

STATE OF FLORIDA

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(850) 413-6900

Public Service Commission

November 24, 2009

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William Carey  
TLP Water, Inc.  
12315 U.S. Highway 441  
Tavares, FL 32778-4515

Re: Docket No. 090244-WU - Staff Assisted Rate Case for TLP, Inc. in Lake County

Dear Mr. Carey:

Enclosed are two copies of the staff report. Please ensure that a copy 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:

TLP Water, Inc.  
12315 U.S. Highway 441  
Tavares, FL 32778-4515

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-7021.

Sincerely,  
  
Shannon J. Hudson  
Regulatory Analyst IV

Enclosures

/SH

cc: Division of Economic Regulation (Bulecza-Banks, Fletcher, Daniel, Walden)  
Office of General Counsel (Klancke)  
Office of Commission Clerk (090244-WU)

DOCUMENT NUMBER 0411  
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State of Florida



## Public Service Commission

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

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** November 18, 2009

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

**FROM:** Shannon J. Hudson, Regulatory Analyst IV *SH*  
Sonica Bruce, Regulatory Analyst III *SB*  
Tom Walden, Utilities System/Engineering Specialist *TW*

**RE:** Docket No. 090244-WU – Application for staff-assisted rate case in Lake County by TLP Water, Inc.

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- STAFF REPORT -

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

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### 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 January 13, 2010 for the January 26, 2010, 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.

TLP Water, Inc. (TLP or Utility) is a Class C utility serving 53 water customers in Lake County. The Utility is located in the St. Johns River Water Management District (SJRWMD) area where water use restrictions apply. Wastewater treatment is provided by septic tanks. According to TLP's 2008 Annual Report, total gross revenue was \$22,520 for water. The Utility's operating expenses were \$38,838 for water.

Three Lakes Mobile Home Park is a privately owned property formerly known as Cari's Camp. In 1945, Cari's Camp installed a small 4-inch well to provide water service to the area. A 1948 agreement required Cari's Camp to supply water to the residents on Lakeside Lane and Canal Street, which are located outside of the park. The camp became known as the Three Lakes Mobile Home Park in the 1960s. The Commission received jurisdiction over Lake County in 1972.<sup>1</sup> In 1992, Three Lakes Mobile Home Park was incorporated as a non-profit cooperative. The mobile home park believed it was exempt from the Commission's jurisdiction, pursuant to Section 367.022, Florida Statutes (F.S.); however, the Utility continued to serve customers outside the cooperative, which actually rendered it subject to the Commission's jurisdiction. Recently, the Commission granted Water Certificate No. 644-W, to TLP and established a flat rate for service of \$39.<sup>2</sup>

By Order No. PSC-09-0605-PCO-WU, issued September 8, 2009, in this docket, the Commission approved a 80.57 percent interim rate increase, subject to refund with interest, for TLP. However, to date, the Utility has not implemented the interim rates due to problems with obtaining security.

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<sup>1</sup> See Order No. 5472, issued June 30, 1972, in Docket No. 5818-WS, In re: Jurisdictional Resolutions from Boards of County Commissioners adopting the Water and Sewer System Regulatory Law, Chapter 71-278, Laws of Florida, (Chapter 367, Florida Statutes). Resolution Adopted by Lake County.

<sup>2</sup> See Order No. PSC-09-0542-PAA-WU, issued August 4, 2009, in Docket No. 080499-WU, In re: Application for certificate to operate water utility in Lake County by TLP Water, Inc.

### Discussion of Issues

**Issue 1:** Is the quality of service provided by TLP Water, Inc., satisfactory?

**Preliminary Recommendation:** No. The overall quality of service is marginal due to outstanding issues with the water distribution system. (Walden)

**Staff Analysis:** Pursuant to Rule 25-30.433(1), Florida Administrative Code, (F.A.C.), the Commission determines the overall quality of service a utility provided by evaluating the quality of the Utility's product, the operational conditions of the Utility's plant and facilities, and the Utility's attempt to address customer satisfaction. The Utility's compliance with the Florida Department of Environmental Protection's (DEP) regulations and customer comments or complaints received by the Commission are also reviewed. Staff conducted a field inspection of the Utility's facilities on July 9, 2009.

#### **Quality of the Product**

Lake County falls under review by DEP's Central District. The District has worked closely with TLP over the last two years while the Utility upgraded its water plant and system. Water quality provided by the utility meets standards set forth by the DEP and chemical analyses are current. In reviewing the data available, it appears that the quality of the product is satisfactory.

#### **Operational Conditions at the Plant**

The last Sanitary Survey conducted by the DEP on March 14, 2008 listed a number of deficiencies and there are still two items which remain incomplete. Improvements made recently include a 2" water line replacement noted above, a new hydropneumatic tank and pressure controls, a new well pump, a new protective structure over the well and pressure tank, and a fence around the plant site. The Utility has a contract operator who submits monthly operating reports, draws water samples, and monitors the operation of the water system. Installation of water meters to each customer is planned.

A hearing is scheduled with the DEP for December 26, 2009, in Lake County to address the outstanding deficiencies. It is anticipated that DEP and the Utility will reach agreement and prepare a consent order to correct the deficiencies. The Utility is required to pressure test a new section of 2" water main that was installed, replacing a former 2" main that was leaking, but property owners refuse access to the property to allow testing. A second deficiency is to replace a water line that crosses a canal and install a new water line that meets current design standards, but the funds needed to accomplish that improvement are not available.

Staff believes that the Utility is making a significant effort to provide good service to its customers. Due to the outstanding deficiencies noted, staff recommends that operational conditions be considered marginal.

**Customer Satisfaction**

The Commission became aware of this system from customer complaints concerning rates charged by TLP. The customer base includes a mobile home park cooperative and some single family homes outside the park. Plant improvements noted above triggered complaints to the Commission when cash operational shortfalls developed, not all customers were paying bills for service, and discontinuance of service was discussed. The complaints came to staff's attention during the processing of the Utility's certificate application and those have been resolved.

The utility tracks complaints received by customers and there are no unresolved complaints pending. The Commission's CATS system has no complaints on file. The service area is small and with the Utility President living in the service area, customer complaints receive prompt attention. The Utility President knows every customer.

**Summary**

Staff recommends that the service provided to the customers is adequate. Additional work and improvements are needed for the water system and those are intended to be accomplished as funds become available. Staff recommends that the overall quality of service be found marginal, primarily due to outstanding issues with the DEP. Additional data will be provided pending the outcome of the customer meeting to be held in December.

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**Issue 2:** What are the used and useful percentages of the Utility's plant and distribution system?

**Preliminary Recommendation:** The water plant and distribution system for TLP Water, Inc. are 100 percent used and useful. (Walden)

**Staff Analysis:** The TLP Water system has only one well. The distribution system for TLP is installed to serve the current 53 connections which include 32 mobile homes in the Three Lakes Park Co-op, a clubhouse, and 21 homes outside the park. There is no room for expansion and the service area is built out. Pursuant to Rule 25-30.4325(4), F.A.C., water plants with a single well are deemed 100 percent used and useful. Staff concludes and recommends that the water plant and distribution system be determined 100 percent used and useful.

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

**Preliminary Recommendation:** The appropriate average test year rate base for TLP should be \$68,106. (Hudson)

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

Staff selected a test year ended June 30, 2009, for this rate case. Rate base for this Utility has never been established. 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 staff engineer did not complete a original cost study. Because of the age of system, the staff engineer determined that all original rate base components are fully depreciated. Adjustments have been made to match plant additions contained in the audit through June 30, 2009. A summary of each component and the adjustments follows:

**Utility Plant in Service (UPIS):** The Utility recorded \$0 of UPIS for the test year ended June 30, 2009 for water. Staff has made an adjustment to increase UPIS by \$70,581 to reflect plant additions contained in the audit. Also, staff has decreased UPIS by \$35 to reflect an averaging adjustment. Staff's net adjustment to UPIS is an increase of \$70,546 for water. Staff's recommended UPIS balance is \$70,546.

**Non-used and Useful Plant:** As discussed in Issue No. 2 of this staff report, the Utility's water treatment plant and water distribution system should be considered 100 percent used and useful.

**Accumulated Depreciation:** TLP recorded a balance for accumulated depreciation of \$0 for the test year. Staff has calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, F.A.C. and determined that accumulated depreciation should be \$6,524. Also, staff decreased this account by \$1,223 to reflect an averaging adjustment. These adjustments result in accumulated depreciation of \$5,301.

**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 operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$2,861 (based on O&M of \$22,886). Working capital has been increased by \$2,861 to reflect one-eighth of staff's recommended O&M expenses.

**Rate Base Summary:** Based on the forgoing, staff recommends that the appropriate test year average rate base is \$68,106. Rate base is shown on Schedule No. 1-A, and staff's adjustments are shown on Schedule No. 1-B.



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

**Preliminary Recommendation:** The appropriate return on equity is 12.01 percent with a range of 11.01 percent–13.01 percent. The appropriate overall rate of return is 12.00 percent. (Hudson)

**Staff Analysis:** The Utility recorded long term debt of \$136,866 with a cost rate of 12 percent. The appropriate rate of return on equity is 11.30 percent using the most recent Commission-approved leverage formula.<sup>3</sup> 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 resulting in an overall rate of return of 12.00 percent. The return on equity and overall rate of return are shown on Schedule No. 2.

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<sup>3</sup> See Order No. PSC-09-0430-PAA-WS, issued June 19, 2009, in Docket No. 090006-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.

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**Issue 5:** What are the appropriate amount of test year revenues?

**Preliminary Recommendation:** The appropriate test year revenue for this Utility is \$24,804. (Hudson)

**Staff Analysis:** TLP recorded total revenues of \$14,776 for the 12-month period ended June 30, 2009. Pursuant to Audit Finding No. 4, the Utility has 53 customers that are billed a flat rate of \$39 per month. This results in revenues of \$24,804 ( $53 \times \$39 \times 12$ ). Therefore, staff has increased test year revenues by \$10,028 ( $\$24,804 - \$14,776$ ). Test year revenues are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

**Issue 6:** What are the appropriate operating expenses?

**Preliminary Recommendation:** The appropriate amount of operating expenses for TLP is \$26,911. (Hudson)

**Staff Analysis:** The Utility recorded operating expenses of \$32,094 during the test year ending June 30, 2009. 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 TLP's operating expenses as summarized below:

**Material and Supplies – (620)** – The Utility recorded \$3,412 in this account during the test year. Staff has decreased material and supplies by \$492 to remove out of period expenses. Staff recommends material and supplies expense for the test year of \$2,920.

**Contractual Services – Professional – (631)** – TLP recorded \$14,263 in this account during the test year. The account consisted of legal fees paid by the Utility in obtaining its certificate from the Commission. It also consisted of legal fees paid as a result of a pending litigation issue with the DEP. Staff has amortized the legal fees over five years that TLP incurred to obtain its certificate. As result, staff reduced this account by \$1,593 (\$1,991-(\$1,991/5)). Staff has removed the legal fees of \$6,870 which related to a pending issue. Based on the above adjustments, staff recommends contractual services – professional expense of \$5,800.

**Contractual Services – Other – (636)** – The Utility recorded \$6,445 in this account during the test year. Staff has decreased this account by \$553 to remove out of period expenses. Staff recommends contractual services other expense for the test year of \$5,892.

**Regulatory Commission Expense – (665)** – TLP recorded \$0 in this account during the test year. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period. The Utility paid a \$500 rate case filing fee for water. TLP is required by Rule 25-22.0407(9)(b), F.A.C., to mail notices of the customer meeting to its customers. Staff has estimated noticing expense for water of \$47 postage expense, \$49 printing expense, and \$5 for envelopes. The above results in a total rate case expense for the filing fee and noticing of \$601 and a four year amortization of \$150. Staff recommends regulatory commission expense for the test year of \$150.

**Miscellaneous Expense – (675)** – The Utility recorded \$1,502 in this account for the test year. Staff has increased this account by \$150 (\$750/5) to amortize the application fee for the certification over five years. Staff recommends miscellaneous expense for the test year of \$1,652.

**Operation and Maintenance Expense (O&M Summary)** – Based on the above adjustments, O&M should be decreased by \$9,208. Staff's recommended O&M expenses of \$22,886 are shown on Schedule 3-C.

**Depreciation Expense (Net of Amortization of CIAC)** – The Utility recorded depreciation expense of \$0 during the test year. Staff calculated test year depreciation expense using the rates

prescribed in Rule 25-30.140, F.A.C. and determined depreciation expense to be \$2,446. TLP has no amortization of CIAC. Therefore, staff recommends net depreciation expense of \$2,446.

Taxes Other Than Income (TOTI) – The Utility recorded taxes other than income of \$0 for water. Based on staff's calculated test year revenue, TLP's regulatory assessment fees (RAFs) should be \$1,116 and staff has increased this account accordingly.

Income Tax – The Utility is an 1120C Corporation and did not record income tax for the test year. Based on its current income tax return, TLP has a large amount of net loss carry forwards. These net loss carry forwards are sufficient enough to offset any income tax liability for the next couple of years. Therefore, staff has not made any adjustments 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 \$26,911. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

**Issue 7:** What is the appropriate revenue requirement?

**Preliminary Recommendation:** The appropriate revenue requirement is \$35,084 for water. (Hudson)

**Staff Analysis:** The Utility should be allowed an annual increase of \$10,280 (41.44 percent) for water. This will allow TLP the opportunity to recover its expenses and earn a 12.00 percent return on its investment. The calculation is as follows:

	<u>Water</u>
Adjusted Rate Base	\$68,106
Rate of Return	x .1200
Return on Rate Base	<u>\$ 8,173</u>
Adjusted O & M expense	22,886
Depreciation expense (Net)	2,446
Amortization	0
Taxes Other Than Income	1,579
Income Taxes	<u>0</u>
Revenue Requirement	\$35,084
Less Test Year Revenues	<u>24,804</u>
Annual Increase	<u>\$10,280</u>
Percent Increase/(Decrease)	<u>41.44%</u>

The recommended revenue requirement is shown on Schedule No. 3-A.

**Issue 8:** Should the Utility's current rate structure be changed, and if so, what is the appropriate rate structure for the Utility's water system?

**Preliminary Recommendation:** No. Due to the lack of metered data coupled with low average consumption due to a highly seasonal customer base, staff recommends a continuation of a flat rate structure. However, staff recommends that a dual flat rate is appropriate to include a flat rate for both residences that are occupied year round and a reduced flat rate for residences that are unoccupied during the off-season. (Bruce)

**Staff Analysis:** TLP provides water service to 53 unmetered customers which includes one general service customer. Wastewater treatment is provided by septic tanks. The service area is over 60 years old and the Utility serves a mobile home park. Also, TLP serves residents on Lakeside Lane and Canal Street, which are located outside the mobile home park. A 1948 agreement required the Utility to supply water to the residents on Lakeside Lane and Canal Street.

As indicated in the Utility's current tariff, the rate structure consists of a flat rate charge of \$39.00. In 2008, this rate was negotiated between TLP and its customers on Lakeside Lane and Canal Street. The current rate structure became effective in Order No. 080499-WU, issued on August 4, 2009 when the Utility was granted water and wastewater certificates.

TLP is located in the St. Johns River Water Management District (SJRWMD). However, the Utility falls below the permitting threshold and is therefore considered non-jurisdictional by the SJRWMD.

Rule 25-30.255(1), Florida Administrative Code, requires that each utility measure water sold on the basis of metered volume sales unless the Commission approves a flat rate service arrangement. Staff sought to convert the utility's flat rate structure to a conservation oriented rate structure. However, there is a lack of metered data. Staff has been in contact with the Utility owner, Mr. Kerry and he has indicated to staff that fourteen meters have been placed on Lakeside Lane. However, Mr. Kerry is awaiting a loan from the Federal Government to complete individual metering in the service area. He also indicated that the time anticipated to complete metering is not yet known. This is an indication that a flat rate structure may be appropriate for this case.

Although staff is lacking consumption data, staff calculated the customer's average consumption of 2.57 kgals per month based on total number of gallons taken from the 2008 Monthly Operating Reports less 10 percent unaccounted-for-water, divided by the total number of bills. This number is relatively low for an unmetered customer base which indicates that there is virtually no discretionary usage. Therefore, staff recommends that the flat rate structure be continued. In the past, the Commission has implemented a flat rate structure when it is not possible to obtain accurate consumption data.<sup>4</sup>

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<sup>4</sup> See Order No. PSC-03-0740-PAA-WS, issued June 23, 2003 in Docket No. 021067-WS, In re: Application for staff-assisted rate case in Polk County by River Ranch Water Management, LLC.

Furthermore, as mentioned earlier, the utility's current rate structure consists of a flat rate structure. Also, the customer base is very seasonal wherein over half of the residences are unoccupied six months out of the year. Therefore, staff believes that an unoccupied flat rate charge is appropriate for the seasonal customers while they are out of residence during the year. This will allow the unoccupied residence to pay only fixed costs that are associated with the utility rather a flat rate that includes variable costs. This rate was calculated based on staff's recommended flat rate for the residence that are occupied year round times staff's percentage allocation of fixed costs.

When the meters have been placed and there is at least 12 months of consumption data, staff will be able to implement BFC/gallonage charge rate structure in a subsequent rate proceeding. This will be consistent with Commission policy and with the overall statewide goal of eliminating conservation-d discouraging water rate structures.

Based on the foregoing, staff recommends that a dual flat rate structure which includes rates for the occupied and unoccupied residence is appropriate for the water system's residential and non-residential class.

**Issue 9:** Is an adjustment to reflect repression of consumption appropriate at this time?

**Preliminary Recommendation:** No, a repression adjustment is not appropriate at this time.  
(Bruce)

**Staff Analysis:** As previously discussed in Issue 8, staff is recommending that a flat rate structure be continued by the utility at this time. Due to the fact that a flat rate structure will not let customers reduce their bills by reducing consumption, staff does not believe that a reduction in consumption will occur. Therefore, a repression adjustment is not appropriate at this time.



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Date: November 18, 2009

**Issue 10:** In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

**Preliminary Recommendation:** The Utility did not implement the Commission approved interim rates. Therefore, no refund is necessary.

**Staff Analysis:** In Order No. PSC-09-0605-PCO-WS, issued on September 8, 2009, interim water rates were approved subject to refund, pursuant to Section 367.0814(4), F.S. The approved interim revenue from rates is shown below:

<u>Water</u>	<u>Revenues</u>	<u>Increase</u>	<u>Percentage</u>
	\$40,668	\$18,148	80.57%

To date, TLP has not implemented the Commission approved interim rates. Therefore, no refund is necessary.

**Issue 11:** 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.?

**Preliminary Recommendation:** The water rates should be reduced as shown on Schedule No. 4, 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. TLP 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, the associated return on working capital, and the gross-up for RAFs which is \$157 for water. Using TLP'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.

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. TLP also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

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

**Issue 12:** Should the 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 TLP?

**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, TLP 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., TLP 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 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 TLP, 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.

TLP should be authorized to collect the temporary rates upon the staff's approval of the 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 \$6,863. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If TLP 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 TLP, 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.

TLP 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.

TLP WATER, INC. TEST YEAR ENDING 06/30/2009 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 090244-WU		
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF	
1. UTILITY PLANT IN SERVICE	\$0	\$70,546	\$70,546	
2. LAND & LAND RIGHTS	0	0	0	
3. NON-USED AND USEFUL COMPONENTS	0	0	0	
4. CIAC	0	0	0	
5. ACCUMULATED DEPRECIATION	0	(5,301)	(5,301)	
6. AMORTIZATION OF CIAC	0	0	0	
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>2,861</u>	<u>2,861</u>	
8. WATER RATE BASE	<u>\$0</u>	<u>\$68,106</u>	<u>\$68,106</u>	

<b>TLP WATER, INC.</b>		<b>SCHEDULE NO. 1-B</b>
<b>TEST YEAR ENDING 06/30/2009</b>		<b>DOCKET NO. 090244-WU</b>
<b>ADJUSTMENTS TO RATE BASE</b>		
		<b><u>WATER</u></b>
<b><u>UTILITY PLANT IN SERVICE</u></b>		
1.	To reflect the appropriate plant	\$70,581
2.	To reflect an averaging adjustment	(35)
	Total	<u>\$70,546</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>		
1.	To reflect test year depreciation calculated per 25-30.140 FAC.	(\$6,524)
2.	To reflect an averaging adjustment	<u>1,223</u>
	Total	<u>(\$5,301)</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>		
1.	To reflect 1/8 of test year O & M expenses.	<u>\$2,861</u>

TLP WATER, INC.  
 TEST YEAR ENDING 06/30/2009  
 SCHEDULE OF CAPITAL  
 STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE		BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS				
1. TOTAL COMMON EQUITY	\$0	\$0	\$0	\$0	\$0	0.00%	12.01%	0.00%
2. TOTAL LONG TERM DEBT	<u>\$136,866</u>	<u>\$0</u>	<u>\$136,866</u>	<u>(\$68,760)</u>	<u>\$68,106</u>	<u>100.00%</u>	12.00%	12.00%
3. TOTAL	<u>\$136,866</u>	<u>\$0</u>	<u>\$136,866</u>	<u>(\$68,760)</u>	<u>\$68,106</u>	<u>100.00%</u>		<u>12.00%</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>12.00%</u>	<u>12.00%</u>	

TLP WATER, INC. TEST YEAR ENDING 06/30/2009 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 090244-WU		
	TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$14,776</u>	<u>\$10,028</u>	<u>\$24,804</u>	<u>\$10,280</u> 41.44%	<u>\$35,084</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$32,094	(\$9,208)	\$22,886	\$0	\$22,886
3. DEPRECIATION (NET)	0	2,446	2,446	0	2,446
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	1,116	1,116	463	1,579
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$32,094</u>	<u>-\$5,646</u>	<u>\$26,448</u>	<u>\$463</u>	<u>\$26,911</u>
8. OPERATING INCOME/(LOSS)	<u>(\$17,318)</u>		<u>(\$1,644)</u>		<u>\$8,173</u>
9. WATER RATE BASE	<u>\$0</u>		<u>\$68,106</u>		<u>\$68,106</u>
10. RATE OF RETURN	<u>#DIV/0!</u>		<u>-2.41%</u>		<u>12.00%</u>



**TLP WATER, INC.**  
**TEST YEAR ENDING 06/30/2009**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-B**  
**DOCKET NO. 070177-WU**  
**PAGE 1 OF 2**

	<u>WATER</u>
<b>OPERATING REVENUES</b>	
To reflect the appropriate test year revenues	<u>\$10,028</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>	
1. Materials and Supplies (620)	
a.) To remove out of period expense	<u>(\$492)</u>
2. Contractual Services - Professional (631)	
a.) To amortize legal expenses related to certification	<u>(1,593)</u>
b.) To remove legal expense related to a pending matter	<u>(\$6,870)</u>
Total	<u>(\$8,463)</u>
3. Contractual Services - Other	
a.) To remove out of period expenses	<u>(\$553)</u>
4. Regulatory Commission Expense (665)	
To reflect the 4 year amortization of rate case expense (\$2,908/4)	<u>\$150</u>
5. Miscellaneous Expense (675)	
a.) To amortize certification docket application fee	<u>\$150</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<u>(\$2,338)</u>
	<u>WATER</u>
<b>DEPRECIATION EXPENSE</b>	
To reflect test year depreciation calculated per 25-30.140, F.A.C.	<u>\$2,446</u>
<b>TAXES OTHER THAN INCOME</b>	
To include regulatory assessment fees on test year revenue.	<u>\$1,116</u>

TLP WATER, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDING 06/30/2009		DOCKET NO. 090244-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	626	0	626
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	3,412	(492)	2,920
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	14,263	(8,463)	5,800
(635) CONTRACTUAL SERVICES - TESTING	1,216	0	1,216
(636) CONTRACTUAL SERVICES - OTHER	6,445	(553)	5,892
(640) RENTS	3,720	0	3,720
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	910	0	910
(665) REGULATORY COMMISSION EXPENSE	0	150	150
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>1,502</u>	<u>150</u>	<u>1,652</u>
	<u>\$32,094</u>	<u>(\$9,208)</u>	<u>\$22,886</u>

TLP WATER, INC.		SCHEDULE NO. 4		
TEST YEAR ENDING 06/30/2009		DOCKET NO. 090244-WU		
MONTHLY WATER RATES				
	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM RATES	STAFF PRELIMINARY RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>				
<u>All Meter Sizes</u>				
Flat Rate	\$39.00	\$70.42		
Flat Rate			\$60.47	\$0.27
Vacation Rate			\$43.42	\$0.20