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STATE OF FLORIDA



GENERAL COUNSEL
BOOTER IMHOF
(850) 413-6189

Public Service Commission

May 20, 2009

RECEIVED-FPSC
09 MAY 20 PM 3:29
COMMISSION
CLERK

Mary Smallwood
Ruden, McClosky, Smith, Schuster & Russell, P.A.
215 South Monroe Street, Suite 815
Tallahassee, FL 32301

Re: Docket No. 080714 -WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

Dear Ms. Smallwood:

This will confirm that Commission Staff will hold a customer meeting at the Jenkins Auditorium on June 29, 2009, beginning at 6:00 p.m. The customer meeting may be adjourned early if no customers are present. We ask that, if at all possible, you or another knowledgeable representative of the Utility attend the meeting in order to answer customer questions. The location of the meeting will be the:

Jenkins Auditorium
691 W. Montrose Street
Clermont, FL 34711

The original customer meeting notice is enclosed. Please note the date has been left blank so that you can fill in the date that the notice is sent to the customers. All customers, including the customers of Hidden Valley SPE LLC d/b/a Orange Lake Utilities, must have at least 14 calendar days notice of the meeting, calculated from the day that they receive the notice as required by Rule 25-22.0407(9)(b), Florida Administrative Code (F.A.C.). Please furnish me with a copy of the notice, as reproduced at the time it is distributed to your customers, together with a cover letter indicating the exact date(s) on which the notice was mailed or otherwise delivered to the customers.

Two copies of the staff report are also enclosed. Please ensure that copies of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407 (9)(b), F.A.C., by all interested persons at the following location:

DOCUMENT NUMBER - DATE
05012 MAY 20 09
FPSC - COMMISSION CLERK

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD • TALLAHASSEE, FL 32399-0850

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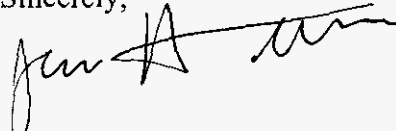
Mary Smallwood
Page 2
May 18, 2009

South Lake Chamber of Commerce
691 W. Montrose Street
Clermont, FL 34711

For your convenience, I have also enclosed a copy of Rule 25-22.0407(9), F.A.C.

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-6193. In addition, you may contact Jared Deason at (850) 413-6844, with any questions.

Sincerely,



Jean Hartman
Senior Attorney

Enclosures

JH:jd

cc: Division of Economic Regulation (Bulecza-Banks, Fletcher, Deason, Hartman)
Office of Commission Clerk (Docket No. 080714-WS)
Office of Public Counsel

Rule 25-22.0407(9), Florida Administrative Code

(9) When a utility applies for a staff-assisted rate case in accordance with Section 367.0814, Florida Statutes, and Rule 25-30.455, F.A.C., and staff-assistance is granted, the requirements of subsections (2), (3), (4), and (5) of this rule shall not apply.

(a) Upon receipt of the staff reports, the utility shall place two copies of its application for staff-assistance and the staff reports at any business offices it has in its service area. Such copies shall be available for public inspection during the utility's regular business hours. If the utility does not have a business office in its service area, the utility shall place two copies of its application and the staff reports at the main county library, the local community center or other appropriate location that is within or most convenient to the service area and that is willing to accept and provide public access to the copies.

(b) No less than 14 days and no more than 30 days prior to the date of a customer meeting conducted by the Commission staff, the utility shall provide, in writing, a customer meeting notice to all customers within its service area and to all persons in the same service areas who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the petition is filed.

(c) The customer meeting notice shall be approved by the Commission staff prior to distribution and shall include the following:

1. The date the notice was issued;
2. The time, date, location, and purpose of the customer meeting;
3. A statement that the utility has applied for a staff-assisted rate case and the general reasons for doing so;
4. A statement of the location where copies of the application and the staff reports are available for public inspection and the times during which inspection may be made;
5. A comparison of current rates and charges and the proposed new rates and charges;
6. The utility's address, telephone number, and business hours;
7. A statement that written comments regarding utility service or the proposed rates and charges should be addressed to the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, and that such comments should identify the docket number assigned to the proceeding;
8. A statement that complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following toll-free number: 1(800)342-3552.
9. A statement that the Commission will be reviewing the utility's service availability charges in the pending case and that the Commission may adjust those charges.
10. The docket number assigned by the Commission's Division of the Commission Clerk and Administrative Services.

(d) The customer meeting notice shall be mailed to the out-of-town address of all customers who have provided the utility with an out-of-town address.

(e) If the proposed agency action order issued in the case is protested and any hearings are subsequently held, the utility shall give notice in accordance with subsections (6) and (7) above.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF CUSTOMER MEETING

TO THE CUSTOMERS OF HIDDEN VALLEY SPE LLC D/B/A ORANGE LAKE UTILITIES

AND

ALL OTHER INTERESTED PERSONS

DOCKET NO. 080714-WS

APPLICATION OF HIDDEN VALLEY SPE LLC D/B/A ORANGE LAKE UTILITIES

FOR A STAFF-ASSISTED RATE CASE IN

LAKE COUNTY

Issued: June ____, 2009

Notice is hereby given that the staff of the Florida Public Service Commission will conduct a customer meeting to discuss the application of Hidden Valley SPE LLC d/b/a Orange Lake Utilities (Orange Lake or Utility) for a staff-assisted rate case in Lake County. The meeting will be held at the following time and place:

6:00 p.m., Monday, June 29, 2009
Jenkins Auditorium
691 W. Montrose Street
Clermont, FL 34711

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more of the Commissioners of the Florida Public Service Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all the customers have been heard.

If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation of the meeting will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at (850) 413-6199.

Any person requiring some accommodation at the customer meeting(s) because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least five calendar days prior to the meeting(s). Any person who is hearing or speech impaired should

contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

PURPOSE

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to the Public Service Commission Staff regarding the quality of service the Utility provides, the proposed rate increase, and to ask questions and comment on staff's preliminary rates included in this notice as well as other issues. Staff members will summarize Orange Lake's proposed filing, the preliminary work accomplished, and answer questions to the extent possible. A representative from the Utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. The Public Service Commission staff will have sign-up sheets, and customers will be called to speak in the order that they sign-up. Public Service Commission staff will be available to coordinate customers' comments and to assist members of the public.

Any person who wishes to comment or provide information to staff may do so at the meetings, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Public Service Commission's toll-free facsimile line at 1-800-511-0809.

BACKGROUND

Hidden Valley SPE LLC d/b/a Orange Lake Utilities is a Class C water and wastewater utility located in Lake County serving approximately 248 water and 242 wastewater customers in Orange Lake Mobile Home Community. Orange Lake is located in the St. Johns River Water Management District (SJRWMD). The Utility's 2008 annual report reflects operating revenues of \$44,665 for water and \$46,291 for wastewater service and an operating loss of (\$12,425) for water and (\$41,153) for wastewater.

Orange Lake has been under Commission jurisdiction since December 22, 2004. The Utility began operations in 1985. On September 24, 2004, Orange Lake applied for original certificates to operate a water and wastewater utility in Lake County. Certificate Nos. 625-W and 536-S were granted to Orange Lake in 2004.¹ Prior to that time, the Utility provided water and wastewater service solely to the rental community tenants as a part of the rent, and was therefore exempt from Commission regulation pursuant to Section 367,022(5), Florida Statutes (F.S.). On December 19, 2008, Orange Lake applied for a staff-assisted rate case (SARC). The Utility has not previously been subject to a rate case.

¹ Certificate Nos. 625-W and 536-S were granted by Order No. PSC-04-1270-PAA-WS, issued December 22, 2004, in Docket No. 041141-WS, In Re: Application for certificates to provide water and wastewater service in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake

Staff has audited Orange Lake's records for compliance with Commission rules and orders, and examined all components necessary for rate setting. The staff engineer has also conducted a field investigation, which included a visual inspection of the water and wastewater facilities along with the service area. The Utility's operating expenses, maps, files, and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, plant in service, and quality of service. Staff has selected a historical test year ended December 31, 2008.

The Commission has the authority to consider this rate case pursuant to Section 367.0814, F.S.

CURRENT AND PRELIMINARY RATES AND CHARGES

Staff has compiled the following rates and charges for the purpose of discussion at the customer meeting. These rates are preliminary and subject to change based on information gathered at the customer meeting, further staff review, and the final decision by the Commissioners. The Utility's current and staff's preliminary rates and charges are as follows:

<u>RESIDENTIAL AND GENERAL SERVICE</u> BASE FACILITY CHARGE:	<u>EXISTING RATES*</u>	<u>PRELIMINARY RECOMMENDED RATES</u>
Meter Size:		
5/8"X3/4"	\$9.14	\$11.30
3/4"	\$9.14	\$16.95
1"	\$9.14	\$28.25
1-1/2"	\$9.14	\$56.50
2"	\$9.14	\$90.40
3"	\$9.14	\$180.80
4"	\$9.14	\$282.50
6"	\$9.14	\$565.00
 RESIDENTIAL GALLONAGE CHARGE:		
PER 1,000 GALLONS	\$1.37	
0-10,000 GALLONS		\$4.47
OVER 10,000 GALLONS		\$6.70
 GENERAL SERVICE GALLONAGE CHARGE:		
PER 1,000 GALLONS	\$1.37	\$4.54

MONTHLY WASTEWATER RATES

	<u>EXISTING RATES*</u>	<u>PRELIMINARY RECOMMENDED RATES</u>
<u>RESIDENTIAL</u>		
BASE FACILITY CHARGE:		
Meter Size: All Meter Sizes	\$9.22	\$19.92
GALLONAGE CHARGE:		
PER 1,000 GALLONS	\$1.74	
PER 1,000 GALLONS (6,000 gallon cap)		\$5.31
<u>GENERAL SERVICE</u>		
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$9.22	\$19.92
3/4"	\$9.22	\$29.88
1"	\$9.22	\$49.80
1-1/2"	\$9.22	\$99.60
2"	\$9.22	\$159.36
3"	\$9.22	\$318.72
4"	\$9.22	\$498.00
6"	\$9.22	\$996.00
GALLONAGE CHARGE:		
PER 1,000 GALLONS	\$1.74	
PER 1,000 GALLONS (6,000 gallon cap)		\$6.37

STAFF REPORTS AND UTILITY APPLICATION

The results of staff's preliminary investigation are contained in a staff report dated May 18, 2009. Copies of the report and the Utility's application may be examined by interested members of the public from 8:00 a.m. to 4:00 p.m., Monday through Friday, at the following location:

South Lake Chamber of Commerce
691 W. Montrose Street
Clermont, FL 34711

UTILITY CONTACT INFORMATION

Hidden Valley SPE LLC d/b/a Orange Lake Utilities
15840 SR 50 Clermont, FL 34711
(407) 877-3001

8:00 a.m. to 5:00 p.m.

PROCEDURES AFTER CUSTOMER MEETINGS

After the meetings, the Public Service Commission staff will prepare a recommendation which is scheduled to be submitted to the Public Service Commission on August 6, 2009. The Public Service Commission will then vote on staff's recommendation at its August 18, 2009 agenda conference. The Commission will thereafter issue a proposed agency action (PAA) order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days from the date the PAA order is issued to protest the Commission's proposed agency action order. Five to ten customers or persons who attend the meeting and who wish to receive a copy of the recommendation and the order should so indicate at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to other customers. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so by requesting in writing to the Commission at the address at the end of this notice.

HOW TO CONTACT THE COMMISSION

Written comments regarding the Utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

All correspondence should refer to "Docket No. 080714-WS, Hidden Valley SPE LLC d/b/a Orange Lake Utilities".

If you wish to contact the Commission regarding complaints about service, you may call the Commission's Division of Regulatory Compliance and Consumer Assistance at the following toll-free number: 1-800-342-3552.

This notice was prepared by Commission staff for distribution by the Utility to its customers.

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: May 18, 2009

TO: Cheryl Bulecza-Banks, Bureau Chief, Bureau of Rate Filings

FROM: Jared Deason, Regulatory Analyst IV
Richard Redemann, Professional Engineer III
Sonica Bruce, Regulatory Analyst III

RE: Docket No. 080714-WS – Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

– STAFF REPORT –

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting.

Table of Contents

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Case Background	3
1	Quality of Service (Redemann)	4
2	Used and Useful (Redemann)	5
3	Pro Forma Plant (Deason, Redemann)	6
4	Rate Base (Deason).....	7
5	Rate of Return (Deason)	10
6	Test Year Revenue (Bruce, Deason).....	11
7	Operating Expense (Deason)	12
8	Excessive Unaccounted for Water	15
9	Repression Adjustment and Revenue Requirement (Bruce)	16
10	Rate Structure (Bruce)	18
11	Rates (Bruce, Deason)	22
12	Four Year Rate Reduction (Deason).....	23
13	Rates Subject to Refund (Deason)	24
14	Regulatory Assesment Fees (Deason)	26
15	Proof of Adjustments	27
	Schedule No. 1-A.....	28
	Schedule No. 1-B.....	29
	Schedule No. 1-C.....	30
	Schedule No. 2	31
	Schedule No. 3-A.....	32
	Schedule No. 3-B.....	33
	Schedule No. 3-C.....	34
	Schedule No. 3-D.....	35
	Schedule No. 3-E	36
	Schedule No. 4	37
	Schedule No. 4-A.....	38

Case Background

This Staff Report is a **preliminary** analysis of the utility prepared by the Florida Public Service Commission (PSC) staff to give utility customers and the utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed July 16, 2009 for the July 30, 2009, Agenda Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

Hidden Valley SPE LLC d/b/a Orange Lake Utilities (Orange Lake or Utility) is a Class C water and wastewater utility located in Lake County serving approximately 248 water and 242 wastewater customers in Orange Lake Mobile Home Community. Orange Lake is located in the St. Johns River Water Management District (SJRWMD). The Utility's 2008 annual report reflects operating revenues of \$44,665 for water and \$46,291 for wastewater service and an operating loss of (\$12,425) for water and (\$41,153) for wastewater.

Orange Lake has been under Commission jurisdiction since December 22, 2004. The Utility began operations in 1985. On September 24, 2004, Orange Lake applied for original certificates to operate a water and wastewater utility in Lake County. Certificate Nos. 625-W and 536-S were granted to Orange Lake in 2004.¹ Prior to that time, the Utility provided water and wastewater service solely to the rental community tenants as a part of the rent, and was therefore exempt from Commission regulation pursuant to Section 367,022(5), Florida Statutes (F.S.). On December 19, 2008, Orange Lake applied for a staff-assisted rate case (SARC). The Utility has not previously been subject to a rate case.

Staff has audited Orange Lake's records for compliance with Commission rules and orders, and examined all components necessary for rate setting. The staff engineer has also conducted a field investigation, which included a visual inspection of the water and wastewater facilities along with the service area. The Utility's operating expenses, maps, files, and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, plant in service, and quality of service. Staff has selected a historical test year ended December 31, 2008.

The Commission has the authority to consider this rate case pursuant to Section 367.0814, F.S.

¹ See Order No. PSC-04-1270-PAA-WS, issued December 22, 2004, in Docket No. 041141-WS, In Re: Application for certificates to provide water and wastewater service in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake

Discussion of Issues

Issue 1: Is the quality of service provided by Orange Lake satisfactory?

Preliminary Recommendation: The staff recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the June 29, 2009 customer meeting. (Redemann)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service provided by a utility by evaluating three separate components of water operations, including the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received by the Commission from customers are reviewed. The utility's current compliance with the Florida Department of Environmental Protection (DEP) is also considered.

Orange Lake's water and wastewater plants are regulated by the DEP Central District office in Orlando. The Utility is current in all of the required chemical analyses and the Utility has met all required standards for both water and wastewater. The quality of drinking water delivered to the customers and the wastewater effluent quality are both considered satisfactory by the DEP.

A staff field investigation of the Utility's service areas was conducted on February 25, 2009. The water and wastewater plants appeared to be operating normally and were well maintained. Based on review of the maintenance records and a physical inspection, the general condition of the facilities appeared to be adequate. Therefore, the operational conditions of the water and wastewater plants are satisfactory.

There are no outstanding complaints on the Commission's Complaint Tracking System. The Utility indicated that they did not receive any customer complaints during the test year. The staff recommendation regarding customer satisfaction and the overall quality of service will not be finalized until after the June 29, 2009 customer meeting.

Issue 2: What are the used and useful percentages of Orange Lake's water treatment plant, ground storage tank, water distribution lines, wastewater treatment plant and wastewater collection system?

Preliminary Recommendation: The Orange Lake water treatment plant, ground storage tank, water distribution system, wastewater treatment plant and wastewater collection system are 100 percent used and useful. (Redemann)

Staff Analysis: The Orange Lake water treatment system has two wells which are rated at 230 gallons per minute (gpm) and 650 (gpm). Raw water is treated with aeration and liquid chlorine and then pumped into the water distribution system from the ground storage tank. The ground storage tank has a usable capacity of 67,500 gallons. The single maximum day in the test year of 156,000 gallons occurred on June 24, 2008; however, because flows before and after that day and thru the whole month of June, 2008 were significantly lower, staff recommends using the second single maximum day in the test year of 108,000 gallons which occurred on May 7, 2008. It does not appear that there was a fire, line break, or other unusual occurrence on that day. The utility's records indicate that 36 percent of the water produced during the test year was unaccounted for. Therefore, 26 percent of the water produced (16,430 gallons) is considered excessive unaccounted for water. An adjustment for unaccounted for water is addressed in Issue 8. The Utility's fire flow requirement is 500 gpm for 2 hours or 60,000 gallons. There has been no growth in the service area since the Utility became certificated; therefore it appears to be built out.

Based on a peak day of 108,000 gpd, an excessive unaccounted for water adjustment of 16,430 gpd, a fire flow allowance of 60,000 gpd and a firm reliable capacity of 220,800 gpd, the water treatment plant is 69 percent used and useful. However, staff recommends that the water treatment plant be considered 100 percent used and useful because the system is built out. In addition, because the usable storage capacity is less than the peak day demand, the storage tank should be considered 100 percent used and useful pursuant to Rule 25-30.4325(8), F.A.C. The distribution system was designed to serve the existing customers and is built out; therefore, staff recommends that the water distribution system is 100 percent used and useful.

The Utility's wastewater collection system is composed of PVC, with one lift station located in the service area. The lift station transfers the influent by a force main to the wastewater treatment plant. In June 2006, the Utility signed a consent order agreeing to increase the plant capacity by 30,000 gpd because the wastewater flows were exceeding the 50,000 gpd permitted capacity and the plant could not properly treat the flows. The wastewater treatment plant is now permitted by the DEP at 80,000 gallons per day (gpd) based on average annual daily flow (AADF) using extended aeration. Liquid chlorine disinfection is applied prior to the wastewater effluent flowing into the percolation ponds. There does not appear to be excessive infiltration or inflow at this time.

Pursuant to Rule 25-30.432, F.A.C., the wastewater treatment plant is 36 percent used and useful based on the AADF of 29,100 gpd and the permitted capacity of 80,000 gpd, although it should be noted that flows have declines significantl since 2005. However, because the service territory is built out, staff recommends that the wastewater treatment plant and wastewater collection system should be considered 100 percent used and useful. In addition, the wastewater plant should also be considered 100 percent used and useful, pursuant to Section 367.081(2) (a) 2.c., F.S., based on DEP's requirement to upgrade and expand the wastewater treatment plant.

Issue 3: Should the 2009 proforma adjustment to water treatment plant be included?

Recommendation: Yes. The proforma adjustment of \$1,875 for the replacement of valves should be included in rate base and the corresponding retirement of the old valves should be removed from rate base. (Redemann, Deason)

Staff Analysis: As mentioned in the unaccounted for water issue the utility had some bad check valves connected to the high service pumps. The valves did not close properly and caused unaccounted for water. On March 23, 2009 the utility replaced the valves. This was a prudent decision to replace the defective check valves. The cost of these valves \$1,875 should be included in rate base and the corresponding retirement of the old valves should be removed from rate base.

Issue 4: What is the appropriate average test year rate base for the Utility?

Preliminary Recommendation: The appropriate average test year rate base for the Utility is \$281,950 for water and \$181,769 for wastewater. (Deason)

Staff Analysis: Staff selected a test year ending December 31, 2008 for this rate case. Rate base components have been updated through December 31, 2008 using information obtained from staff's SARC audit and engineering reports. A summary of each component and the adjustments follows.

Utility Plant in Service (UPIS): The Utility recorded \$587,230 for water UPIS and \$422,847 for wastewater UPIS for the test year ending December 31, 2008.

By Order No. PSC-04-1270-PAA-WS, the Commission established the beginning balances of the rate base as of December 31, 2004, based on an original cost study performed in connection with the original certificate filing.

The following is a breakdown of the plant additions and retirements since December 31, 2004:

Water

	Per Utility	Difference	Per Audit
2005 Additions	\$0	\$0	\$0
2006 Additions	\$60,742	(\$4,406)	\$56,336
2007 Additions	\$0	\$30,168	\$30,168
2008 Additions	\$0	\$2,148	\$2,148
12/31/2008 Balance	\$587,229	\$27,910	\$615,139

Wastewater

	Per Utility	Difference	Per Audit
2005 Additions	\$0	\$0	\$0
2006 Additions	\$64,100	\$0	\$64,100
2007 Additions	\$0	\$133,031	\$133,031
2008 Additions	\$0	\$9,831	\$9,831
12/31/2008 Balance	\$422,849	\$142,862	\$565,711

As such, staff recommends that plant in service be increased by \$27,910 for water and \$142,862 for wastewater. Staff has also reduced both the water and wastewater plant in service accounts by \$1,074 and \$4,916, respectively, to reflect an averaging adjustment. As discussed in Issue 3, staff has increased water plant by \$1,875 to reflect proforma valves. Therefore, the appropriate amount of test year plant in service is \$615,941 ($\$587,230 + \$27,910 - \$1,074 + \$1,875$) for water and \$560,795 ($\$422,849 + 142,862 - \$4,916$) for wastewater.

Land & Land Rights: The Utility's records reflect balances of \$4,600 and \$3,750, respectively, in Acct Nos. 303 and 353 – Land and Land Rights as of December 31, 2008. The NARUC USOA, Balance Sheet Acct. Nos. 303 and 353 – Land and Land Rights, states that the cost of land should be recorded at its original cost when it was first dedicated to utility service. Staff auditors confirmed that the Utility recorded the land at its original cost when it was first dedicated to utility service. Therefore, no adjustment is unnecessary.

Non-used and Useful Plant: As discussed in Issue No. 2 of this recommendation, the Utility's water treatment plant should be considered 100 percent used and useful. Therefore, a used and useful adjustment is unnecessary.

Contribution in Aid of Construction (CIAC): The Utility recorded CIAC of \$107,789 for water and \$178,699 for wastewater, respectively, for the test year ended December 31, 2008. Staff auditors confirmed that the CIAC balance is correct. Thus no adjustment is necessary.

Accumulated Depreciation: The Utility recorded a balance for accumulated depreciation of \$305,376 for water and \$306,707 for wastewater for the test year ending December 31, 2008. 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 \$4,083 for water and \$30,285 for wastewater to reflect depreciation calculated per staff. Staff has also increased both the water and wastewater accumulated depreciation by \$9,352 and \$13,493, respectively, to reflect an averaging adjustment. Additionally, staff has increased accumulated depreciation for water by \$94 to reflect the depreciation associated with the 2009 pro forma replacement valves. These adjustment results in average accumulated depreciation of \$299,969 for water and \$323,499 for wastewater.

Accumulated Amortization of CIAC: The Utility recorded accumulated amortization of CIAC balances of \$61,729 for water and \$110,689 and wastewater for the test year. Staff calculated amortization of CIAC using composite rates prescribed in Rule 25-30.140, F.A.C. for the CIAC. Based on this calculation, staff increased accumulated amortization of CIAC by \$3,390 for water and \$3,634 for wastewater. Staff has also decreased accumulated amortization of CIAC by \$1,332 for water and \$2,385 for wastewater, to reflect an averaging adjustment. These adjustment results in total accumulated amortization of CIAC adjustment of \$2,059 for water and \$1,249 for wastewater.

Working Capital Allowance: Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the 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 \$5,379 for water and \$7,485 for wastewater (based on O&M of \$40,035 for water and 59,883 for wastewater). Working capital has been increased by \$5,379 for water and \$7,485 for wastewater to reflect one-eighth of staff's recommended O&M expenses.

Docket No. 080714-WS

Date: May 18, 2009

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year average rate base is \$281,950 for water and \$181,769 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B, and staff's adjustments are shown on Schedule 1-C.

Issue 5: What is the appropriate rate of return on equity and overall rate of return for this utility?

Preliminary Recommendation: The appropriate return on equity is 12.36 percent with a range of 11.36 percent - 13.36 percent. The appropriate overall rate of return is 8.42 percent. (Deason)

Staff Analysis: According to staff's audit, Orange Lake recorded the following items in its capital structure: common equity of \$1,292,779,443; negative retained earnings of \$0; and, paid-in-capital of \$0. The Utility's capital structure consists of long term debt in the amount of \$1,753,785,919. Using the most recent Commission-approved leverage formula² and with an equity ratio of 42.43 percent, the appropriate return on equity (ROE) is 12.36 percent. Orange Lake's capital structure has been reconciled with staff's recommended rate base. Staff recommends a ROE of 12.36 percent with a range of 11.36 percent - 13.36 percent, and an overall rate of return of 8.42 percent. The ROE and overall rate of return are shown on Schedule No. 2.

² See Order No. PSC-08-0846-PAA-WS, issued December 31, 2008, in Docket No. 080006-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 6: What are the appropriate amounts of test year revenues in this case?

Preliminary Recommendation: The appropriate amounts of test year revenues in this case are \$95,031 for the water system and \$116,203 for the wastewater system. (Bruce, Deason)

Staff Analysis: Orange Lake reported test year revenues of \$44,665 for the water system and \$46,291 for the wastewater system. Based on detailed billing information obtained from the Utility, staff recalculated test year revenues. Staff recommends revenue imputations of \$2,384 for the water system and \$1,161 for the wastewater system. Based on the foregoing, staff recommends that the appropriate amounts of test year revenues in this case are \$47,049 for the water system and \$47,452 for the wastewater system.

Issue 7: What are the appropriate operating expenses?

Preliminary Recommendation: The appropriate amount of operating expense for the Utility is \$71,290 for water and \$100,898 for wastewater. (Deason, Redemann)

Staff Analysis: Orange Lake recorded operating expenses of \$37,002 for water and \$63,164 for wastewater during the test year ending December 31, 2008. The test year O & M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to the Utility's operating expenses, as summarized below:

Purchased Power – (615,715) – Orange Lake recorded a water balance of \$136 in Account No. 615 – and a wastewater balance of \$10,987 in Account No. 715 for the 12 months ended December 31, 2008. Pursuant to Audit Finding No. 6, staff's review revealed that Account No. 615 is understated by \$5,229 (\$5,291 - \$62) based on the audit staff's review of all vendor invoices for 2008. The Utility did not include in the general ledger all twelve months electric bills from Progress Energy for the water generator which equals \$5,291. Also, Orange Lake overstated the gas bills from Lake Apopka Natural Gas District by \$62. Additionally, the Utility included a late payment penalty in the amount of \$18, and double booked an invoice amount of \$866 for the electric invoices for Progress energy \$884 (\$866 + \$18) in Acct. No. 715. As discussed in Issue 8, staff is recommending a reduction of \$697 related to excessive unaccounted for water. Based on these adjustments, staff recommends purchased power expense for the test year of \$4,668 (\$136 + \$5,229 - \$697) for Acct. No. 615 and \$10,103 (\$10,987 - \$884) for Acct. No. 715.

Contractual Services - Testing – (635,735) – Orange Lake recorded \$13,408 in Acct. No. 635 and \$10,279 in Acct. No. 735 for the test year. Staff has increased Account No. 635 by \$528 for water. State and local authorities require that several analyses be submitted in accordance with Chapter 62-550, F.A.C. The list below describes other less frequent tests required by DEP:

Water

<u>Rule</u>	<u>Description</u>	<u>Frequency</u>	<u>Cost per year</u>
62-550.310(1) F.A.C.	Primary	36 months.	\$229
62-550.513 F.A.C.	& Inorganics	36 months.	Included in Primary
62-550.320 F.A.C.	Secondary	36 months.	\$200
62-550.516 F.A.C.	Synthetic Organics	36 months	\$1,000
62-550.512(1) F.A.C.	Nitrate & Nitrite*	Annually	\$150
62-550.515 F.A.C.	Volatile Organics	36 months	\$125
62-550.310(3) F.A.C.	Radionuclide's	36 months.	\$561
EPA L & C Rule, 40	Lead & Copper	36 months	\$600
62-550.514 F.A.C.	TTHM	36 months	\$250
		Total	\$1,513

*Year 2	Nitrate & Nitrite		\$150
Year 3	Nitrate & Nitrite	Included in primary Inorganics	
		Total Cost	\$3,115

	Yearly Cost	\$1,038
Lead & Copper	Tested on 10/31/2008	-\$510
Adjustment to the test year 2008		\$528.

Therefore, staff increased Account No. 635 by \$528 to reflect annual DEP testing for water.

Contractual Services - Other – (636,736) – The Utility recorded \$1,046 in Acct. No. 636 and \$0 in Acct. No. 736 for the test year. Pursuant to Audit Finding No. 6, staff discovered that Acct. No. 636 is understated by \$2,232 ($\185×12) based on the audit staff's review of all vendor invoices for the year 2008. Orange Lake did not include the invoices for FewTek, Inc. that represents the meter reading service, for each month of \$186. In addition, DEP Rule 62-555.350(2), F.A.C. - Permitting Construction, Operation and Maintenance of Public Water Systems requires hydropneumatic tanks and finished water storage tanks to be cleaned from the inside and inspected for structural and coating integrity at least once every 5 years. The tanks were inspected in 2007 at a cost of \$6,000. This cost should be amortized over 5 years and the yearly cost is \$1,200. Based on these adjustments, Acct. No. 636 should be increased by \$3,432 ($\$2,232 + \$1,200$).

Regulatory Commission Expense – (665,765) – The Utility recorded \$0 for Acct. No. 675 and \$0 for Acct. No. 775 for the test year. Pursuant to Audit Finding No. 6, staff noted that Orange Lake did not include in the general ledger the itemization of an invoice from Excel Engineering in the amount of \$1,536 that represents the preparation of this rate case. This results in an increase to Acct. Nos. 675 and 775 of \$192 ($\$1,536/4 \text{ years}/2$). Also, staff has included the filing fee of \$1,500 which results in an increase of \$188 ($\$1,500/4 \text{ years}/2$) to Acct. Nos. 675 and 775. Additionally, staff has included the costs associated with the notices for this rate case which result in an increase of \$51 ($\$407/4/2$) to Acct. Nos. 675 and 775. These adjustments result in an increase of \$431 ($\$192 + \$188 + \51) to Acct. Nos. 675 and 775.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M should be increased \$8,923 for water and reduced \$453 for wastewater as shown on Schedule No. 3-C. Staff's recommended O&M expenses of \$43,035 for water and \$59,883 for wastewater as shown on Schedule Nos. 3-D and 3-E.

Depreciation Expense (Net of Amortization of CIAC) – The Utility recorded \$0 in water and \$0 in wastewater for depreciation expense. Staff calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, F.A.C. Staff's calculated test year net depreciation expense is \$19,748 for water and \$28,136 for wastewater; therefore, staff has increased water by \$19,748 and wastewater by \$28,136. Also, staff has included an increase of \$94 to water to reflect the depreciation expense associated with the 2009 pro forma replacement valves. Therefore, staff recommends net depreciation expense of \$19,842 ($\$19,748 + \94) for water and \$28,136 for wastewater.

Taxes Other Than Income (TOTI) – Orange Lake's records reflect water and wastewater balances of \$2,890 and \$2,828, respectively, for Acct. No. 408 – TOTI. Based on staff's audit, TOTI is understated by \$702 and \$2,188.

Staff auditors calculated the property taxes to be \$824 and \$2,197 for water and wastewater for the test year. Based on the tax bill provided by the Utility, the property tax bill covers the property that covers 38.4 acres, the water system sits on 0.33 acres, and the wastewater system sits on 0.88 acres of the whole 38.4 acres. The total property tax amount of 38.4 acres is \$95,888 [$\$824 =$

(\$95,888 X 0.33/38.4), and \$2,197 = (\$95,888 X 0.88/38.4] No consideration for the assessed values of the structures on the property were considered because the information was not available.

The Utility included in the 2008 general ledger the 2007 Regulatory Assessment Fees return amount. The audit staff calculated the 2008 RAFs amount based on the calculated revenues which are \$2,048 and \$2,099 for water and wastewater, respectively. These amounts reflect an increase of \$36 and \$149 for water and wastewater respectively.

The staff auditors recalculated FICA to be \$720 each for water and wastewater, for the test year. The total payroll of \$18,824 X (6.2 percent Social Security Rate plus 1.45 percent Medicare Rate) equals \$720 (\$1,440/2). This represents a decrease of \$158 each for water and wastewater.

Based on these adjustments TOTI should be increased by \$702 (\$824 + \$36- \$158) and \$2,188 (\$2,197 + \$149 - \$158) for water and wastewater, respectively. Staff recommends TOTI of \$3,592 (\$2,890 + 702) for water and \$5,016 (\$2,828 + 2,188)for wastewater.

Income Tax – The Utility recorded income tax of \$0 for water. Orange Lake is a limited partnership. The tax liability is passed on to the owner's personal tax returns. Therefore, staff did not make an adjustment to this account.

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 \$71,290 for water and \$100,898 for wastewater. Operating expenses for water and wastewater are shown on Schedule Nos. 3-A and 3-B, respectively. The related adjustments are shown on Schedule 3-C.

Issue 8: Does Orange Lake have excessive unaccounted for water and, if so, what adjustments are necessary?

Recommendation: Yes. Pursuant to Rule 25-30.4325(1)(e), F.A.C. Orange Lake has unaccounted for water in excess of 10 percent of the amount produced. A reduction of \$697 should be made to Purchased Power Acct. No. 615. (Redemann)

Staff Analysis: Pursuant to Rule 25-30.4325(1)(e), F.A.C. it is Commission practice to allow 10 percent of the total water treated as an acceptable amount of unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by small leaks, meter inaccuracy, unrecorded line flushing, and plant usage.

The total treated water from the production meter (23,065,000) was compared with the total water sold to the customers (14,854,700). The total unaccounted for water was determined to be 36 percent. Therefore, the excessive unaccounted for water was calculated to be 26 percent. This percentage shows the difference between treated water leaving the plant and the metered water sold to the customers. Staff contacted the Utility and their consultants to determine what action they were taking to reduce the amount of unaccounted for water and to determine if they new the cause of the unaccounted for water. They believe the high service check valves were faulty.

Water is pumped from the wells to the ground storage tank and is chlorinated when the well pumps are activated. After storage high service pumps distributes the water into the hydropneumatic tank and into the water distribution system. It appears that the lack of working check valves connected to the high service pumps allowed water from the hydropneumatic tank to backflow through the production water meter and high service pumps into the ground storage tank. On March 25, 2009, the check valves were replaced. The Utility has requested a proforma addition for the valves. This issue is addressed in Issue 3. Since the wells activate the chlorine pumps, no additional chlorine was used. The backflow of water caused the high service pumps to re-pump the water; however, the well pumps were not affected, since they only pump the water into the storage tank one time. It is estimated by staff that the electric usage from the well pumps and the high service pumps are about equal. Therefore, about 13 percent additional electricity was used due to the excessive amount of unaccounted for water. Staff recommends reducing Purchased Power Acct. No. 615 by \$697 ($\$5,364 \times .13$).

Issue 9: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this Utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

Preliminary Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 9 percent, resulting in a consumption reduction of approximately 1,254 kgals. Purchased power expense should be reduced by \$394, chemical expense should be reduced by \$224, and regulatory assessment fees (RAFS) should be reduced by \$647. The final post-repression revenue requirement for the water system should be \$94,384. For the wastewater system, test year kgals sold should be reduced by 9 percent, resulting in a consumption reduction of approximately 1,041 kgals. Sludge removal expense should be reduced by \$1,540.62, purchased power expense should be reduced by \$909.27, and RAFs should be reduced by \$110.25. The final post-repression revenue requirement for the wastewater system should be \$113,643.

In order to monitor the effect of the changes to rate structure and revenue, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. 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 (Bruce)

Staff Analysis: Staff conducted a detailed analysis of the consumption patterns of the Utility's residential customers as well as the effect of increased revenue requirements on the amount paid by residential customers at varying levels of consumption. As discussed in Issue 10, the customer's monthly overall consumption is 5.1 kgals. Also, as discussed in Issue 10, staff believes it is appropriate to set the threshold for the customer's essential usage to approximately 9.8 kgals per month. However, staff's billing data indicates that there is a small portion of the customers consume over 10 kgals a month. Staff's recommended repression adjustment therefore only applies to water consumption above 10 kgals per month.

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 revenues from monthly service in this case, 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. Based on this methodology, staff calculated test year residential water sold should be reduced by 1,254 kgals. Purchased power expense should be reduced by \$394, chemical expense should be reduced by \$224, and RAFs should be reduced by \$647. The final post-repression revenue requirement for the water system should be \$94,384. For the wastewater system, test year kgals sold should be reduced by 1,041 kgals. Sludge removal expense should be reduced by \$1,540.62, purchased power expense should be reduced by \$909.27, and RAFs should be reduced by \$110.25. The final post-repression revenue requirement for the wastewater system should be \$113,643.

In order to monitor the effect of the changes to rate structure and revenue, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with the Commission, 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

Docket No. 080714-WS

Date: May 18, 2009

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

Preliminary Recommendation: The appropriate rate structure for the water system's residential class is a monthly base facility charge (BFC) which includes a two-tier inclining block rate structure, with usage blocks set at 0-10 kgals and usage in excess of 10 kgals, and rate factors of 1.0 and 1.50. The appropriate rate structure for the water system's non-residential class is a traditional BFC/uniform gallonage charge. The water system's BFC cost recovery should be set at 35 percent. The appropriate rate structure for the wastewater system's residential and non-residential class is a monthly BFC/uniform gallonage. The non-residential gallonage charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent. The residential wastewater cap should remain set at 8,000 gallons (8 kgals). (Bruce)

Staff Analysis: The Utility currently has a BFC uniform/gallonage charge rate structure for the water system's residential and non-residential class. The monthly BFC is \$9.14 and the usage charge is \$1.37 per kgals.

Water Rates: Staff performed a detailed analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: 1) allow the Utility to recover its revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement, where appropriate, water conserving rate structures consistent with the Commission's goals and practices.

Hidden Valley SPE, LLC d/b/a Orange Lake Mobile Home Park is located in the St. Johns River Water Management District (SJRWMD). Prior to 2001, Orange Lake experienced high water usage, and the District required the Utility to submeter all individual homes and miscellaneous uses within the mobile home park. As a part of the Orange Lake's consumptive use permit (CUP), the Utility had been required by the District to form a private utility capable of charging for water and wastewater to promote water conservation. As a result of the water conservation efforts, the Utility has reduced its usage. Also, as indicated in the CUP, Condition No. 21 states that the permittee must maintain the rate structure proposed in the Water Plan. The rate structure in the Water Plan is the BFC/uniform gallonage charge. However, staff has been in close contact with the District and they have indicated that they are in favor of PSC staff implementing an inclining block rate structure as the choice of rate structure.

Based on staff's analysis, the customer's monthly overall consumption is 5.1 kgals and the customer base is non-seasonal. The mobile home park is comprised of families that consist of at least four to five people. For this reason, staff believes it is appropriate to increase the threshold for a customer's essential usage to approximately 9.8 kgals per month. Staff's billing data indicates there is a small portion of the customers consume over 10 kgals a month. Based on the above, staff believes it is appropriate to set a two-tier inclining block rate structure, with usage blocks set at 0-10 kgals and usage in excess of 10 kgals. The two-tiered rate structure will lower bills for customers using less than 10 kgal per month, while also sending a water conserving price signal to customers using more than 10 kgal per month.

Staff's recommended rate design for the water system is shown on Table 10-1 on the following page. Staff also presented two alternative rate structures to illustrate other recovery methodologies. The current rate and Alternatives 1 and 2 result in price increases at all levels of consumption.

TABLE 10-1

HIDDEN VALLEY d/b/a ORANGE LAKE MOBILE HOME PARK STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC = 58%		2-Tier Inclining Block Rate Structure Rate Factors 1.0 and 1.50 BFC = 35%	
BFC	\$9.14	BFC	\$11.30
All kgals	\$1.37	0-10 kgals	\$4.47
		10+ kgals	\$6.70
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$9.14	0	\$11.30
1	\$10.51	1	\$15.77
3	\$13.25	3	\$24.21
5	\$15.99	5	\$33.65
10	\$22.84	10	\$56.00
20	\$36.54	20	\$123.00
Alternative 1		Alternative 2	
2- Tier Inclining Block Rate Structure Rate Factors 1.0 and 1.25 BFC = 25%		2- Tier Inclining Block Rate Structure Rate Factors 1.0 and 1.50 BFC = 40%	
BFC	\$8.06	BFC	\$12.92
0-10 kgals	\$5.28	0-10 kgals	\$4.08
10 + kgals	\$7.92	10+ kgals	\$6.12
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$8.06	0	\$12.92
1	\$13.34	1	\$17.00
3	\$23.90	3	\$25.16
5	\$34.46	5	\$33.32
10	\$60.86	10	\$53.72
20	\$140.06	20	\$114.92

Furthermore, staff recommends that the initial BFC cost recovery of 58.6 percent be reduced to 35 percent. Staff's recommended BFC allocation is appropriate because it allows more of the cost recovery to be recovered through the gallonage charge. Also, the recommended BFC cost recovery

will enable customers at non-discretionary levels of consumption to pay a slightly lesser price for their water consumption. The Commission has a Memorandum of Understanding (MOU) with the five Water Management Districts to set the BFC such that the utilities recover no more than 40 percent of the revenues to be generated from monthly service.

Based on the foregoing, staff recommends that the current water system rate structure be changed to a two tier inclining block rate structure with usage blocks set at 0-10 kgals and usage in excess of 10 kgals. The appropriate usage rate factors should be 1.0 and 1.50. The appropriate rate structure for the water system's non-residential class is a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 35 percent.

Wastewater Rates: The Utility's current rate structure consists of a BFC/gallonage rate structure for the wastewater systems' residential and non-residential class. The monthly BFC is \$9.22 and the usage charge is \$1.74.

The accounting staff's initial allocation for the wastewater BFC cost recovery for the residential class is 50 percent. Staff believes the accounting staff's BFC allocation is appropriate because it falls within Commission's practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants. Also, the revenue requirement increase for the wastewater system is significantly high. Therefore, the recommended rates are going to be significantly higher than the current rates. However, staff believes that the BFC allocation of 50 percent produces rates that are reasonable under the circumstances.

Furthermore, a review of the billing data indicates that setting the residential monthly wastewater cap at 8 kgals is appropriate. Therefore, staff recommends that the Utility's current residential monthly wastewater cap of 8 kgals remains unchanged. Also, staff recommends that general service gallonage charge is 1.2 times greater than the residential charge.

Staff's recommended rate design for the wastewater system is shown on Table 10-2 on the following page. Staff also presented two alternative rate structures to illustrate other recovery methodologies. The current rate and Alternatives 1 and 2 result in price increases at all levels of consumption.

TABLE 10-2

HIDDEN VALLEY d/b/a ORANGE LAKE MOBILE HOME PARK STAFF'S RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC =57%		BFC/uniform kgals charge BFC = 50%	
BFC	\$9.22	BFC	\$19.92
All kgals	\$1.74	All kgals	\$5.31
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$9.22	0	\$19.92
1	\$10.96	1	\$25.23
3	\$14.44	3	\$35.85
6	\$19.66	6	\$51.78
8	\$23.14	8	\$62.40
Alternative 1		Alternative 2	
BFC/uniform kgals charge BFC = 60%		BFC/uniform kgals charge BFC =70%	
BFC	\$23.72	BFC	\$27.72
All kgals	\$4.29	All kgals	\$3.22
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$23.72	0	\$27.72
1	\$28.01	1	\$30.94
3	\$36.59	3	\$37.38
6	\$49.46	6	\$47.04
8	\$58.04	8	\$53.48

Based on the foregoing, staff recommends that the appropriate rate structure for the wastewater system's residential and non-residential are changed to a monthly BFC/uniform gallonage charge rate structure. The wastewater gallonage cap should remain set at 8 kgals per month. The general service gallonage charge is 1.2 times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent.

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

Preliminary Recommendation: The appropriate monthly water and wastewater rates are shown on Schedules Nos. 4-A and 4-B, respectively. The recommended rates should be designed to produce revenue \$94,384 for water and \$113,643 for wastewater, excluding miscellaneous service 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 on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Bruce, Deason)

Staff Analysis: Excluding miscellaneous service revenues, the recommended rates should be designed to produce of revenue \$94,384 for the water system and \$113,643 for the wastewater system.

Staff recommends that the current water system rate structure be changed to a two tier inclining block rate structure with usage blocks set at 0-10 kgals and usage in excess of 10 kgals. The appropriate usage rate factors should be 1.0 and 1.50. The appropriate rate structure for the water system's non-residential class is a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 50 percent. Staff recommends that the appropriate rate structure for the wastewater systems' residential and non-residential are changed to a monthly BFC/uniform gallonage charge rate structure. The wastewater gallonage cap should be set at 6 kgals per month. The general service gallonage charge is 1.2 times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent.

The approved rates should be effective for service rendered on or after stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Based on the foregoing, the appropriate rates for monthly service for the water and wastewater systems are shown on Schedules 4-A and 4-B.

Issue12: 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 No. 4 and 4-A, respectively, 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. (Deason)

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, the associated return included in working capital, and the gross-up for RAFs which is \$456 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 Schedule No. 4 and 4-A.

The Utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

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

Issue 13: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Deason)

Staff Analysis: This recommendation proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon the staff's approval of appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$78,068. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect, and,
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;

- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments; and
- 8) The Commission Clerk must be a signatory to the escrow agreement.
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

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

Docket No. 080714-WS

Date: May 18, 2009

Issue 14: Should the Utility be required to submit a revised Regulatory Assessment Fee (RAFs) for 2008?

Preliminary Recommendation: Yes. The Utility should be required to revise its 2008 RAF's by \$36 for water and \$149 for wastewater. (Deason)

Staff Analysis: The Utility reported test year RAFs of \$2,012 for the water system and \$1,950 for the wastewater system based on reported test year revenues of \$44,665 for water and \$46,291 for wastewater. According to Audit Finding No. 7, staff has recalculated RAF's to be \$2,048 for water and \$2,099 for wastewater. Therefore, the Utility will need to revise its 2008 RAF's by \$36 for water and \$149 for wastewater and submit additional payment to the PSC. Staff recommends RAFs of \$2,048 for water and \$2,099 for wastewater.

Docket No. 080714-WS

Date: May 18, 2009

Issue 15: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission approved adjustments?

Preliminary Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Orange Lake should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made. (Deason)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, staff recommends that Orange Lake provide proof within 90 days of the final order issued in this docket that the adjustments for all the applicable NARUC USOA primary accounts have been made.

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES TEST YEAR ENDING 12/31/2008 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 080714-WS	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$587,230	\$28,711	\$615,941
2. LAND & LAND RIGHTS	4,600	0	4,600
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(107,789)	0	(107,789)
5. ACCUMULATED DEPRECIATION	(305,376)	5,407	(299,969)
6. AMORTIZATION OF CIAC	61,729	2,059	63,788
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>5,379</u>	<u>5,379</u>
8. WATER RATE BASE	<u>\$240,394</u>	<u>\$41,556</u>	<u>\$281,950</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES			
TEST YEAR ENDING 12/31/2008			
SCHEDULE OF WASTEWATER RATE BASE			
SCHEDULE NO. 1-B			
DOCKET NO. 080714-WS			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$422,847	\$137,947	\$560,794
2. LAND & LAND RIGHTS	3,750	0	\$3,750
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(178,699)	0	(178,699)
5. ACCUMULATED DEPRECIATION	(306,707)	(16,792)	(323,499)
6. AMORTIZATION OF CIAC	110,689	1,249	111,938
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,485</u>	<u>7,485</u>
8. WASTEWATER RATE BASE	<u>\$51,880</u>	<u>\$129,889</u>	<u>\$181,769</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-C
DOCKET NO. 080714-WS

	<u>WATER</u>	<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. To record retired water pump	(\$4,406)	\$0
2. To include 2007 plant additions	42,918	133,031
3. To record 2007 retired plant	(12,750)	0
4. To record 2008 plant additions	3,193	10,982
5. To record 2008 retired plant	(1,045)	(1,151)
6. To reflect averaging adjustment	(1,074)	(4,916)
7. To include 2009 Pro Forma Plant Valves	<u>1,875</u>	<u>0</u>
Total	<u>\$28,711</u>	<u>\$137,947</u>
<u>ACCUMULATED DEPRECIATION</u>		
1. To reflect accumulated depreciation per rule	(\$4,083)	(\$30,285)
2. To reflect averaging adjustment	9,352	13,493
3. To reflect 2009 Pro Forma Accumulated Depreciation	<u>94</u>	<u>0</u>
Total	<u>\$5,407</u>	<u>(\$16,792)</u>
<u>AMORTIZATION OF CIAC</u>		
1. To reflect appropriate Accumulated Amortization of CIAC	\$3,390	\$3,634
2. To reflect averaging adjustment	<u>(1,332)</u>	<u>(2,385)</u>
Total	<u>\$5,407</u>	<u>(\$16,792)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
To reflect 1/8 of test year O & M expenses.	<u>\$5,379</u>	<u>\$7,485</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 080714-WS

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. COMMON EQUITY	\$1,292,779,443	\$0	\$1,292,779,443					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. TREASURY STOCK	0	0	0					
5. TOTAL COMMON EQUITY	\$1,292,779,443	\$0	\$1,292,779,443	(\$1,292,779,443)	\$191,199	42.43%	12.36%	5.25%
6. LONG TERM DEBT-Note	\$1,753,785,919	\$0	\$1,753,785,919	(\$1,753,526,538)	\$259,381	57.57%	5.51%	3.71%
TOTAL LONG TERM DEBT	\$1,753,785,919	\$0	\$1,753,785,919	(\$1,753,526,538)	\$259,381	57.57%	5.51%	3.71%
8. CUSTOMER DEPOSITS	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
9. TOTAL	<u>\$3,046,565,362</u>	<u>\$0</u>	<u>\$3,046,565,362</u>	<u>\$3,046,114,782</u>	<u>\$450,580</u>	<u>100.00%</u>		<u>8.42%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>11.36%</u>	<u>13.36%</u>	
OVERALL RATE OF RETURN						<u>7.99%</u>	<u>8.84%</u>	

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES TEST YEAR ENDING 12/31/2008 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 080714-WS		
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$44,665</u>	<u>\$2,384</u>	<u>\$47,049</u>	<u>\$47,049</u> 101.98%	<u>\$95,031</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$34,112	\$8,923	\$43,035	0	\$43,035
3. DEPRECIATION (NET)	0	19,842	19,842	0	19,842
4. AMORTIZATION	0	2,663	2,663	0	2,663
5. TAXES OTHER THAN INCOME	2,890	702	3,592	2,159	5,751
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,771</u>
7. TOTAL OPERATING EXPENSES	<u>\$37,002</u>	<u>\$32,129</u>	<u>\$69,131</u>	<u>\$2,159</u>	<u>\$71,290</u>
8. OPERATING INCOME/(LOSS)	<u>\$7,663</u>		<u>(\$22,082)</u>		<u>\$23,740</u>
9. WATER RATE BASE	<u>\$240,394</u>		<u>\$281,950</u>		<u>\$281,950</u>
10. RATE OF RETURN	<u>3.19%</u>		<u>-7.83%</u>		<u>8.42%</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES			SCHEDULE NO. 3-B		
TEST YEAR ENDING 12/31/2008			DOCKET NO. 080714-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR	STAFF	STAFF	ADJUST.	REVENUE
	PER UTILITY	PER UTILITY	ADJUSTED	FOR	REQUIREMENT
			TEST YEAR	INCREASE	
1. OPERATING REVENUES	<u>\$46,291</u>	<u>\$1,161</u>	<u>\$47,452</u>	<u>\$68,751</u> 144.89%	<u>\$116,203</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$60,336	(\$453)	\$59,883	0	\$59,883
3. DEPRECIATION (NET)	0	28,136	28,136	0	28,136
4. AMORTIZATION	0	4,770	4,770	0	4,770
5. TAXES OTHER THAN INCOME	2,828	2,188	5,016	3,094	8,110
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$63,164</u>	<u>\$34,641</u>	<u>\$97,805</u>	<u>\$3,094</u>	<u>\$100,898</u>
8. OPERATING INCOME/(LOSS)	<u>(\$16,873)</u>		<u>(\$50,353)</u>		<u>\$15,305</u>
9. WATER RATE BASE	<u>\$51,880</u>		<u>\$181,769</u>		<u>\$181,769</u>
10. RATE OF RETURN	<u>-32.52%</u>		<u>-27.70%</u>		<u>8.42%</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES
TEST YEAR ENDING 12/31/2008
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 080714-WS

	<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES		
To reflect the appropriate test year annualized revenue	<u>\$2,384</u>	<u>\$1,161</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Purchased Power Expense (615,715)		
To remove overstated purchased power expense	\$0	(\$884)
To include understated Purchased Power	5,229	0
To adjust for excessive unaccounted for water	<u>(697)</u>	<u>0</u>
Subtotal	<u>\$4,532</u>	<u>(\$884)</u>
2. Contractual Services - Testing (635,735)		
To reflect annual DEP testing	<u>\$528</u>	<u>\$0</u>
3. Contractual Services - Other (636,736)		
To include understated Contractual Services	\$2,232	\$0
To amortize DEP required tank inspection and cleaning	<u>1,200</u>	<u>0</u>
Subtotal	<u>\$3,432</u>	<u>\$0</u>
4. Regulatory Commission Expense (665,765)		
To amortize rate case expense	<u>\$431</u>	<u>\$431</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$8,923</u>	<u>(\$453)</u>
DEPRECIATION EXPENSE		
1. To reflect net depreciation calculated per 25-30.140, FAC	\$19,748	\$28,136
2. To reflect 2009 pro forma Depreciation Expense	<u>94</u>	<u>0</u>
Total	<u>(\$19,842)</u>	<u>(\$28,136)</u>
TAXES OTHER THAN INCOME		
1. To reflect test year RAFs	\$36	\$149
2. To reflect test year property taxes	824	2,197
3. Payroll Tax	<u>(158)</u>	<u>(158)</u>
Total	<u>\$702</u>	<u>\$2,188</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES		SCHEDULE NO. 3-D	
TEST YEAR ENDING 12/31/2008		DOCKET NO. 070714-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$9,412	\$0	\$9,412
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSION & BENEFITS	1,870	0	1,870
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	136	4,532	4,668
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	2,653	0	2,653
(620) MATERIALS AND SUPPLIES	377	0	377
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	5,087	0	5,087
(635) CONTRACTUAL SERVICES - TESTING	13,408	528	13,936
(636) CONTRACTUAL SERVICES - OTHER	1,046	3,432	4,478
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	431	431
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>123</u>	<u>0</u>	<u>123</u>
	<u>\$34,112</u>	<u>\$8,923</u>	<u>\$43,035</u>

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES**SCHEDULE NO. 3-E****TEST YEAR ENDING 12/31/2008****DOCKET NO. 080714-WS****ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE**

	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$9,412	\$0	\$9,412
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSION & BENEFITS	1,870	0	1,870
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	17,118	0	17,118
(715) PURCHASED POWER	10,987	(884)	10,103
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	8,331	0	8,331
(720) MATERIALS AND SUPPLIES	171	0	171
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	2,044	0	2,044
(735) CONTRACTUAL SERVICES - TESTING	10,279	0	10,279
(736) CONTRACTUAL SERVICES - OTHER	0	0	0
(740) RENTS	0	0	0
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	0	0	0
(765) REGULATORY COMMISSION EXPENSE	0	431	431
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	<u>124</u>	<u>0</u>	<u>124</u>
	<u>\$60,336</u>	<u>\$(453)</u>	<u>\$59,883</u>

**HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE
 UTILITIES
 TEST YEAR ENDING 12/31/2008
 MONTHLY WATER RATES**

**SCHEDULE NO. 4
 DOCKET NO. 080714-WS**

	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>General and Residential Service</u>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$9.14	\$11.30	\$0.09
3/4"	\$9.14	\$16.95	\$0.13
1"	\$9.14	\$28.25	\$0.22
1-1/2"	\$9.14	\$56.50	\$0.44
2"	\$9.14	\$90.40	\$0.70
3"	\$9.14	\$180.80	\$1.41
4"	\$9.14	\$282.50	\$2.20
6"	\$9.14	\$565.00	\$4.40
<u>Residential Gallonage Charge</u>			
Per 1,000 gallons	\$1.37		
Per 1,000 gallons, 0-10 kgal		\$4.47	\$0.01
Per 1,000 gallons, 10+ kgal		\$6.70	\$0.01
<u>General Service Gallonage Charge</u>			
Per 1,000 gallons	\$1.37	\$4.54	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$13.25	\$24.71	
5,000 Gallons	\$15.99	\$33.65	
10,000 Gallons	\$22.84	\$56.00	

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITIES TEST YEAR ENDING 12/31/2008 MONTHLY WASTEWATER RATES		SCHEDULE NO. 4-A DOCKET NO. 080714-WS	
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>			
(all meter sizes)	\$9.22	\$19.92	\$0.08
<u>General Service</u>			
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$9.22	\$19.92	\$0.08
3/4"	\$9.22	\$29.88	\$0.12
1"	\$9.22	\$49.80	\$0.19
1-1/2"	\$9.22	\$99.60	\$0.39
2"	\$9.22	\$159.36	\$0.62
3"	\$9.22	\$318.72	\$1.23
4"	\$9.22	\$498.00	\$1.93
6"	\$9.22	\$996.00	\$3.85
<u>Residential Gallonage Charge</u>			
Per 1,000 gallons	\$1.74		
Per 1,000 gallons (capped at 8,000 gallons)		\$5.31	\$0.02
<u>General Gallonage Charge</u>			
Per 1,000 gallons	\$1.74	\$6.37	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$14.44	\$35.85	
5,000 Gallons	\$17.92	\$46.47	
10,000 Gallons	\$26.62	\$62.40	