

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: July 17, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Hudson, Bulecza-Banks, Fletcher, Lingo, Daniel, Redemann)
Office of the General Counsel (Brown)

RE: Docket No. 070416-WS – Application for staff-assisted rate case in Polk County by Plantation Landings, Ltd.

AGENDA: 07/29/08 – Regular Agenda – Proposed Agency Action – Except for Issues 12, 13 and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Argenziano

CRITICAL DATES: 01/02/09 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070416.RCM.DOC

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Case Background

Plantation Landings, Ltd. (Plantation Landings or Utility) is a Class C water and wastewater utility serving 401 customers. According to the Utility's 2006 annual report, total gross revenues were \$37,723 for water and \$37,723 for wastewater. Plantation Landings reported operating losses of \$158,316 for water and \$213,573 for wastewater. The Utility is in the Highlands Ridge Water Use Caution Area.

Water and wastewater services have been provided to Plantation Landings Mobile Home Park since 1987 under the provisions of Chapter 723, Florida Statutes (F.S.), which governs mobile home park lot tenancies. Since Plantation Landings' operations were subject to regulation under Chapter 723, F.S., the Utility was never franchised by Polk County. The mobile homes are owned by the tenants of the park. All lots in the park are individually metered.

On October 14, 1998, Plantation Landings filed an application for a grandfather certificate. The Utility was granted Certificate Nos. 606-W and 522-S in 1999.¹ Rate base has not been previously established, and, therefore, an original cost study was conducted, in the instant docket.

On July 16, 2007, Plantation Landings applied for a staff-assisted rate case (SARC) in the instant docket. The test year for final rates is the twelve-month period ended December 31, 2006. A recommendation in this case was originally filed on June 19, 2008 for the July 1, 2008 Agenda Conference.

The Commission has jurisdiction over this matter pursuant to Section 367.0814, F.S

Changes Made to the Recommendation Filed on June 19, 2008

Prior to the July 1, 2008 Agenda Conference, staff discovered an error in the calculation of the recommended wastewater rates; therefore, the item was deferred to the July 29, 2008 Agenda Conference so that the appropriate corrections could be made. Correcting the wastewater gallonage charge also had the fallout effect of changing the recommended wastewater base facility charge (BFC) allocation. Subsequent to the deferral, staff also discovered that data contained in the Utility's Monthly Operating Reports (MORs) had been reported incorrectly. Adjustments to correct these anomalies resulted in a reduction in the amount of excessive unaccounted-for water such that the adjustment addressed in Issue 2 of the prior recommendation was no longer required. This led to a renumbering of all subsequent Issue numbers and attachments. Finally, staff has added an issue to show cause the Utility for its failure to bill its related party customers.

The sum of these changes impacted Issue 3 (Rate Base), Issue 5 (Test Year Revenues), Issue 6 (Test Year Operating Expense), Issue 7 (Revenue Requirement), Issue 8 (Test year Billing Determinates), Issue 9 (Rate Structure), Issue 10 (Repression), Issue 11 (Rates), Issue 12 (Show Cause), Issue 13 (Four Year Rate Reduction), and Issue 14 (Rates Subject to Refund).

¹ See Order No. PSC-99-1227-PAA-WS, issued June 21, 1999, in Docket No. 981338-WS, In re: Application for grandfather certificate to operate water and wastewater utility in Polk County by Plantation Landings, Ltd.

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The changes are reflected in Schedules 1-A (Water Rate Base), Schedule 1-C (Rate Base Adjustments), Schedule 3-A (Water Operating Income), Schedule 3-C (Operating Income Adjustments), Schedule 3-D (Detailed Operating & Maintenance), Schedule 4-A (Water Rates), 4-B (Wastewater Rates), and Attachment A. **As a result of these changes, this recommendation replaces in its entirety the recommendation previously filed on June 19, 2008.**

Based on 3,000 gallons (3 kgal) of consumption, correction of these errors has the effect of: 1) reducing a customer's water bill by \$.26; and 2) reducing a customer's wastewater bill by \$6.28.

Discussion of Issues

Issue 1: Is the quality of service provided by Plantation Landings, Ltd. considered satisfactory?

Recommendation: Yes. The overall quality of service provided by Plantation Landings is satisfactory. (Daniel, Redemann)

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.

Quality of Utility's Product

The water treatment plant at Plantation Landings is regulated by the Polk County Health Department (PCHD) and the Southwest Florida Water Management District (SWFWMD). The PCHD conducted a sanitary survey of the Utility's water plant on August 28, 2007. The Utility has conformed to all testing and chemical analyses required by SWFWMD and the test results have been satisfactory. The quality of the water service appears to meet or exceed the regulatory standards and is considered satisfactory.

The wastewater treatment plant at Plantation Landings is regulated by the DEP. According to a DEP letter dated February 15, 2008, the DEP inspected the Utility on January 18, 2008, and determined that Plantation Landings is currently up-to-date with all chemical analyses, and all test results are satisfactory. The quality of wastewater service appears to meet or exceed regulatory standards and is considered satisfactory.

Operational Conditions at the Plant

According to a PCHD letter dated September 10, 2007, the PCHD's inspector observed a few minor deficiencies during his site inspection on August 28, 2007. According to the PCHD, those deficiencies have been corrected.

The Utility's wastewater treatment plant is permitted to operate at a capacity of 80,000 gallons per day (gpd). The plant is divided into a north and south train that discharges

chlorinated effluent to an effluent disposal system consisting of two percolation ponds. The DEP operating permit, which was issued on March 19, 2004, will expire on March 18, 2009.

The DEP executed a Consent Order on May 15, 2007, because the Utility's wastewater treatment plant was not in compliance with the provisions of Rules 62-600.410(6), 62-600.740(2)(a), 62-600.740(2)(c), 62-610.5 10(1), and 62-620.610(20), F.A.C., and Section 403.161(1)(b), F. S. The violations related to the operation of the wastewater treatment plant, excessive nitrates, and other reporting and operational requirements. According to a letter dated April 3, 2008, the DEP stated that the corrective actions required to bring the Utility into compliance had been performed, the Utility had paid its civil penalties in full, and the facility had been returned to compliance status.

During the engineering field inspection, maintenance at the water and wastewater facilities appeared to have been given adequate attention. The equipment appeared to be receiving periodic maintenance and were functioning properly. Based on the above, staff recommends that the operational conditions at the water and wastewater plants should be considered satisfactory.

Utility's Attempt to Address Customer Satisfaction

An informal customer meeting was held on February 13, 2008, at the Chain of Lakes Complex in Winter Haven, Florida. Four customers from the Plantation Landings Homeowners' Association met with staff during an afternoon meeting to discuss issues related to the rate increase. The customers were concerned about the rate increase and the Utility's failure to bill its general service customers. Sixteen people attended the evening meeting, including two Utility representatives. Eight customers addressed concerns about the Utility, including the amount of the rate increase, the rate structure, the Utility's failure to bill its general service customers, smell of the water, leaks, and the calibration of the meter at the water plant. Staff addressed each of the customers' concerns and followed up as needed with the Utility, the PCHD, and DEP. Staff believes that the customers' concerns have been adequately addressed. Therefore, staff recommends that Utility's attempts to resolve customer complaints should be considered satisfactory.

Summary

Staff recommends that the overall quality of service provided by the Utility is satisfactory.

Issue 2: What portions of Plantation Landings, Ltd's systems are used and useful?

Recommendation: The Utility's water and wastewater treatment facilities and distribution and collection systems should be considered 100percent used and useful. (Daniel, Redemann)

Staff Analysis: Staff has performed a used and useful analysis of the Utility's facilities. A description of the facilities and staff's used and useful recommendations are discussed below.

Water Treatment Plant and Distribution System

The water treatment system consists of two wells, rated at 350 gallons per minute (gpm) each. The raw water is disinfected with a liquid sodium hypochlorite solution, pumped into the 15,000-gallon hydropneumatic tanks, and then into the water distribution system. The single maximum day in the test year of 160,100 gpd (112 gpm) occurred on March 21, 2006. The Utility's records indicate that there was no excessive unaccounted for water. Although historically the Utility has had no growth, a new shopping center and a public storage facility (approximately 25 equivalent residential connections (ERCs)) connected to the water system in October 2007; therefore, customer growth of 25 ERCs (6 gpm) should be added to the used and useful calculation. The Utility has 12 working fire hydrants in the service area and is required by Polk County to have fire flow capacity of 500 gpm for 2 hours. The firm reliable capacity of the water system is 350 gpm. The water distribution system was constructed to serve the Plantation Landings development which is built out.

Based on the above, staff recommends that the water treatment plant is 100percent used and useful². In addition, because the Plantation Landings service area is built out, the water treatment and distribution systems should be considered 100percent used and useful, pursuant to Rule 25-30.4325, F.A.C.

Wastewater Treatment Plant

Pursuant to Rule 25-30.432, F.A.C, used and useful percentages for a wastewater treatment plant shall be calculated by comparing test year flows to the DEP permitted capacity, using the same method for measuring flows. The wastewater treatment plant, which uses extended aeration for treatment, has a rated capacity of 80,000 gpd based on a three-month average annual daily flow (3MADF). The wastewater collection system was constructed to serve the Plantation Landings development which is built out.

According to the DEP discharge monitoring reports (DMR), the flow meter at the WWTP was broken from the months of July 2006 through September 2006 and in the month of December 2006. Also, staff believes that the data for the other months in the DMRs do not correlate to the water consumption in those months. Because the data in the 2006 DMRs was not accurate, staff was unable to use that data for the used and useful calculation.

Typically, 80 percent of the water sold to residential customers is returned as wastewater and 96 percent of the water purchased by general service customers is returned as wastewater.

² $((2 \times 112) + 6 + 500) / 350 \Rightarrow 100\%$

The water demand during the three peak months in the test year (February, March, and April) was approximately 78,000 gpd (approximately 184 gallons per ERC). If 80 percent of the water sold was returned to the wastewater system, the return to the wastewater plant was approximately 62,400 gpd (147 gallons per ERC). Allowable infiltration and inflow was estimated to be approximately 17,280 gpd. Although historically the Utility has had no growth, a new shopping center and a public storage facility (approximately 16 ERCs) connected to the wastewater system in October 2007; therefore, customer growth of 2,350 gpd should be added to the used and useful calculation.

Based on the above, staff recommends that the wastewater treatment plant is 100 percent used and useful³. In addition, because the Plantation Landings service area is built out, the wastewater treatment and collection systems should be considered 100 percent used and useful, pursuant to Rule 25-30.432, F.A.C.

³ $(62,400 + 17,280 + 2,350)/80,000 \Rightarrow 100\%$

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 \$105,377 for water and \$170,190 for wastewater. (Hudson)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), accumulated depreciation, and a working capital allowance.

Staff selected a test year ended December 31, 2006, for this rate case. Rate base for this Utility has never been established. Pursuant to Audit Finding No. 1, the Utility was unable to provide any original cost records to substantiate its 2006 rate base balances. Sufficient records of the original construction were not available and are considered lost. Absent these records, the auditor requested that an original cost study be performed by the staff engineer. The original cost study was derived by the use of an available map, DEP records, county health department records, and physical inspection of the facilities during the engineer's on-site investigation. Adjustments have been made to match rate base component balances with the engineer's original cost study and to update rate base through December 31, 2006. A summary of each component and the adjustments follows.

Utility Plant in Service (UPIS): Plantation Landings recorded \$314,715 and \$905,644 of UPIS for the test year ended December 31, 2006, for water and wastewater, respectively. Staff has made an adjustment to decrease UPIS by \$70,284 for water and \$501,827 for wastewater to reflect the appropriate plant balances per the original cost study completed by the staff engineer. Staff has increased water UPIS by \$2,511 and \$2,203 to reclassify plant additions from Acct Nos. 620 and 636, respectively. Staff has decreased water UPIS by \$2,357 to reflect an averaging adjustment.

Staff's net adjustment to UPIS is a decrease of \$67,927 for water and a decrease of \$501,827 for wastewater. Staff's recommended UPIS balance is \$246,788 and \$403,817 for water and wastewater, respectively.

Land & Land Rights: Plantation Landings recorded \$14,970 for water and \$78,192 for wastewater in Account Nos. 303 and 353, respectively. The National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) states that the cost of land should be recorded at its original cost when first dedicated to utility service. According to Audit Finding No. 3, Plantation Landings purchased 214.523 acres of land for \$725,000, or \$3,380 per acre, in 1986. The water plant site is located on .3444 acres. This results in an original land cost of \$1,164 ($\$3,380 \times .3444$) for the water plant site. The wastewater plant site is located on .8368 acres. This results in an original land cost of \$2,827 for the wastewater plant site. The Utility's wastewater percolation ponds are located on land that was acquired through a related party transaction. The related party transferred to the Utility 45.30 acres for \$115,000 or \$2,539 per acre. The percolation ponds are located on 5.8398 acres. This results in an original land cost of \$14,827 for the wastewater percolation ponds. The wastewater total original cost for land is \$17,678 ($\$2,827 + \$14,851$). Staff decreased water and wastewater land balances by \$13,806 and \$60,514, respectively. Staff recommends land and land rights of \$1,164 for water and \$17,678 for wastewater.

Accumulated Depreciation: The Utility recorded a balance for accumulated depreciation of \$207,738 for water and \$686,578 for wastewater 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 decreased this account by \$56,494 for water and \$422,748 for wastewater to reflect depreciation calculated per staff. Staff has decreased this account by \$3,048 and \$4,235 to reflect an averaging adjustment for water and wastewater, respectively. These adjustments result in average accumulated depreciation of \$148,196 for water and \$259,595 for wastewater.

Working Capital Allowance: Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of a utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the O&M expense formula approach for calculating working capital allowance. Applying this formula, staff recommends a working capital allowance of \$5,621 for water (based on water O&M of \$44,966) and \$8,290 for wastewater (based on wastewater O&M of \$66,319). Working capital has been increased by \$5,621 and \$8,290 to reflect one-eighth of staff's recommended O&M expenses for water and wastewater, respectively.

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year average rate base is \$105,377 for water and \$170,190 for wastewater. Rate base is shown on Schedules Nos. 1-A and 1-B, and staff's adjustments are shown on Schedule No. 1-C.

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 with a range of 11.01 percent to 13.01 percent. The appropriate overall rate of return is 6.02 percent. (Hudson)

Staff Analysis: According to staff's audit, the Utility recorded negative retained earnings of \$4,453,634. Since including negative equity would penalize the Utility's capital structure by understating the overall rate of return, staff has adjusted the negative equity to zero.⁴ The Utility's capital structure consists of long term debt in the amount of \$7,126,735.

The appropriate rate of return on equity is 12.01 percent using the most recent Commission-approved leverage formula.⁵ 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 to 13.01 percent, and an overall rate of return of 6.02 percent.

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

⁴ See Order Nos. PSC-95-0480-FOF-WS, issued April 13, 1995, in Docket No. 940895-WS, In Re: Application for a staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.; PSC-97-0263-FOF-SU, issued March 11, 1997, in Docket No. 960984-SU, In Re: Investigation of possible overearnings in Volusia County by North Peninsula Utilities Corporation; and PSC-01-1574-PAA-WS, issued July 30, 2001, in Docket No. 000584-WS, In Re: Application for approval of staff-assisted rate case in Martin County by Laniger Enterprises of America, Inc.

⁵ 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 amounts of test year revenues in this case?

Recommendation: The appropriate amounts of test year revenues in this case are \$41,116 for the water system and \$35,864 for the wastewater system. (Lingo)

Staff Analysis: The Utility reported revenues of \$37,724 for the water system and \$37,723 for the wastewater system during the test year. Staff auditors discovered numerous irregularities in the Utility's billing data, which indicated that during the test year some customers received only 10 bills, while others received as many as 15 bills. In addition, the Utility failed to bill its general service and irrigation customers (all related parties to the Utility), thereby understating revenues.

Based on detailed test year billing information obtained from the Utility, staff recalculated revenues, resulting in the imputation of \$3,392 in additional revenues for the water system and a reduction in revenues of \$1,859 for the wastewater system. The net effect of staff's recommended adjustments is an increase of \$1,533 to total Utility revenues during the test period. Staff's recommended revenues also reflect the correction of any irregular billing cycles that may have occurred during the test period. Imputation of revenues in this case is consistent with how unbilled customers and the associated revenues have been handled in prior cases.⁶

Based on the foregoing, staff recommends that the appropriate amounts of test year revenues in this case are \$41,116 for the water system and \$35,864 for the wastewater system.

⁶ Order No. PSC-97-0931-FOF-WU, issued August 5, 1997 in Docket No. 961447-WU, In re: Application for staff-assisted rate case in Lee County by Spring Creek Village, Ltd.

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

Recommendation: The appropriate amount of operating expenses for the Utility are \$54,110 for water and \$79,985 for wastewater. (Hudson)

Staff Analysis: The Utility recorded operating expenses of \$196,038 for water and \$251,296 for wastewater during the test year ending December 31, 2006. The test year operating and maintenance (O&M) expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to Plantation Landings' operating expenses, as summarized below.

Salaries and Wages – Employees – (601/701) – The Utility recorded \$14,500 for water and \$16,523 for wastewater in this account during the test year. Pursuant to Audit Finding No. 6, Plantation Landings has five employees that provide services for the Utility operations. In comparing the general ledger for direct salary expense from Century Realty Fund (CRF) to the payroll reports created by its payroll vendor, staff auditors sampled the months of April 2006, through August 2006, and determined that the general ledger direct salary amount is overstated by 10.32 percent for the five pay periods tested. The Utility could not explain the difference. CRF's direct salary allocation is \$6,260, each, for water and wastewater. Therefore, staff has decreased water and wastewater by \$646 ($\$6,260 \times 10.32$ percent) to remove the unexplained difference in direct salary expense. Also, with the sampling, staff auditors determined that the general ledger direct salary expenses balances for both water and wastewater O&M expense is misstated by \$139. The first eight payroll periods of 2006 were posted to the wastewater salary expense rather than allocating 50 percent to water salary expense. Staff has increased water and decreased wastewater by \$139, each, to correct the error.

Pursuant to Audit Finding No. 6, Plantation Landings was allocating \$11,878 (50 percent) of the total salary and living expense of the resident park manager, which then was split evenly between water and wastewater resulting in an allocation of \$5,939, each. Based on the park managers' duties and time allocations, the staff auditor determined the Utility operations' allocation should be \$2,512 which should be equally split between water and wastewater at \$1,256, each. Staff has accordingly decreased both water and wastewater by \$4,683 ($\$5,939 - \$1,256$).

During the test year, the Utility had a contract with Southeast Utilities, Inc., to operate its water and wastewater plant. When the contract expired, Plantation Landings did not renew it. The Utility now performs this operation utilizing its in-house plant operator; therefore, staff increased this account by \$2,642 ($\$5,284/2$) for water and wastewater to reflect the salary expense for Plantation Landings' plant operator. Staff recommends salaries and wages – employee of \$11,952 for water and \$13,697 for wastewater.

Sludge Removal Expense (711) – The Utility recorded \$6,550 in this account during the test year. Pursuant to Audit Finding No. 7, Plantation Landings recorded a \$200 invoice for a report prepared for DEP. Staff has reclassified \$200 for the DEP report to Acct. No. 736 – Contractual Services Other. Staff recommends sludge removal expense of \$6,350 ($\$6,550 - \200).

Purchased Power – (615/715) – The Utility recorded \$3,509 and \$10,077 in this account during the test year for water and wastewater, respectively. Pursuant to Audit Finding No. 7, the Utility included 12 monthly bills for five distinct electric service connections. However, a field tour of Plantation Landings’ operations indicated there are only four service connections. Therefore, staff has decreased Acct. No. 715 by \$152 for the non-utility electric service connection. Staff recommends purchased power expense of \$3,509 for water and \$9,925 for wastewater.

Chemicals – (618/718) – The Utility recorded balances of \$5,170 and \$9,603 in Acct. Nos. 618 and 718 – Chemicals, respectively, for the 12 months ended December 31, 2006. Pursuant to Audit Finding No. 8, staff has made the following adjustments to this account:

Description	Amount	Acct. No. 618	Acct. No. 718
Remove previous years invoice	(\$1,006)	(\$379)	(\$627)
Add reclassified invoice	\$375	\$128	\$247
Reclassify company allocation	\$0	\$381	(\$381)
Audit Finding No. 8 Net Adjustments		\$130	(\$761)

Staff recommends chemical expense of \$5,300 (\$5,170 + \$130) for water and \$8,842 (\$9,603 - \$761) for wastewater.

Materials and Supplies – (620/720) – Plantation Landings recorded \$4,852 in Acct. No. 620 and \$8,533 in Acct. No. 720 for the 12 months ended December 31, 2006. Pursuant to Audit Finding No. 9, staff has made the following adjustments to this account:

Description	Amount	Acct. No. 620	Acct. No. 720
Reclassified to Acct. No. 334 – see issue 3	(\$2,511)	(\$2,511)	
Reclassified to Acct. Nos. 618 and 718	(\$375)		(\$375)
Remove testing	(\$400)	(\$400)	
Remove non-utility related services	(\$178)	(\$89)	(\$89)
Audit Finding No. 9 Net Adjustments		(\$3,000)	(\$464)

Staff recommends materials and supplies expense of \$1,852 (\$4,852 - \$3,000) for water and \$8,069 (\$8,533 - \$464) for wastewater.

Contractual Services - Professional – (631/731) – The Utility recorded \$128,530 for water and \$130,975 for wastewater. According to Audit Finding No. 10, staff auditors determined that Plantation Landings’ contract with Southeast Utilities, Inc., was canceled as of December 31, 2006, and the Utility now performs this operation utilizing its own employees. Therefore, staff has removed contracted operator expenses of \$3,380 for water and \$6,300 for wastewater. Staff has decreased wastewater by \$275 to remove a non-utility DEP fine. Also, staff has decreased both water and wastewater by \$123,700 to remove non-utility and unsupported expenses. Staff recommends contractual services – professional of \$1,450 for water and \$700 for wastewater for the test year.

Contractual Services – Testing – (635/735) – Plantation Landings recorded \$254 for water and \$0 for wastewater in this account for the test year.

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

Water

Rule	Description	Frequency	Cost per year
62-550.518 F.A.C.	Microbiological	monthly	\$552
62-550.310(1) F.A.C.	Primary Inorganics	36 months.	\$52
62-550.320(1) F.A.C.	Secondary Inorganics	36 months.	\$30
62-550.511 F.A.C.	Asbestos	1/9 year	\$35
62-550.512(1) F.A.C.	Nitrate & Nitrite	monthly	\$180
62-550.515 F.A.C.	Volatile Organics	qtr'ly/1st year/36 month. Subsequent/Annual	\$59
62-550.516 F.A.C.	Pesticides & PCB	36 months.	\$150
62-550.519(1) F.A.C.	Radionuclides		0
	Group I	36 months.	\$29
	Group II	36 months	\$30
62-550.521 F.A.C.	Unregulated Organics		0
	Group I	qtr'ly/1st yr/9 year.	\$112
	Group II	36 months	\$18
	Group III	36 months.	\$83
62-551 F.A.C.	Lead & Copper	36 months	\$240
62-550 F.A.C.	TTHM	Yearly	\$75
	Total		<u>\$1,645/yr</u>

Wastewater

<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost</u>
62-600 F.A.C.	CBOD/TSS (influent)	monthly	\$503/yr
62-600 F.A.C.	CBOD/TSS (effluent)	monthly	\$503/yr
62-600 F.A.C.	Fecal Coliform	monthly	\$180/yr
62-600 F.A.C.	Nitrate, Nitrite	quarterly	\$168/yr
62-600 F.A.C.	Sludge Analysis	yearly	<u>\$517/yr</u>
	Total		<u>\$1,871/yr</u>

Staff increased water by \$1,391 (\$1,645 - \$254) and increased wastewater by \$1,871 to reflect annual DEP testing. Staff recommends contractual services – testing expense of \$1,645 for water and \$1,871 for wastewater.

Contractual Services - Other – (636/736) – The Utility recorded \$8,266 for water and \$3,068 for wastewater. Pursuant to Audit Finding No. 11, staff has decreased water by \$2,203 to reclassify capitalized water meters to Acct. No. 334. Staff has increased wastewater by \$200 to reclassify an invoice for a DEP report from Acct. No. 711. Also, staff has decreased water by \$402 because the Utility did not have any supporting documentation for the expense. Staff recommends contractual services – other of \$5,661 (\$8,266 - \$2,203 - \$402) for water and \$3,268 (\$3,068 + \$200).

Insurance Expense – (655/755) – Plantation Landings recorded \$4,490 each for water and wastewater insurance expense. Pursuant to Audit Finding No. 12, the Utility included \$349 in non-utility insurance, which staff has removed. The Utility, however, did not include an insurance allocation for two trucks used by the Utility. The Utility should have included \$165 each for water and wastewater. Based on the removal of non-utility expense and inclusion of insurance allocation, staff recommends insurance expense for the test year of \$4,306 for both water and wastewater.

Regulatory Commission Expense – (665/765) – The Utility recorded \$0 in this account during the test year. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated \$333 for postage expense, \$284 printing expense, and \$41 for envelopes. The above results in a total rate case expense for noticing of \$657. The Utility paid a \$2,000 rate case filing fee for water and wastewater.

Plantation Landings' attorney submitted actual expenses and estimated expenses to complete the case of \$7,743. Included in the actual legal fees were expenses totaling \$688 for reviewing prior Commission Orders, the 2006 Annual Report, researching and drafting and finalizing the application for the SARC, and responding to the Commission acceptance of the SARC application. Staff does not believe these expenses should be recovered, as the need to file a case can easily be determined by a cursory review of the annual report and the SARC application was designed so that any regulated utility could easily fill in the required information. These expenses were disallowed in a prior case.⁷ Staff has reviewed the actual and estimated expenses, and recommends that the Utility be allowed to recover the legal expenses of \$7,055 (\$7,743-\$688).

Based on the above, staff recommends that total rate case expense is \$9,713 (\$657 + \$2,000 + \$7,055), which amortized over four years is \$2,428, allocating \$1,214 each for water and wastewater.

Miscellaneous Expense – (675/775) – Plantation Landings recorded \$15,416 for water and \$15,154 for wastewater for the test year. Pursuant to Audit Finding No. 13, staff has made adjustments to miscellaneous expense as follows: 1) decreased water by \$262 to remove a PCHD fine; 2) decreased water and wastewater general & administrative (G&A) expense allocation by

⁷ See Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, in Docket No. 021067-SU, In re: Application for staff-assisted rate case in Polk County by River Ranch Water Management, L.L.C.

\$6,412, each, to remove all non-utility items discovered by the staff auditor; decreased water and wastewater by \$377, each, to remove non-utility security expenses; and 3) decreased water and wastewater by \$885, each, to remove excess telephone expenses. Staff's net adjustment to water is a decrease of \$7,936 and a wastewater decrease of \$7,674. Staff recommends miscellaneous expense for the test year of \$7,480 (\$15,416 - \$7,936) for water and \$7,480 (\$15,154 - \$7,674) for wastewater.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M should be reduced \$140,618 for water and reduced \$139,251 for wastewater as shown on Schedule No. 3-C. Staff's recommended O&M expenses of \$44,966 for water and \$66,319 for wastewater are shown on Schedules Nos. 3-D and 3-E.

Depreciation Expense (Net of Amortization of CIAC) – The Utility recorded \$8,263 for water and \$41,413 for wastewater depreciation expense during the test year. Staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Staff's calculated test year depreciation expense is \$6,097 for water and \$8,469 for wastewater; therefore, staff has decreased this account by \$2,166 (\$8,263 - \$6,097) for water and \$32,944 (\$41,413 - \$8,469) for wastewater. Staff recommends net depreciation expense of \$6,097 and \$8,469.

Taxes Other Than Income (TOTI) – Plantation Landings recorded taxes other than income of \$2,191 for water and \$4,313 for wastewater for the test year. As discussed in Issue 5, staff has increased test year revenue by \$3,392 for water and decreased test year revenues by \$1,859 for wastewater. Based on staff's recommended test year revenues, the 2006 RAFs should have been \$1,850 for water and \$1,614 for wastewater. Staff has made adjustments to increase RAFs by \$153 (\$1,850 - \$1,697) for water and decrease RAFs by \$84 (\$1,698 - \$1,614) for wastewater. Pursuant to Audit Finding No. 15, the Utility provided documents indicating water and wastewater property taxes are \$494 and \$2,615, respectively. Plantation Landings' property tax allocations were recalculated based on the property tax invoices for the land occupied by the Utility's facilities. This calculation resulted in water property tax of \$283 and wastewater property tax of \$2,536. Therefore, staff has reduced water and wastewater property taxes by \$211 (\$494 - \$283) and \$80 (\$2,615 - \$2,536), respectively. Also, staff has increased the water and wastewater balances by \$914 and \$1,048, respectively, for payroll taxes based on staff's recommended salary amounts.

Operating Expenses Summary – The application of staff's recommended adjustments to the audited test year operating expenses results in staff's calculated operating expenses of \$54,110 for water and \$79,985 for wastewater. Operating expenses are shown on Schedules Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

Issue 7: What are the appropriate revenue requirements?

Recommendation: The appropriate revenue requirement is \$61,365 for water and \$92,792 for wastewater. (Hudson)

Staff Analysis: The Utility should be allowed an annual increase of \$20,249 (49.25 percent) for water and \$56,928 (158.73 percent) for wastewater. This will allow the Utility the opportunity to recover its expenses and earn a 6.02 percent return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$105,377	\$170,190
Rate of Return	x .0602	x .0602
Return on Rate Base	<u>\$6,344</u>	<u>\$10,245</u>
Adjusted O & M expense	\$44,966	\$66,319
Depreciation expense (Net)	\$6,097	\$8,469
Amortization	\$0	\$0
Taxes Other Than Income	\$3,958	\$7,759
Income Taxes	<u>\$0</u>	<u>\$0</u>
Revenue Requirement	\$61,365	\$92,792
Less Test Year Revenues	<u>\$41,116</u>	<u>\$35,864</u>
Annual Increase	<u>\$20,249</u>	<u>\$56,928</u>
Percent Increase/(Decrease)	<u>49.25%</u>	<u>158.73%</u>

Revenue requirements are shown on Schedules Nos. 3-A and 3-B.

Issue 8: What are the appropriate pre-repression billing determinants for ratesetting purposes for the respective water and wastewater systems?

Recommendation: The appropriate pre-repression billing determinants for ratesetting are 5,040 ERCs and 24,329.6 kgals for the water system and 4,812 ERCs and 17,490.3 kgals for the wastewater system. The Utility should be ordered to bill all of its connections. (Lingo)

Staff Analysis: The Utility’s current rate structure consists of a base facility charge (BFC)/uniform gallonage charge rate structure. The Utility charges a fixed charge of \$12.57 per month for combined water and wastewater service. This fixed charge includes each customer’s first 3 kgals of usage each month. Customer usage in excess of 3 kgals per month is charged \$1.26 for combined water and wastewater service.

As discussed in Issue 5, staff auditors discovered numerous irregularities in the Utility’s billing data. In addition, the Utility failed to bill its general service and irrigation customers. Staff rehabilitated the Utility’s billing data to the extent possible. Staff’s resulting calculations of ERCs and kgals for ratesetting for both the water and wastewater systems are set forth in Tables 8-1 and 8-2.

TABLE 8-1

CALCULATION OF ERCs FOR RATESETTING PURPOSES				
Customers	Subdivision and Customer Class	Meter Size	Water ERCs	Wastewater ERCs
395	Plantation Landings (PL) – RS	5/8” x 3/4”	395.0	395.0
1	US 92 entrance irrigation – GS	1 1/2”	5.0	
1	PL wastewater plant irrigation – GS	1”	2.5	
1	PL irrigation – GS	2”	8.0	
1	PL sales office – GS	5/8” x 3/4”	1.0	1.0
1	PL clubhouse – GS	1 1/2”	5.0	5.0
1	PL cul-de-sac irrigation – GS	5/8” x 3/4”	1.0	
1	PL clubhouse irrigation – GS	1”	2.5	
402			420.0	401.0
		Annual ERCs	5,040	4,812

Sources: Staff auditor’s and staff engineer’s field work analysis of service area.

TABLE 8-2

CALCULATION OF KGALS FOR RATESETTING PURPOSES		
Line No.	Description	Results
1	Plantation Landings' water system kgals sold	24,329.6
2 = 1	Equals water sold for ratesetting	24,329.6
3	RS kgals water sold	22,984.3
4	Less estimated RS wastewater kgals billed above 6 kgal cap	5,925.2
5 = 3 - 4	Equals RS wastewater kgals for ratesetting	17,059.0
6 = 2 - 3	GS water kgals sold	431.3
7	Equals total GS wastewater kgals for ratesetting	431.3
8 = 5 + 7	Total wastewater kgals for ratesetting	17,490.3
Source: Plantation Landings, Ltd., 2006 billing records, 2006 Monthly Operating Reports, 2006 Discharge Monitoring Reports.		

Based on the foregoing, the appropriate pre-repression billing determinants for ratesetting are 5,040 ERCs and 24,329.6 kgals for the water system and 4,812 ERCs and 17,490.3 kgals for the wastewater system. The Utility should be ordered to bill all of its connections.

Issue 9: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the Utility's water system is the base facility charge (BFC)/uniform gallonage charge rate structure. The water system's 3 kgal allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 40 percent. The appropriate rate structure for the Utility's wastewater system is the BFC/gallonage charge rate structure. The wastewater system's 3 kgal allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 50 percent. The general service gallonage charge should be set at 1.2 times the corresponding residential gallonage charge. Charges for residential wastewater service should be capped at 6 kgal of billed water consumption per month. (Lingo)

Staff Analysis: The Utility's current rate structure consists of a BFC/uniform gallonage charge rate structure in which the BFC includes a 3 kgal allotment for water and wastewater service. The Utility currently charges \$12.57 per month for combined water and wastewater service. After the first 3 kgal of water and wastewater usage, the customer is charged \$1.26 per kgal for combined water and wastewater usage. There is no consumption cap for residential wastewater usage charges. The general service customers are related parties to the Utility and have not been charged for service.

As discussed in Issue 7, staff's preliminary recommended revenue requirement increases for the water and wastewater systems are 49.25 percent and 158.73 percent, respectively. The average monthly water consumption for residential customers is 4.8 kgal. Staff believes a rate design goal is to design rates that result in lesser percentage increases to low-volume users, while sending progressively stronger price signals to higher-volume users. This is consistent with Commission practice.

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 water system's BFC between 25 percent and 40 percent whenever possible; 4) setting the wastewater system's BFC at 50 percent or greater; 5) various conditions of the utility's Consumptive Use Permit; and 6) current and anticipated climatic conditions in the utility's service area. A detailed discussion of staff's rate structure methodology is contained in Attachment A.

Staff's recommended rate designs for the water and wastewater systems are shown on the following pages on Table 9-1 and Table 9-2, respectively. Staff has also presented two alternative rate structures per system to illustrate other rate recovery methodologies. (All rate structures and rates presented in the aforementioned tables assume that the Commission approves staff's recommended repression adjustments discussed in Issue 10.) Staff was unable to design an inclining-block rate structure due to the problems contained in the Utility's billing data as discussed in Issue 5. All of staff's water rate structures presented on Table 9-1 result in price decreases at zero consumption, and Alternatives 1 and 2 also result in price decreases at 1 kgal. Staff believes that, due to the seasonal nature of the Utility's customer base, price reductions should be avoided to the greatest extent possible. All of staff's wastewater rate structures presented on Table 9-2 result in price increases at all levels of consumption.

TABLE 9-1

PLANTATION LANDINGS, LTD. STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES (1)			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
BFC/uniform kgal charge for combined water and wastewater service, with 3 kgals allotment in BFC BFC = 76.2%		BFC/uniform kgal charge BFC = 40%	
BFC (incl 3 kgals) (1)	\$6.44	BFC	\$4.81
3 + kgals (1)	\$0.91	All kgals	\$1.65
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$6.44	0	\$4.81
1	\$6.44	1	\$6.46
3	\$6.44	3	\$9.76
5	\$8.26	5	\$13.06
10	\$12.81	10	\$21.31
20	\$21.91	20	\$37.81
(1) Based on allocated rates for water system only.			
Alternative 1		Alternative 2	
BFC/uniform kgal charge BFC = 30%		BFC/uniform kgal charge BFC = 25%	
BFC	\$3.60	BFC	\$3.00
All kgals	\$1.93	All kgals	\$2.07
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$3.60	0	\$3.00
1	\$5.53	1	\$5.07
3	\$9.39	3	\$9.21
5	\$13.25	5	\$13.35
10	\$22.90	10	\$23.70
20	\$42.20	20	\$44.40
(1) Post repression rates.			

TABLE 9-2

PLANTATION LANDINGS, LTD. STAFF'S RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES ⁽¹⁾			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
BFC/uniform kgal charge for combined water and wastewater service, with 3 kgals allotment in BFC BFC = 81.8%		BFC/uniform kgal charge BFC = 50%	
BFC (incl 3 kgals) (1)	\$6.13	BFC	\$9.54
3 + kgals (1)	\$0.35	All kgals	\$2.71
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$6.13	0	\$9.54
1	\$6.13	1	\$12.25
3	\$6.13	3	\$17.67
6	\$7.18	6	\$25.80
10	\$7.18	10	\$25.80
(1) Based on allocated rates for wastewater system only.			
Alternative 1		Alternative 2	
BFC/uniform kgal charge BFC = 60%		BFC/uniform kgal charge BFC = 70%	
BFC	\$11.45	BFC	\$13.35
All kgals	\$2.17	All kgals	\$1.63
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$11.45	0	\$13.35
1	\$13.62	1	\$14.98
3	\$17.96	3	\$18.24
6	\$24.47	6	\$23.13
10	\$24.47	10	\$23.13
(1) Post repression rates.			

Based on the foregoing, and the discussion contained in Attachment A, staff recommends that the appropriate rate structure for the Utility's water system is the BFC/uniform gallonage charge rate structure. The water system's 3 kgals allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 40 percent. The appropriate rate structure for the Utility's wastewater system is the BFC/gallonage charge rate structure. The wastewater system's 3 kgals allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 50 percent. The general service gallonage charge should be set at 1.2 times the corresponding residential gallonage charge. Charges for residential wastewater service should be capped at 6 kgals of billed water consumption per month.

Issue 10: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this Utility?

Recommendation: Yes, repression adjustments to both the water and wastewater systems are appropriate. Residential water consumption should be reduced by 10.3 percent, resulting in a consumption reduction of approximately 2,363.0 kgals. Total water consumption for ratesetting is 21,966.6 kgals. The corresponding residential wastewater consumption should be reduced by 3.9 percent, resulting in a consumption reduction of approximately 665.9 kgals. Total wastewater consumption for ratesetting is 16,824.4 kgals. The resulting water system reductions to revenue requirements are \$308 in purchased power expense, \$465 in chemicals expense and \$35 in regulatory assessment fees (RAFs). The resulting wastewater system reductions to revenue requirements are \$378 in purchased power expense, \$337 in chemicals expense, \$242 in sludge removal, and \$43 in RAFs. The post-repression revenue requirements are \$60,551 for the water system and \$91,793 for the wastewater system.

In order to monitor the effects of both the changes in revenues and rate structure, the Utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed, and the revenues billed 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: Using our database of utilities that have previously had repression adjustments made, staff calculated a repression adjustment for this Utility based upon the recommended increase in revenue requirements from the 2006 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.⁸

Based on the foregoing, repression adjustments to both the water and wastewater systems are appropriate. Residential water consumption should be reduced by 10.3 percent, resulting in a consumption reduction of approximately 2,363.0 kgals. Total water consumption for ratesetting is 21,966.6 kgals. The corresponding residential wastewater consumption should be reduced by 3.9 percent, resulting in a consumption reduction of approximately 665.9 kgals. Total wastewater consumption for ratesetting is 16,824.4 kgals. The resulting water system reductions to revenue requirements are \$308 in purchased power expense, \$465 in chemicals expense and \$35 in regulatory assessment fees (RAFs). The resulting wastewater system reductions to revenue requirements are \$378 in purchased power expense, \$337 in chemicals expense, \$242 in sludge removal, and \$43 in RAFs. The post-repression revenue requirements are \$60,551 for the water system and \$91,793 for the wastewater system.

⁸ 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.

In order to monitor the effects of both the changes in revenues and rate structure, the Utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed 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.

Issue 11: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A, and the appropriate monthly wastewater rates are shown on Schedule No. 4-B. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$60,551, and the recommended wastewater rates are designed to produce revenues of \$91,793. 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. (Lingo, Hudson)

Staff Analysis: Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$60,551, and the recommended wastewater rates are designed to produce revenues of \$91,793. The recommended rates are shown on Schedule No. 4-A and Schedule No. 4-B. Approximately 40 percent (or \$24,220) of the water monthly service revenues is recovered through the base facility charges, while approximately 60 percent (or \$36,331) represents revenue recovery through the consumption charges. Approximately 50 percent (or \$45,896) of the wastewater monthly service revenues is recovered through the base facility charges, while approximately 50 percent (or \$45,896) 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 12: Should Plantation Landings, Ltd. be ordered to show cause in writing, within 21 days, why it should not be fined for failing to bill certain customers for water and wastewater service?

Recommendation: No, a show cause proceeding should not be initiated. The Utility should, however, be put on notice that, pursuant to Sections 367.081(1) and 367.091(4), F.S., it must charge all of its customers the rates and charges approved by the Commission in its tariffs. (Brown, Lingo)

Staff Analysis: Pursuant to Sections 367.081(1) and 367.091(4), F. S., a utility may only charge rates and charges approved by the Commission. Staff's auditors reviewed billing data the Utility provided, and determined that it had failed to bill its general service and irrigation customers, all of whom are related entities. Several residential customers also brought this matter to staff's attention at the February 13, 2008, customer meeting in Winter Haven. In Issue 5, Staff has recommended the imputation of \$3,392 in additional revenues for the water system and a reduction in revenues of \$1,859 for the wastewater system to account for the revenues associated with the unbilled customers.

Section 367.161, F.S., authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or have willfully violated any Commission rule, order, or provision of Chapter 367, F.S. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code (F.A.C.), Relating To Tax Savings Refund for 1988 and 1989 for GTE Florida, Inc., the Commission having found that a company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "in our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Additionally, "it is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833).

While Plantation's failure to bill its appropriate rates and charges constitutes an apparent violation of Sections 367.081(1) and 367.091(4), F. S., staff believes that ordering Plantation to correct its billing sufficiently addresses that violation going forward, and the imputation of revenues resulting in an increase of \$1,533 to total Utility revenues during the test period corrects the inequity for Plantation's residential ratepayers. If the Utility fails to comply with the Commission's order to bill appropriately, then a show cause proceeding would be appropriate at that time. Based on the foregoing, staff does not believe that the apparent violations of Sections 367.081(1) and 367.091(4), F.S., rise to the level that would warrant the initiation of a show cause proceeding in these circumstances. The Utility should, however, be put on notice that, pursuant to Sections 367.081(1) and 367.091(4), F.S., it must only charge those rates and charges approved by the Commission in its tariff.

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

Recommendation: The water and wastewater rates should be reduced, as shown on Schedules Nos. 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. (Hudson)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs, which is \$1,271 annually for both water and wastewater. 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 Schedules Nos. 4-A and 4-B.

Plantation Landings 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 no later than one month prior to the actual date of the required rate reduction, setting forth the lower rates and the reason for the reduction.

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

Issue 14: Should the 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 Plantation Landings?

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, Plantation Landings 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., Plantation Landings should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Hudson)

Staff Analysis: This recommendation proposes an increase in water and wastewater 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 Plantation Landings, 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.

Plantation Landings should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$52,292. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

Plantation Landings 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 Plantation Landings, 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.

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

Issue 15: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the order, a Consummating Order should be issued. However, 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. When the PAA issues are final and the tariff and notice actions are complete, this docket should be closed administratively. (Brown)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the order, a Consummating Order should be issued. However, 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. When the PAA issues are final and the tariff and notice actions are complete, this docket should be closed administratively.

PLANTATION LANDINGS, LTD.		
HISTORICAL TEST YEAR ENDED DECEMBER 31, 2006		ATTACHMENT A PAGE 1
DETERMINATION OF APPROPRIATE RATE STRUCTURES		
HISTORY OF CURRENT RATES	(1)	The Utility's current rates were approved in the Utility's request for a certificate to provide service. ⁹ The Utility's current rate structure is a BFC/uniform gallonage charge rate structure. Under this usage-sensitive rate structure, customers are charged a BFC of \$12.57 per month for combined water and wastewater service, including a monthly allotment of the first 3 kgal used. For monthly consumption in excess of 3 kgal, customers are charged \$1.26 for each kgal used, with no cap on the number of kgal billed for residential wastewater service. The current BFC cost recovery percentages are 76.2 percent for the water system and 81.8 percent for the wastewater system.
	(2)	Although usage sensitive, the Utility's current rate structure is considered a non-conserving rate structure, because of the kgal allotment in the BFC.
PRACTICES WITH THE WATER MANAGEMENT DISTRICTS	(3)	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 percent of the revenues to be generated from monthly service. ¹⁰ The Commission follows the WMD guideline whenever possible. ¹¹
	(4)	The Utility is located in the Southwest Florida Water Management District, in the Southern Water Use Caution Area (SWUCA). This area is experiencing environmental impacts associated with depleted aquifer levels caused by an overreliance on ground water that has spanned decades. ¹²
	(5)	On January 9, 2007, a public hearing was held at the headquarters of the Southwest Florida Water Management District (SWFWMD or District). Based upon the testimony, data, District staff recommendations and public comments, the Executive Director of the SWFWMD signed Order No. SWF-07-02 (Order). In that Order, a Phase II Severe Water Shortage was declared for all ground and surface waters within the District's 16 county area. Subsequently, the District's Governing Board twice determined that a modification to extend the expiration of the Order was necessary. The Second Modification to the Order was set to expire on November 30, 2007. ¹³

⁹ Order No. PSC-99-1227-PAA-WS, issued June 21, 1999, in Docket No. 981338-WS, In re: Application for grandfather certificates to operate water and wastewater utility in Polk County by Plantation Landings, Ltd.

¹⁰ 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.

¹¹ 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.

¹² Southwest Florida Water Management District, West-Central Florida Water Restoration Action Plan.

¹³ Southwest Florida Water Management District, Third Board Order Modifying Water Shortage Order No. SWF 07-02, November 26, 2007.

PLANTATION LANDINGS, LTD.		
HISTORICAL TEST YEAR ENDED DECEMBER 31, 2006		ATTACHMENT A PAGE 2
DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)		
PRACTICES WITH THE WATER MANAGEMENT DISTRICTS (cont.)	(6)	<p>The Governing Board, during a public hearing held on November 26, 2007, again received testimony regarding the existence of an ongoing water shortage within the District. Specific data presented at the hearing included, but were not limited to, the following items: 1) rainfall data indicated that the deficits in several counties, including Polk County, were categorized as critically abnormal; 2) all counties within the District were experiencing drought or drought-like conditions; 3) the Standard Precipitation Index indicated that several counties, including Polk County, were experiencing moderately abnormal conditions; 4) both the U.S. Drought Monitor and the Long-Term Palmer Index indicated that several counties, including Polk County, were experiencing critically abnormal conditions; and 5) the National Oceanic and Atmospheric Administration’s Climate Prediction Center predicted below-normal rainfall from December 2007 through May 2008.</p> <p>Based upon the testimony, data, District staff recommendations and public comments, on June 24, 2008, the District’s Governing Board voted unanimously to further extend the Order declaring a severe water shortage through June 30, 2008. The extension of the current Water Shortage Order continues lawn watering restrictions throughout the District at one day per week.¹⁴</p>
WATER CONSERVATION INITIATIVE	(7)	<p>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 percent of the Utility’s total revenues.¹⁵</p>
	(8)	<p>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</p>
FLORIDA STATUTES re: WATER CONSERVATION	(9)	<p>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.”</p>

¹⁴ Southwest Florida Water Management District, new release dated June 24, 2008.

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.

PLANTATION LANDINGS, LTD.		
HISTORICAL TEST YEAR ENDED DECEMBER 31, 2006		ATTACHMENT A PAGE 3
DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)		
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
CUSTOMER WATER USAGE PATTERNS	(12)	The Utility has a seasonal customer base consisting of retirees. Based on information obtained from the Utility, approximately 40 percent of the customer base represent year-round residents, while the remaining 60 percent are seasonal. These seasonal customers reside in the park an average of five to six months per year.
	(13)	The average monthly water consumption per customer is approximately 4.8 kgals. A review of the sales brochure for the mobile home lots served by the Utility indicates that the lots come with irrigation systems. A review of the Utility's service area indicates that the majority of the customers' lawns are well kept and well irrigated.
WATER SYSTEM BFC COST RECOVERY AND DESIGN OF RATE STRUCTURE	(14)	Staff performed detailed analyses of the 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.
	(15)	Staff's evaluation criteria excluded rate structures that: 1) resulted in price decreases at any level of consumption; or 2) that resulted in revenue deficits during the year. These criteria eliminated the majority of rate structures from further consideration.
	(16)	A water rate structure that contains an allotment of usage in the BFC is considered a nonconserving rate structure. Based on the District's declared severe water shortage, and consistent with both the results of the WCI and the WMDs' desire to eliminate nonconserving water rate structures, staff does not believe it is appropriate to continue the Utility's current water and wastewater rate structures. Instead, staff recommends that the 3 kgals allotments in both the water and wastewater BFCs be eliminated.
	(17)	Using BFC cost recovery percentages of 25 percent, 30 percent and 40 percent, staff calculated uniform gallonage charge rate structures. Although staff rehabilitated the billing data to the extent possible, it was not possible to design with confidence an inclining-block rate structure. Based on the criteria discussed in (14) above, staff recommends a BFC/uniform gallonage charge rate structure, with the BFC set at 40 percent. These three rate structures are presented on Table 9-1.

PLANTATION LANDINGS, LTD.		
HISTORICAL TEST YEAR ENDED DECEMBER 31, 2006		ATTACHMENT A PAGE 4
DETERMINATION OF APPROPRIATE RATE STRUCTURES (cont.)		
WASTEWATER SYSTEM BFC COST RECOVERY AND DESIGN OF RATE STRUCTURE	(18)	Staff performed detailed analyses of the 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.
	(19)	Using BFC cost recovery percentages of 50 percent, 60 percent and 70 percent, staff calculated wastewater rates. Using the criteria consistent with those discussed in (14) above, staff believes the appropriate BFC cost recovery percentage for the wastewater system is 50 percent. Consistent with how wastewater caps have been set in other cases, staff recommends that the wastewater cap be set at 6 kgal of billed water usage per month. These three rate structures are presented on Table 9-2.
STAFF RECOMMENDATION		<p>The appropriate rate structure for the Utility's water system is the BFC/uniform gallonage charge rate structure. The water system's 3 kgals allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 40 percent.</p> <p>The appropriate rate structure for the Utility's wastewater system is the BFC/gallonage charge rate structure. The wastewater system's 3 kgals allotment should be removed from the BFC, and the BFC cost recovery allocation should be set at 50 percent. The general service gallonage charge should be set at 1.2 times the corresponding residential gallonage charge. Charges for residential wastewater service should be capped at 6 kgals of billed water consumption per month.</p>

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 070416-WS	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$314,715	(\$67,927)	\$246,788
2. LAND & LAND RIGHTS	14,970	(13,806)	1,164
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	0	0
5. ACCUMULATED DEPRECIATION	(207,738)	59,542	(148,196)
6. AMORTIZATION OF CIAC	0	0	0
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>5,621</u>	<u>5,621</u>
8. WATER RATE BASE	<u>\$121,947</u>	<u>(\$16,570)</u>	<u>\$105,377</u>

PLANTATION LANDINGS, LTD		SCHEDULE NO. 1-B	
TEST YEAR ENDING 12/31/06		DOCKET NO. 070416-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$905,644	(\$501,827)	\$403,817
2. LAND & LAND RIGHTS	78,192	(60,514)	17,678
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	0	0
5. ACCUMULATED DEPRECIATION	(686,578)	426,983	(259,595)
6. AMORTIZATION OF CIAC	0	0	0
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>8,290</u>	<u>8,290</u>
8. WASTEWATER RATE BASE	<u>\$297,258</u>	<u>(\$127,068)</u>	<u>\$170,190</u>

PLANTATION LANDINGS, LTD		SCHEDULE NO. 1-C	
TEST YEAR ENDING 12/31/06		DOCKET NO. 070416-WS	
ADJUSTMENTS TO RATE BASE		PAGE 1 OF 1	
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect plant per original cost study	(\$70,284)	(\$501,827)	
2. To reclassify plant addition from Acct No. 620	2,511	0	
3. To reclassify plant addition from Acct No. 636	2,203	0	
4. To reflect averaging adjustment	<u>(2,357)</u>	<u>0</u>	
Total	<u>(\$67,927)</u>	<u>(\$501,827)</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect accumulated depreciation per Rule 25-30.0140	\$56,494	\$422,748	
2. To reflect an averaging adjustment	<u>3,048</u>	<u>4,235</u>	
Total	<u>\$59,542</u>	<u>\$426,983</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
1. To reflect 1/8 of test year O & M expenses.	<u>\$5,621</u>	<u>\$8,290</u>	

PLANTATION LANDINGS, LTD
TEST YEAR ENDING 12/31/06
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	\$0	\$0	\$0					
2. RETAINED EARNINGS	(4,453,634)	4,453,634	0					
3. PAID IN CAPITAL	0	\$0	0					
4. TREASURY STOCK	<u>0</u>	<u>\$0</u>	<u>0</u>					
5. TOTAL COMMON EQUITY	<u>(\$4,453,634)</u>	<u>\$4,453,634</u>	\$0	\$0	\$0	0.00%	12.01%	0.00%
6. LONG TERM DEBT	<u>\$7,126,735</u>	<u>\$0</u>	<u>\$7,126,735</u>	<u>(\$6,851,168)</u>	<u>\$275,567</u>	100.00%	6.02%	6.02%
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
9. TOTAL	<u>\$2,673,101</u>	<u>\$4,453,634</u>	<u>\$7,126,735</u>	<u>(\$6,851,168)</u>	<u>\$275,567</u>	<u>100.00%</u>		<u>6.02%</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>6.02%</u>	<u>6.02%</u>	

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 070416-WS		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$37,724</u>	<u>\$3,392</u>	<u>\$41,116</u>	<u>\$20,249</u> 49.25%	<u>\$61,365</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$185,584	(\$140,618)	\$44,966	0	\$44,966
3. DEPRECIATION (NET)	8,263	(2,166)	6,097	0	6,097
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,191	856	3,047	911	3,958
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0
7. TOTAL OPERATING EXPENSES	<u>\$196,038</u>	<u>(\$141,928)</u>	<u>\$54,110</u>	<u>\$911</u>	<u>\$55,021</u>
8. OPERATING INCOME/(LOSS)	<u>(\$158,314)</u>		<u>(\$12,994)</u>		<u>\$6,344</u>
9. WATER RATE BASE	<u>\$121,947</u>		<u>\$105,377</u>		<u>\$105,377</u>
10. RATE OF RETURN	<u>-129.82%</u>		<u>-12.33%</u>		<u>6.02%</u>

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3-B DOCKET NO. 070416-WS		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$37,723</u>	<u>(\$1,859)</u>	<u>\$35,864</u>	<u>\$56,928</u> 158.73%	<u>\$92,792</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	205,570	(139,251)	66,319	0	66,319
3. DEPRECIATION (NET)	41,413	(32,944)	8,469	0	8,469
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	4,313	884	5,197	2,562	7,759
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0
7. TOTAL OPERATING EXPENSES	<u>\$251,296</u>	<u>(\$171,311)</u>	<u>\$79,985</u>	<u>\$2,562</u>	<u>\$82,546</u>
8. OPERATING INCOME/(LOSS)	<u>(\$213,573)</u>		<u>(\$44,121)</u>		<u>\$10,245</u>
9. WASTEWATER RATE BASE	<u>\$297,258</u>		<u>\$170,190</u>		<u>\$170,190</u>
10. RATE OF RETURN	<u>-71.85%</u>		<u>-25.92%</u>		<u>6.02%</u>

PLANTATION LANDINGS, LTD
TEST YEAR ENDING 12/31/06
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 070416-WS
PAGE 1 OF 2

	<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES		
1. To reflect test year revenues	<u>\$3,392</u>	<u>(\$1,859)</u>
Subtotal	<u>\$3,392</u>	<u>(\$1,859)</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages - Employees (601,701)		
a. To reduce salary expense overstatement (AF 6)	(\$646)	(\$646)
b. To correct salary posting error (AF 6)	139	(139)
c. To reflect the Utility's allocation of park manager salary (AF 6)	(4,683)	(4,683)
d. To reflect pro forma salary for new plant operator	<u>2,642</u>	<u>2,642</u>
Subtotal	<u>(\$2,548)</u>	<u>(\$2,826)</u>
2. Sludge Removal Expense (711)		
a. To reclassify expense for DEP report to Acct. No. 736		<u>(\$200)</u>
3. Purchased Power (615,715)		
a. To remove invoices for electric services for non-utility (AF 7)		<u>(\$152)</u>
4. Chemicals (618, 718)		
a. To remove prior period expense (AF 8)	(\$379)	(\$627)
b. To reclassify chemical expense from Acct No. 720 (AF 8)	128	247
c. To reclassify chemical expense (AF 8)	<u>381</u>	<u>(381)</u>
Subtotal	<u>\$130</u>	<u>(\$761)</u>
5. Materials and Supplies (620,720)		
a. To reclassify plant to Acct No. 334 (AF 9)	(\$2,511)	0
b. To reclassify plant to Acct No. 720 (AF 9)	0	(375)
c. To remove testing (AF 9)	(400)	0
d. To remove non-utility expenses (AF 9)	<u>(89)</u>	<u>(89)</u>
Subtotal	<u>(\$3,000)</u>	<u>(\$464)</u>

(O & M EXPENSES CONTINUED ON NEXT PAGE)

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-C DOCKET NO. 070416-WS PAGE 2 OF 2	
(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>
6. Contractual Services - Professional (631, 731)		
a. To remove invoices from Southeast Utilities	(\$3,380)	(\$6,300)
b. To remove non-utility DEP Fine (AF 10)		(275)
c. To reflect non-utility expenses (AF 10)	<u>(123,700)</u>	<u>(123,700)</u>
Subtotal	<u>(\$127,080)</u>	<u>(\$130,275)</u>
7. Contractual Services - Testing (635, 735)		
a. To reflect testing per staff engineer	<u>\$1,391</u>	<u>\$1,871</u>
8. Contractual Services - Other (636,736)		
a. To reclassify and capitalize water meters (AF 11)	(\$2,203)	
b. To reclassify expense for DEP report to Acct No. 736 (AF 7, 11)		200
c. To remove an unsupported expense (AF 11)	<u>(402)</u>	<u>0</u>
	<u>(\$2,605)</u>	<u>\$200</u>
9. Insurance Expense (655,755)		
a. To remove non-utility vehicle insurance coverage (AF 12)	(\$349)	(\$349)
b. To include insurance allocation for two trucks (AF 12)	<u>165</u>	<u>165</u>
Subtotal	<u>(\$184)</u>	<u>(\$184)</u>
10. Regulatory Commission Expense (665)		
a. To reflect the 4 year amortization of rate case expense (\$2,428/4)	<u>\$1,214</u>	<u>\$1,214</u>
11. Miscellaneous Expense (675,775)		
a. To remove Polk county health dept fine (AF 13)	(\$262)	
b. To remove non-utility G&A allocation (AF 13)	(6,412)	(6,412)
c. To remove non-utility expenses (AF 13)	(377)	(377)
d. To remove excess telephone expense (AF 13)	<u>(885)</u>	<u>(885)</u>
Subtotal	<u>(\$7,936)</u>	<u>(\$7,674)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	(\$140,618)	(\$139,251)
1 DEPRECIATION EXPENSE		
a. To reflect test year net depreciation expense	<u>(\$2,166)</u>	<u>(\$32,944)</u>
2 TAXES OTHER THAN INCOME		
a. To reflect the appropriate RAFs	\$153	(\$84)
b. To reflect the appropriate property taxes	(211)	(80)
c. To reflect the appropriate payroll taxes	<u>914</u>	<u>1,048</u>
	<u>\$856</u>	<u>\$884</u>

PLANTATION LANDINGS, LTD		SCHEDULE NO. 3-D	
TEST YEAR ENDING 12/31/06		DOCKET NO. 070416-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$14,500	(\$2,548)	\$11,952
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,509	0	3,509
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	5,170	130	5,300
(620) MATERIALS AND SUPPLIES	4,852	(3,000)	1,852
(630) CONTRACTUAL SERVICES - BILLING		0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	128,530	(127,080)	1,450
(635) CONTRACTUAL SERVICES - TESTING	254	1,391	1,645
(636) CONTRACTUAL SERVICES - OTHER	8,266	(2,605)	5,661
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	597	0	597
(655) INSURANCE EXPENSE	4,490	(184)	4,306
(665) REGULATORY COMMISSION EXPENSE	0	1,214	1,214
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	15,416	(7,936)	7,480
	<u>\$185,584</u>	<u>(\$140,618)</u>	<u>\$44,966</u>

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE	SCHEDULE NO. 3-E DOCKET NO. 070416-WS	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
		(701) SALARIES AND WAGES - EMPLOYEES (703) SALARIES AND WAGES - OFFICERS (704) EMPLOYEE PENSIONS AND BENEFITS (710) PURCHASED SEWAGE TREATMENT (711) SLUDGE REMOVAL EXPENSE (715) PURCHASED POWER (716) FUEL FOR POWER PRODUCTION (718) CHEMICALS (720) MATERIALS AND SUPPLIES (730) CONTRACTUAL SERVICES - BILLING (731) CONTRACTUAL SERVICES - PROFESSIONAL (735) CONTRACTUAL SERVICES - TESTING (736) CONTRACTUAL SERVICES - OTHER (740) RENTS (750) TRANSPORTATION EXPENSE (755) INSURANCE EXPENSE (765) REGULATORY COMMISSION EXPENSES (770) BAD DEBT EXPENSE (775) MISCELLANEOUS EXPENSES	\$16,523 6,550 10,077 9,603 8,533 130,975 0 3,068 597 4,490 <u>15,154</u>	(\$2,826) 0 0 0 (200) (152) 0 (761) (464) 0 (130,275) 1,871 200 0 0 (184) 1,214 0 <u>(7,674)</u>
	<u>\$205,570</u>	<u>(\$139,251)</u>	<u>\$66,319</u>	

PLANTATION LANDINGS, LTD TEST YEAR ENDING 12/31/06 MONTHLY WATER RATES		SCHEDULE NO. 4-A DOCKET NO. 070416-WS		
	UTILITY'S EXISTING RATES*	ALLOCATED 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"	\$12.57	\$6.44	\$4.81	\$0.10
3/4"			\$7.22	\$0.15
1"			\$12.03	\$0.25
1-1/2"			\$24.05	\$0.50
2"			\$38.48	\$0.80
3"			\$76.96	\$1.59
4"			\$120.25	\$2.49
6"			\$240.50	\$4.98
<u>Residential and General Service Gallonage Charge</u>				
* Base Facility Charge includes 3,000 Gallons	\$0.00	\$0.00		
3,000+ Gallons	\$1.26	\$0.91		
Per 1,000 Gallons			\$1.65	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	N/A	\$6.44	\$9.76	
5,000 Gallons	N/A	\$8.26	\$13.06	
10,000 Gallons	N/A	\$12.81	\$21.31	
<p>* These rates represent charges for COMBINED water and wastewater service</p> <p>** Staff allocated the current tariffed rates between water and wastewater based on 2006 billing data. The resulting water BFC is \$6.44, and the water Kgal charge is \$.91. The typical bill comparisons at current rates are based on staff's allocated rates.</p>				

PLANTATION LANDINGS, LTD		SCHEDULE NO. 4-B		
TEST YEAR ENDING 12/31/06		DOCKET NO. 070416-WS		
MONTHLY WASTEWATER RATES				
	UTILITY'S EXISTING RATES*	ALLOCATED EXISTING RATES**	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
<u>Residential and General Service</u>				
Base Facility Charge All Meter Sizes	\$12.57	\$6.13		
<u>Gallonge Charge</u>				
Per 1,000 Gallons	\$1.26	\$0.35		
<u>Residential Service</u>				
Base Facility Charge All Meter Sizes	\$0.00		\$9.54	\$0.13
<u>Gallonge Charge</u>				
Per 1,000 Gallons (6,000 gallon cap)	\$0.00		\$2.71	\$0.04
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8"X3/4"	\$0.00		\$9.54	\$0.13
3/4"	\$0.00		\$14.31	\$0.20
1"	\$0.00		\$23.85	\$0.33
1-1/2"	\$0.00		\$47.70	\$0.65
2"	\$0.00		\$76.32	\$1.05
3"	\$0.00		\$152.64	\$2.09
4"	\$0.00		\$238.50	\$3.27
6"	\$0.00		\$477.00	\$6.53
Gallonge Charge per 1,000 gallons	\$0.00		\$3.26	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	N/A	\$6.13	\$17.67	
6,000 Gallons	N/A	\$6.83	\$25.80	
10,000 Gallons	N/A	\$8.58	\$25.80	
* These rates represent charges for COMBINED water and wastewater service				
** Staff allocated the current tariffed rates between water and wastewater based on 2006 billing data. The resulting water BFC would be \$6.13, and the water Kgal charge would be \$.35. The typical bill comparisons at current rates are based on staff's allocated rates.				