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TIMOTHY DEVLIN, DIRECTOR  
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Public Service Commission

February 4, 2008

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COMMISSION  
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Mr. Martin Friedman  
Rose, Sundstrom & Bentley, LLP  
Sanlando Center  
2180 W. State Road 434, Suite 2118  
Longwood, FL 32779

**Re: Docket No. 070414-WS –Application for staff-assisted rate case in Polk County by Hidden Cove, Ltd.**

Dear Mr. Friedman:

We have reviewed the staff report recently sent to you for this docket, and we have indentified several pages which contain incorrect or incomplete information. These pages include page 7, that incorrectly identifies the utility; page 31, that is missing the amount of the four-year rate reductions; and pages 43-46, which are the proper engineering schedules. Please replace the pages on file at the utility with the enclosed corrected pages.

If you have any questions concerning this matter, please contact me at (850) 413-7017, or Jay Revell at (850) 413-6425.

Sincerely,

A handwritten signature in cursive script that reads "Bart Fletcher".

Bart Fletcher  
Public Utilities Supervisor

BF:jr

Enclosures

cc: Division of Economic Regulation, Bulecza-Banks, Revell, Massoudi, Lingo  
Office of Commission Clerk (Docket No. 070414-WS)  
Office of General Counsel (Jaegar)

DOCUMENT NUMBER DATE  
00920 FEB-5 08  
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**Discussion of Issues**

**QUALITY OF SERVICE**

**Issue 1:** Should the quality of service provided by Hidden Cove be considered satisfactory?

**Preliminary Recommendation:** The determination of the quality of water and wastewater service provided by Hidden Cove will be deferred until after the customer meeting scheduled for February 14, 2008. (Massoudi)

**Staff Analysis:** Rule 25-30.433(1), Florida Administrative Code, 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 preliminary analysis below addresses each of these three components based on the information available.

Hidden Cove utility is Class C water and wastewater utility which provides water and wastewater service to approximately 122 customers in Polk County.

**Quality of Utility's Product**

**Water Treatment Plant (WTP)**

The WTP at Hidden Cove is regulated by the Polk County Health Department (PCHD) and Southwest Florida Water Management District (SWFWMD). The DEP inspected the utility's WTP on March 17, 2006. The utility has conformed to all testing and chemical analyses required by this agency 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.

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

**Preliminary Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four year rate case expense recovery period, pursuant to Section 367.0816, 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. (Revell)

**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 regulatory assessment fees which is \$267 annually for water and \$67 for 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 Schedule Nos. 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.

Hidden Cove Utilities  
Docket No. 070414-WS

Attachment A, Page 1 of 4  
Test Year Jan 06 - Dec 06

**WATER TREATMENT PLANT - USED AND USEFUL DATA**

1)		<b>Capacity of Plant</b>	148	gallons per min
2)		Single Maximum Day (SMD) in the Test Year	38	gallons per min
	2a)	<b>Max. day @ peak</b>	76	gallons per min
3)		<b>Average Daily Flow</b>	16	gallons per min
4)		<b>Fire Flow Capacity (FF)</b> Required Fire Flow in Charlotte County: 500 gallons per minute for one hour	0	gallons per min
5)		<b>Growth</b>	0	gallons per min
	a)	Average Test Year Customers in ERCs: Historical Test Year: Jan 2005 - Dec 2005	122	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	0	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = (5b)x(5c)x [2a\{(5a)}	0	gallons per min
6)		<b>Excessive Unaccounted for Water (EUW)</b>	N/A	gallons per min
	a)	Percentage of Excessive amount		
	b)	Total Unaccounted for Water		gallons per min
	c)	Reasonable Amount (10% of average Daily Flow)	1.6	gallons per min
	d)	Excessive Amount	N/A	gallons per min

**USED AND USEFUL FORMULA**

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

$$[2 \times (38 - 0) + 0 + 0] / 148 = 51.35\% \quad \text{Used \& Useful}$$

**WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA**

1)		<b>Capacity of System (ERCs)</b>	122	ERCs
2)		<b>Test Year Connections</b> Average Test Year	122	ERCs
3)		<b>Growth</b>	0	ERCs
	a)	Customer growth in connections for last 5 years including test year using Regression Analysis	0	ERCs
	b)	Statutory Growth Period	5	Years
	c)	Growth = (a)x(b) Connections allowed for growth	0	ERCs
<p><b>USED AND USEFUL FORMULA</b></p> <p>[2+3]/(1) = 100%    Used and Useful</p>				

**WASTEWATER TREATMENT PLANT - USED AND USEFUL DATA**

1)		<b>Permitted Capacity of Plant (AADF)</b>	20,000	gallons per day
2)		<b>Three-Month Average Daily Flow (TMADF)</b>	14,196	gallons per day
3)		<b>Growth</b>	0	gallons per day
	a)	Average Connection in ERCs: Projected Test Year: Jan 2006 - Dec 2006	122	ERCs
	b)	Customer Growth in ERCs using Regression Analysis for most recent 5 years including Test Year	0	ERCs
	c)	Statutory Growth Period	5	Years
	d)	Growth = $[(3b) \times (3c) \times 2] \div (3a)$	0	gallons per day
4)		<b>Excessive Infiltration or Inflow (I&amp;I)</b>	0	gallons per day
	a)	Total I&I	N/A	gallons per day
	b)	Percent of Excessive	N/A	
	c)	Reasonable Amount (500 gpd per inch dia pipe per mile)	0	gallons per day
	d)	Excessive Amount	N/A	gallons per day

**USED AND USEFUL FORMULA**

$$[(2) + (3) - (4)] / (1)$$

$$[14,196 + 0 - 0 / 20,000 = 70.98\% \quad \text{Used \& Useful}$$

**WASTEWATER COLLECTION SYSTEM - USED AND USEFUL DATA**

1)		<b>Capacity of System (Number of Potential in ERCs)</b>	122	ERCs
2)		<b>Test Year Connections (Customers)</b> Average Test Year in ERC	122	ERCs
3)		<b>Growth</b>	0	
	a)	Customer growth in connections for last 5 years including test year using Regression Analysis	0	ERCs
	b)	Statutory Growth Period	5	Years
	c)	Growth = (a)x(b) Connections allowed for growth	0	ERCs

**USED AND USEFUL FORMULA**

$[(2)+(3)] / (1) = 100\%$  Used and Useful