation in the central portion and the southwestern portion of Florida.
RAINTREE HARBOR USAGE PATTERNS	(12)	The utility has a nonseasonal customer base consisting of both families and retirees. The average monthly consumption per residential customer is approximately 14.4 kgal. A review of the utility service area indicates that most of the customers' lawns are well kept. Many homes are well landscaped and well irrigated.
RAINTREE HARBOR BFC COST RECOVERY	(13)	Staff performed detailed analyses of Raintree Harbor's billing data in order to evaluate various BFC cost recovery percentages. The goals of the evaluation were to select the rate design parameters that: 1) allow the utility to recover its revenue requirements; 2) equitably distribute cost recovery among the utility's customers; and 3) remove nonconserving water rate structures.
	(14)	As discussed in Issue 7, staff's preliminary recommended revenue requirement increase is 15.12%. Based on the level of recommended revenue increase, staff believes it is appropriate, for conservation purposes, to place all of the increase in the gallonage charge for cost recovery. This results in a BFC cost recovery percentage of 36.82%.

¹⁵ Florida Department of Environmental Protection, Florida Water Conservation Initiative, April 2002.

¹⁶ Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply, February 2004; Work Plan to Implement Section 373.227, F.S. and the Joint Statement of Commitment for the Development and Implementation of a Statewide Comprehensive Water Conservation Program for Public Water Supply, December 2004.

RAINTREE UTILITIES, INC. HISTORICAL TEST YEAR ENDED SEPTEMBER 30, 2007		ATTACHMENT B PAGE 3
DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)		
RAINTREE HARBOR METHODOLOGY FOR DESIGNING RATE STRUCTURE	(15)	Using a BFC cost recovery percentage of 36.82% as discussed in (14) above; staff calculated various combinations of inclining-block rate structures. Staff's evaluation criteria excluded any rate structure that: 1) resulted in price decreases at any level of consumption; or 2) that resulted in revenue deficits during the year. Due to the modest level of recommended preliminary revenue requirement increase, these criteria eliminated the majority of rate structures from further consideration.
RAINTREE HARBOR SELECTION OF THE RECOMMENDED RATE STRUCTURE	(16)	Of the remaining rate structures, staff selected a two-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-8 kgal; and 2) usage in excess of 8 kgal. Staff selected usage block rate factors of 1.0 and 1.25, respectively. Staff believes this rate structure best recognizes the differences in the customer base (families vs. retirees). In addition, this rate structure sends the best conservation price signals to the greatest number of kgal. Also, consistent with the discussion in (2) above, staff recommends that the quarterly billing cycle be changed to a more water-conserving monthly billing cycle.
RAINTREE HARBOR ALTERNATIVE RATE STRUCTURES	(17)	As shown on page 1 of Table 8-1, staff has also presented two alternative rate structures. Alternative 1 consists of a two-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-10 kgal; and 2) usage in excess of 10 kgal. The usage block rate factors are 1.0 and 1.25, respectively. Alternative 2 consists of a three-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-10 kgal; 2) 10-20 kgal; and 3) usage in excess of 20 kgal. The usage block rate factors are 1.0, 1.25 and 1.5, respectively.
BENTWOOD INITIAL PRELIMINARY RATES	(18)	Staff calculated the initial preliminary rates for the Bentwood system based on 80% of its design capacity. This is consistent with how initial rates for new utilities are established in certificate cases.
BENTWOOD BFC COST RECOVERY	(19)	At 80% of its designed capacity, the estimated consumption per month for Bentwood customers is 13.5 kgal. Given the water supply problems discussed in (5) and (6) above, staff believes an important goal is to reduce the average monthly consumption for customers of this utility. Therefore, staff recommends that as little cost recovery as possible be placed in the BFC, to allow for more cost recovery (and therefore greater rates) in the gallonage charge. The Commission typically sets the BFC cost recovery percentage between 25% and 40%. In this instance, staff recommends that the BFC be set at 25%.
BENTWOOD SELECTION OF THE RECOMMENDED RATE STRUCTURE	(20)	As mentioned previously, the utility's new Bentwood service area is directly adjacent to the utility's Raintree Harbor service area. Staff anticipates that many of the customers of the two service areas will become neighbors. Topics of shared conversation will undoubtedly be water scarcity and water rates.
	(21)	Historically, when a utility has had service areas in close proximity, but with different rates, there was often confusion and frustration among customers. This has been especially true of those customers who were either paying higher rates or whose rates are structured differently.

RAINTREE UTILITIES, INC. HISTORICAL TEST YEAR ENDED SEPTEMBER 30, 2007		ATTACHMENT B PAGE 4
DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)		
BENTWOOD SELECTION OF THE RECOMMENDED RATE STRUCTURE (cont.)	(22)	There are two particular rate design criteria that influence staff's recommendation for Bentwood's rate structure. First, rates should have the attributes of simplicity, understandability, and public acceptability. Second, the efficiency of the rate classes and rate blocks should discourage wasteful use of service.
	(23)	Although the Raintree Harbor and Bentwood systems will have separate revenue requirements, staff does not believe the rate structures for the two systems should be different. Keeping the systems' rate structures (usage blocks and usage block rate factors) the same not only improves understandability between customer groups, but applying an inclining-block rate structure to the Bentwood system should be effective in discouraging wasteful use at the more elastic end uses. Therefore, staff selected a two-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-8 kgal; and 2) usage in excess of 8 kgal. Staff selected usage block rate factors of 1.0 and 1.25, respectively. The BFC cost recovery percentage should be set at 25%.
BENTWOOD ALTERNATIVE RATE STRUCTURES	(24)	As shown on page 2 of Table 8-1, staff has also presented two alternative rate structures. These two alternatives are the same alternatives presented for the Raintree Harbor system. Alternative 1 consists of a two-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-10 kgal; and 2) usage in excess of 10 kgal. The usage block rate factors are 1.0 and 1.25, respectively. Alternative 2 consists of a three-tier inclining-block rate structure, with usage blocks for monthly consumption of: 1) 0-10 kgal; 2) 10-20 kgal; and 3) usage in excess of 20 kgal. The usage block rate factors are 1.0, 1.25 and 1.5, respectively.
STAFF RECOMMENDATION		The appropriate rate structure for both the Raintree Harbor and Bentwood water systems is a two-tier inclining-block rate structure. The appropriate usage blocks are for monthly consumption of: 1) 0-8,000 (8 kgal); and 2) usage in excess of 8 kgal. The usage block rate factors should be 1.0 and 1.25, respectively. The base facility charge (BFC) cost recovery allocations should be set at 36.82% for the Raintree Harbor system and 25% for the Bentwood system. The billing cycles for both systems should be on a monthly basis.

RAINTREE HARBOR		SCHEDULE NO. 1-A	
TEST YEAR ENDING 9/31/07		DOCKET NO. 070627-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$68,550	\$141,213	\$209,763
2. LAND & LAND RIGHTS	5,740	0	5,740
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	(29,750)	(29,750)
5. ACCUMULATED DEPRECIATION	(17,919)	(120,135)	(138,054)
6. AMORTIZATION OF CIAC	0	5,207	5,207
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>4,946</u>	<u>4,946</u>
8. WATER RATE BASE	<u>\$56,371</u>	<u>\$1,481</u>	<u>\$57,852</u>

BENTWOOD		SCHEDULE NO. 1-B	
80% DESIGNED CAPACITY YEAR ENDING 7/31/2013		DOCKET NO. 070627-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$655,411	(\$12,309)	\$643,102
2. LAND & LAND RIGHTS	5,800	(927)	4,873
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(200,386)	(155,320)	(355,706)
5. ACCUMULATED DEPRECIATION	0	(141,566)	(141,566)
6. AMORTIZATION OF CIAC	51,339	7,177	58,516
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>3,943</u>	<u>3,943</u>
8. WATER RATE BASE	<u>\$512,164</u>	<u>(\$299,001)</u>	<u>\$213,163</u>

RAINTREE HARBOR	SCHEDULE NO. 1-C
TEST YEAR ENDING 9/31/07	DOCKET NO. 070627-WU
ADJUSTMENTS TO RATE BASE	
	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
1. To Increase Account 304 structure and improvements	\$5,700
2. To decrease Account 307 well purchased in 2002	(3,063)
3. To Increase Account 309 Supply mains for master meter	991
4. To Increase Account 311 for pumping equipment	23,168
5. To Increase Account 320 for water treatment	46,622
6. To Increase Account 330 for distribution reservoirs- Hydro Tank	11,448
7. To Increase Account 331 for distribution mains	49,878
8. To Increase Account 333 for Services- Lateral	6,290
9. To Increase Account 335 for fire hydrants	8,344
10. To reclassify land recorded in plant Account 303	(5,740)
11. To reclassify Account 334 to Account 309	(2,825)
12. To reclassify Account 305 to Account 304	(2,520)
13. To increase Account 340 for office equipment and furniture	2,920
To reflect Staff engineer Original Cost study Total	<u>\$141,213</u>
<u>CIAC</u>	
To reflect the imputation of CIAC pursuant to Audit finding NO 4	<u>(\$29,750)</u>
<u>ACCUMULATED DEPRECIATION</u>	
To reflect accumulated depreciation per Rule 25-30.0140	<u>(\$120,135)</u>
<u>AMORTIZATION OF CIAC</u>	
To reflect the appropriate amort of CIAC	<u>\$5,207</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O & M expenses.	<u>\$4,946</u>

BENTWOOD**80% DESIGNED CAPACITY YEAR ENDING 7/31/2013****SCHEDULE OF WATER RATE BASE****ADJUSTMENTS TO RATE BASE****SCHEDULE NO. 1-D
DOCKET NO. 070627-WU**

	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
To reflect the appropriate plant in service at 80% build-out.	<u>(\$12,309)</u>
<u>LAND AND LAND RIGHTS</u>	
To remove wrong allocation for land	<u>(\$927)</u>
<u>CIAC</u>	
To reflect the appropriate CIAC balance at 80% build-out.	<u>(\$155,320)</u>
<u>ACCUMULATED DEPRECIATION</u>	
To reflect test year depreciation calculated per 25-30.140 FAC.	<u>(\$141,566)</u>
<u>AMORTIZATION OF CIAC</u>	
To reflect the appropriate amort of CIAC	<u>\$7,177</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
To reflect 1/8 of test year O & M expenses.	<u>\$3,943</u>

**RAINTREE HARBOR
 TEST YEAR ENDING 9/31/07
 SCHEDULE OF CAPITAL STRUCTURE**

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON STOCK	\$100	(\$100)	\$0					
2. RETAINED EARNINGS	(8,195)	8,195	0					
3. PAID IN CAPITAL	0	0	0					
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	<u>(\$8,095)</u>	<u>\$8,095</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	0.00%	12.01%	0.00%
6. LONG TERM DEBT	<u>\$490,000</u>	<u>\$0</u>	<u>\$490,000</u>	<u>(\$432,148)</u>	<u>\$57,852</u>	100.00%	8.25%	8.25%
7. TOTAL	<u>\$481,905</u>	<u>\$8,095</u>	<u>\$490,000</u>	<u>(\$432,148)</u>	<u>\$57,852</u>	<u>100.00%</u>		<u>8.25%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>11.01%</u>	<u>13.01%</u>	
OVERALL RATE OF RETURN						<u>8.25%</u>	<u>8.25%</u>	

BENTWOOD				SCHEDULE NO. 2-B				
80% DESIGNED CAPACITY YEAR ENDING 7/31/2013				DOCKET NO. 070627-WU				
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$100	(\$100)	0					
2. RETAINED EARNINGS	(8,195)	8,195	0					
3. PAID IN CAPITAL	0	0	0					
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	<u>(\$8,095)</u>	<u>\$8,095</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	0.00%	12.01%	0.00%
6. LONG TERM DEBT	<u>\$450,000</u>	<u>\$0</u>	<u>\$450,000</u>	<u>(\$236,837)</u>	<u>\$213,163</u>	100.00%	8.25%	8.25%
7. TOTAL	<u>\$441,905</u>	<u>\$8,095</u>	<u>\$450,000</u>	<u>(\$236,837)</u>	<u>\$213,163</u>	<u>100.00%</u>		<u>8.25%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>11.01%</u>	<u>13.01%</u>	
OVERALL RATE OF RETURN						<u>8.25%</u>	<u>8.25%</u>	

RAINTREE HARBOR TEST YEAR ENDING 9/31/07 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 070627-WU		
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$47,425</u>	<u>\$0</u>	<u>\$47,425</u>	<u>\$7,169</u> 15.12%	<u>\$54,594</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	40,277	(708)	39,569	0	39,569
3. DEPRECIATION (NET)	0	7,220	7,220	0	7,220
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,482	(1,774)	2,708	323	3,031
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$44,759</u>	<u>\$4,739</u>	<u>\$49,498</u>	<u>\$323</u>	<u>\$49,821</u>
8. OPERATING INCOME/(LOSS)	<u>\$2,666</u>		<u>(\$2,073)</u>		<u>\$4,773</u>
9. WATER RATE BASE	<u>\$56,371</u>		<u>\$57,852</u>		<u>\$57,852</u>
10. RATE OF RETURN	<u>4.73%</u>		<u>-3.58%</u>		<u>8.25%</u>

BENTWOOD			SCHEDULE NO. 3-B		
80% DESIGNED CAPACITY YEAR ENDING 7/31/2013			DOCKET NO. 070627-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>\$1,147</u>	<u>\$20,844</u>	<u>\$21,991</u>	<u>\$41,380</u> 188.16%	<u>\$63,372</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	31,519	27	31,546	0	31,546
3. DEPRECIATION (NET)	0	10,923	10,923	0	10,923
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	1,454	1,454	1,862	3,316
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$31,519</u>	<u>\$12,405</u>	<u>\$43,924</u>	<u>\$1,862</u>	<u>\$45,786</u>
8. OPERATING INCOME/(LOSS)	<u>-\$30,372</u>		<u>-\$21,932</u>		<u>\$17,586</u>
9. WATER RATE BASE	<u>\$512,164</u>		<u>\$213,163</u>		<u>\$213,163</u>
10. RATE OF RETURN	<u>-5.93%</u>		<u>-10.29%</u>		<u>8.25%</u>

RAINTREE HARBOR	SCHEDULE NO. 3-C
TEST YEAR ENDING 9/31/07	DOCKET NO. 070627-WU
ADJUSTMENTS TO OPERATING INCOME	
	<u>WATER</u>
OPERATION AND MAINTENANCE EXPENSES	
<u>Purchased Power – (615)</u>	
To reflect a deposit made in March 2007, the deposit was not in the test year	<u>(\$735)</u>
Regulatory Commission Expense	<u>\$27</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>(\$708)</u>
DEPRECIATION EXPENSE	
To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$8,414
Test year amortization of CIAC.	<u>(1,193)</u>
	<u>\$7,220</u>
TAXES OTHER THAN INCOME	
To include regulatory assessment fees for test year revenue.	\$66
To reflect the appropriate property taxes	(440)
Remove Doc. Stamp associated w/ L -T debt in the Capital structure	<u>(1,400)</u>
Total Adjustment	<u>(\$1,774)</u>

BENTWOOD	SCHEDULE NO. 3-D
80% DESIGNED CAPACITY YEAR ENDING 7/31/2013	DOCKET NO. 070627-WU
ADJUSTMENTS TO OPERATING INCOME	
	<u>WATER</u>
REVENUES	
Reflect 80% build-out revenues.	<u>\$20,844</u>
OPERATION AND MAINTENANCE EXPENSES	
Regulatory Commission Expense	<u>\$27</u>
DEPRECIATION EXPENSE	
To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$24,443
Test year amortization of CIAC.	<u>(13,520)</u>
Total	<u>\$10,923</u>
TAXES OTHER THAN INCOME	
To reflect the projected property taxes at 80% build-out.	<u>\$3,247</u>

RAINTREE HARBOR		SCHEDULE NO. 3-E		
TEST YEAR ENDING 9/31/07		DOCKET NO. 070627-WU		
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE				
	TOTAL PER UTILITY	STAFF PER ADJUST.		TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	[1]	\$0
(603) SALARIES AND WAGES - OFFICERS	0	0	[2]	0
(604) EMPLOYEE PENSION & BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	5,277	(735)	[3]	4,542
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	654	0	[4]	654
(620) MATERIALS AND SUPPLIES	0	0	[5]	0
(630) CONTRACTUAL SERVICES - BILLING	2,204	0	[6]	2,204
(631) CONTRACTUAL SERVICES - PROFESSIONAL	2,650	0	[7]	2,650
(635) CONTRACTUAL SERVICES - TESTING	2,315	0	[8]	2,315
(636) CONTRACTUAL SERVICES - OTHER	13,381	0	[9]	13,381
(640) RENTS	5,617	0		5,617
(650) TRANSPORTATION EXPENSE	816	0	[10]	816
(655) INSURANCE EXPENSE	1,500	0	[11]	1,500
(665) REGULATORY COMMISSION EXPENSE	125	27	[12]	125
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	<u>5,738</u>	<u>0</u>	[13]	<u>5,738</u>
	<u>\$40,277</u>	<u>(\$708)</u>		<u>\$39,569</u>

BENTWOOD		SCHEDULE NO. 3-F		
80% DESIGNED CAPACITY YEAR ENDING 7/31/2013		DOCKET NO. 070627-WU		
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE				
	TOTAL PER UTILITY	STAFF PER ADJUST.		TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	[1]	\$0
(603) SALARIES AND WAGES - OFFICERS	0	0	[2]	0
(604) EMPLOYEE PENSION & BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	5,300	0	[3]	5,300
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	655	0	[4]	655
(620) MATERIALS AND SUPPLIES	0	0	[5]	0
(630) CONTRACTUAL SERVICES - BILLING	155	0	[6]	155
(631) CONTRACTUAL SERVICES - PROFESSIONAL	2,392	0	[7]	2,392
(635) CONTRACTUAL SERVICES - TESTING	995	0	[8]	995
(636) CONTRACTUAL SERVICES - OTHER	10,875	0	[9]	10,875
(640) RENTS	4,717	0		4,717
(650) TRANSPORTATION EXPENSE	500	0	[10]	500
(655) INSURANCE EXPENSE	2,500	0	[11]	2,500
(665) REGULATORY COMMISSION EXPENSE	125	27	[12]	152
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	<u>3,305</u>	<u>0</u>	[13]	<u>3,305</u>
	<u>\$31,519</u>	<u>\$27</u>		<u>\$31,546</u>

RAINTREE HARBOR		SCHEDULE NO. 4-A	
TEST YEAR ENDING 9/31/07		DOCKET NO. 070627-WU	
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
<u>Residential and General Service</u>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$39.00	\$13.00	\$0.04
3/4"	\$58.50	\$19.50	\$0.06
1"	\$97.50	\$32.50	\$0.09
1-1/2"	\$195.00	\$65.00	\$0.19
2"	\$312.00	\$104.00	\$0.30
3"	\$585.00	\$208.00	\$0.61
4"	\$975.00	\$325.00	\$0.95
6"	\$1,950.00	\$650.00	\$1.89
<u>Residential Service Gallonage Charge</u>			
Per 1,000 Gallons			
Gallonage charge, 0 - 8 kgal	\$1.40	\$1.50	\$0.00
Usage in excess of 8 kgal		\$1.88	\$0.01
<u>General Service Gallonage Charge</u>			
Per 1,000 Gallons	\$1.40	\$1.72	\$0.01

BENTWOOD		SCHEDULE NO. 4-B	
80% DESIGNED CAPACITY YEAR ENDING 4/30/2014		DOCKET NO. 070627-WU	
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
Residential, General Service			
<u>and Multi-Residential</u>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$0.00	\$22.97	\$0.06
3/4"	\$0.00	\$34.46	\$0.09
1"	\$0.00	\$57.43	\$0.14
1-1/2"	\$0.00	\$114.85	\$0.29
2"	\$0.00	\$183.76	\$0.46
3"	\$0.00	\$367.52	\$0.92
4"	\$0.00	\$574.25	\$1.44
6"	\$0.00	\$1,148.50	\$2.88
<u>Residential Service Gallonage Charge</u>			
Per 1,000 Gallons			
Gallonage charge, 0 - 8 kgal	\$0.00	\$4.56	\$0.01
Usage in excess of 8 kgal	\$0.00	\$5.70	\$0.01
<u>Multi-Residential and General Service Gallonage Charge</u>			
Per 1,000 Gallons	\$0.00	\$5.10	\$0.01

UTILTIY CO.:		Raintree Utilties, Inc.							
DOCKET NO.:		070627-WU							SCHEDULE NO. 5
Bentwood Water System									
Staff Recommended:									
Plant Capacity Charge:		\$2,600							
Meter Installation		\$193							
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
Capacity	31,850	31,850	31,850	31,850	31,850	31,850	31,850	31,850	
Demand	0	1,620	6,885	12,150	17,415	22,680	27,945	31,995	
% Used	0.00%	5.09%	21.62%	38.15%	54.68%	71.21%	87.74%	100.46%	
Growth (in ERCs)		4	13	13	13	13	13	10	
Utility Plant		\$636,584	\$639,097	\$641,611	\$644,125	\$646,638	\$649,152	\$651,086	
Accumulated									
Depreciation		<u>(36,159)</u>	<u>(60,369)</u>	<u>(84,727)</u>	<u>(109,233)</u>	<u>(133,887)</u>	<u>(158,688)</u>	<u>(183,621)</u>	
Net Plant		<u>\$600,425</u>	<u>\$578,728</u>	<u>\$556,884</u>	<u>\$534,892</u>	<u>\$512,752</u>	<u>\$490,464</u>	<u>\$467,465</u>	
CIAC		\$227,211	\$263,525	\$299,839	\$336,152	\$372,466	\$408,780	\$436,713	
Accumulated									
Amortization		<u>(8,432)</u>	<u>(17,800)</u>	<u>(28,601)</u>	<u>(40,834)</u>	<u>(54,500)</u>	<u>(69,598)</u>	<u>(85,964)</u>	
Net CIAC		<u>\$218,780</u>	<u>\$245,725</u>	<u>\$271,238</u>	<u>\$295,319</u>	<u>\$317,967</u>	<u>\$339,182</u>	<u>\$350,750</u>	
Net Investment		<u>\$381,645</u>	<u>\$333,003</u>	<u>\$285,646</u>	<u>\$239,573</u>	<u>\$194,785</u>	<u>\$151,282</u>	<u>\$116,715</u>	
CIAC Ratio:		36.44%	42.46%	48.71%	55.21%	62.01%	69.16%	75.03%	