

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: May 19, 2010

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Mouring, Maurey, Salnova, Fletcher, Rieger, Lingo, Thompson) *ALM NS BF*
Office of the General Counsel (Holley, Brubaker) *CRBB*

RE: Docket No. 090349-WS – Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.

AGENDA: 06/01/10 – Regular Agenda – All Issues Proposed Agency Action Except Issues 7 and 8 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Skop

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\090349.RCM.DOC

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COMMISSION CLERK

Case Background

Utilities, Inc. (UI or parent) is an Illinois corporation which owns approximately 75 subsidiaries throughout 15 states including 15 water and wastewater utilities within the State of Florida. Currently, UI has six separate rate case dockets pending before the Florida Public Service Commission (Commission). These dockets are as follows:

<u>Docket No.</u>	<u>Utility Subsidiary</u>
090349-WS	Cypress Lakes Utilities
090381-SU	Utilities Inc. of Longwood
090392-WS	Utilities Inc. of Pennbrooke
090402-WS	Sanlando Utilities Corporation

DOCUMENT NUMBER-DATE

04239 MAY 19 2010

FPSC-COMMISSION CLERK

Docket No. 090349-WS
Date: May 19, 2010

090462-WS
090531-WS

Utilities Inc. of Florida
Lake Placid Utilities, Inc.

This recommendation addresses Docket No. 090349-WS. Cypress Lakes Utilities, Inc. (Cypress Lakes or Utility) is a Class B utility providing water and wastewater service to approximately 1,426 residential and 44 general service customers in Polk County. Rates were last established for Cypress Lakes in its 2006 rate proceeding.¹

On June 30, 2009, Cypress Lakes filed its application for a Limited Proceeding pursuant to Section 367.0822, Florida Statutes (F.S.). Unlike its sister companies listed above, which filed general file and suspend rate cases pursuant to Section 367.081, F.S., Cypress Lakes filed for a limited proceeding case. Unlike a full rate case, Cypress Lakes' case consisted only of additions to rate base for the cost of modifications to the water and wastewater plants; costs incurred by the Utility for modernization of its information, customer service, and computer systems; taxes other than income (TOTI); income taxes; rate case expense; and increases in sludge hauling expense.

On March 18, 2010, the Office of Public Counsel (OPC) filed a Notice of Intervention in this docket. By Order No. PSC-10-0187-PCO-WS, the Commission acknowledged OPC's intervention in the instant docket.²

The Commission has jurisdiction to consider this matter pursuant to Section 367.0822, F.S.

¹ See Order No. PSC-07-0199-PAA-WS, issued March 5, 2007, in Docket No. 060257-WS, In re: Application for increase in water and wastewater rates in Polk County by Cypress Lakes Utilities, Inc.

² See Order No. PSC-10-0187-PCO-WS, issued March 19, 2010.

Discussion of Issues

Issue 1: Is the quality of service provided by Cypress Lakes Utilities, Inc. satisfactory?

Recommendation: Yes. The quality of service provided by Cypress Lakes Utilities, Inc., should be considered satisfactory. (Rieger)

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 operations. These components include the quality of the Utility's product, the operational condition of the Utility's plants 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 Department of Environmental Protection (DEP) for wastewater and Polk County Health Department (PCHD) for water were also considered for purposes of this recommendation.

Quality of Utility's Product and Operational Condition of Plant and Facilities

Cypress Lakes is current with respect to all DEP and PCHD required chemical analyses. Further, the operating conditions of the facilities were in compliance with the DEP and PCHD rules and regulations until a recent PCHD review found possible violations regarding the lack of maintaining the required minimum chlorine residual throughout the drinking water system. A March 4, 2010, Warning Notice letter advised the Utility of possible violations of law with a request for cooperation to resolve the matter. Because of the lack of a continuous chlorine residual throughout the water system, boil water advisories (BWA) were issued to the Utility's water customers on at least two occasions on March 10-15 and March 22-23, 2010. To date, the sporadic cause of the residual problem has yet to be determined. The Utility has noted that there is satisfactory chlorine residual present at the plant, with a resulting quick drop off of the residual once the water leaves the facility. The Utility attempted to isolate the source by replacing discolored bleach with a new chemical and by replacing chemical feed pumps, as well as the feed lines from the pumps to the injection points. The Utility now asserts that the situation is resolved because a consistent chlorine residual throughout the system has been reestablished. Unidirectional flushing of the system to help further assure consistent chlorine residuals began on May 17, 2010. The customers are being notified of the flushing events via billing inserts, the community TV channel, and reverse-911 calls.

The Utility's Attempt to Address Customer Satisfaction

Customer Meeting A customer meeting was held on November 18, 2009, at the Cypress Lakes Clubhouse in Lakeland, Florida. Approximately 300 customers attended the evening meeting. The majority of those who attended were concerned with the proposed rate increase which will produce, in their view, little or no benefit to the customers. The majority of the attendees also expressed concerns about the quality of water service provided by the Utility. Most of the twenty-one customers who spoke referred to water quality problems. They noted that the water supplied to them is undesirable, and has not improved since the last rate case. The customers mainly noted that the water tastes bad and that there is sediment. It was generally acknowledged that the majority of those who attended the customer meeting either use home

filtering devices to help improve the water quality or purchase bottled water. There were no comments about the wastewater quality of service noted. However, the customers were concerned about the legality of previous agreements over a developer-related wastewater treatment plant expansion. Another concern that was brought up at the customer meeting involved a customer request for an irrigation meter. The Utility found no such request in its records; however, it does not oppose the installation of a separate irrigation meter and is willing to discuss the situation with the customer. Staff has contacted this customer and recommended that he contact the Utility on this matter.

Correspondence The Commission has received over 250 letters and e-mails from customers who expressed similar concerns over the proposed rate increases and the resulting negative effect the increases would cause on their over fifty-five, fixed income community. The customers also complained about low pressure, unacceptable water quality, and more recently the inconvenience of the BWAs. Several customers commented about the additional cost of using home filtration devices and the need for the Utility to do a better job on water quality.

Customer Complaints There are currently no open complaints logged with the Commission. In the past three years, twelve customer complaints have been logged. Nine of these complaints were billing-related and three were service-related. One of the service complaints was about a manhole elevation problem. Another complaint dealt with the possible relationship between a customer's illness and chlorine residual in the distribution system. The most recent complaint, closed on April 29, 2010, concerned a boil water notice resulting from a problem with chlorine residual levels.

Prior Rate Cases Cypress Lakes has had two previous rate cases. In Docket No. 020407-WS,³ it was noted that the majority of complaints in the Utility's complaint log focused on the water's bad odor and taste. The Utility's water and wastewater systems were operating properly and in compliance with DEP and Health Department standards. The Commission determined that the Utility was actively attempting to address the concerns of the customers at that time. As a result, quality of service provided by the Utility was considered satisfactory. In the next rate case, Docket No. 060257-WS,⁴ the Commission determined that the Utility had been unable to fully satisfy the customers' concerns about water odor, low pressure, low chlorine, black residue in toilets, billing and water meter readings. Although the Utility was in compliance with DEP and Health Department standards, the Commission concluded that the quality of service provided by Cypress Lakes was marginally satisfactory. In an effort to improve the customer satisfaction situation, the Commission required Cypress Lakes to perform a complete examination of its distribution system to address low chlorine residuals, as well as alternatives to address the hydrogen sulfide problems. The examination was to include all related costs for the water treatment plant, booster pump, engineering, and permitting. In addition, all viable options, as well as the cost of each option, was to be included in the evaluation. The Utility was ordered to submit the evaluation to the Commission, the Office of Public Counsel, and to the Cypress Lakes Homeowners Association (HOA) within 9 months of the date of the Consummating Order.

³ Order No. PSC-03-0647-PAA-WS, issued May 28, 2003, in Docket No. 020407-WS, In re: Application for rate increase in Polk County by Cypress Lakes Utilities, Inc.

⁴ Order No. PSC-07-0199-PAA-WS, issued March 5, 2007, in Docket No. 060257-WS, In re: Application for rate increase in Polk County by Cypress Lakes Utilities, Inc.

While the Utility did provide a timely response to the Commission on July 21, 2008, the report was not provided directly to the Office of Public Counsel or the HOA, although the report was available via the docket file. According to the Utility, a copy of the Commission order was provided to its engineering consultant who was directed to conduct a site visit to evaluate existing conditions, collect data, review water industry Best Management Practices, and prepare a summary report with recommendations and estimates.

The resulting report identified tasks that the consultant believed addressed the most expedient and cost effective means of improving water quality, as well as optimizing operational efficiency. The evaluation indicated that the prime cause of the water quality issues was attributed to an unequal distribution of the groundwater pumped from the two water supply wells. As a result of that problem, a constant chlorination feed rate could not be maintained. In April 2008, the Utility interconnected the water lines from both wells to a common header pipe, relocated a chlorination injection point, and installed additional gate valves. Additional improvements, such as flushing valves, were considered but deemed unnecessary because it was believed that the modifications implemented produced a significant increase in water quality and stabilized the chlorine residual throughout the area. The report indicated that no customer complaints have been reported since the modifications were performed. The Utility's position is that no further consideration of alternatives are warranted or are prudent.

Cypress Lakes Response To Quality Of Service Concerns Cypress Lakes has pointed out that in Docket No. 060257-WS, the customers expressed dissatisfaction with water quality, particularly a lack of a consistent chlorine residual that resulted in finished water having a strong sulfur odor. After completing piping improvements in April of 2008, the Utility claims to have seen significantly fewer water quality complaints registered by the customers. As a point of clarification, Cypress Lakes indicated that the hydrogen sulfide issue raised in Docket No. 060257-WS was incorrect, and that hydrogen sulfide is not and has never been an issue at Cypress Lakes. The Utility believes that the issue the Commission intended to address was total sulfides, which was directly related to the now-corrected chlorination issue. The Utility notes that it is in full compliance with all current water quality rules and regulations, and that it believes that the issues associated with water quality (particularly inadequate disinfection) in the previous rate case have been addressed.

However, recent problems in 2010 with maintaining an adequate chlorine residual has prompted the Utility to reevaluate its disinfection system to ascertain the source of the current problem that has prompted a recent PCHD warning notice. Cypress Lakes has indicated that the Utility and its staff recognized the fact that some customers are dissatisfied with the color, taste, or odor associated with the water. However, it pointed out that these are generally aesthetic issues (as opposed to health issues) and the Commission will generally not consider improvements to aesthetic issues to be prudent investment opportunities, and therefore, will not offer the Utility an opportunity to recover said investment. The Utility is seeking cooperation from the Cypress Lakes Estates HOA for support of an increase in rates sufficient to recover such investment.

Summary

Cypress Lakes is current in all of the required chemical analyses. The modifications implemented in 2008 to repipe the lines to the wells and install additional gate valves were successful in helping stabilize the chlorine residual throughout the area until this year when the issue of maintaining the chlorine residual in the distribution system recurred. The Utility is implementing a unidirectional flushing program that it believes will correct the current problem. The customer concerns regarding taste and odor are aesthetic problems and not a health compliance issue. For systems with challenging water quality aesthetics, point-of-use home treatment systems are often the most cost-effective mechanism to achieve customer aesthetic quality objectives. Utility treatment of water to the highest customer aesthetic expectation can result in significant cost to customers. So far, customer satisfaction has not been achieved. Staff is aware that along with the present rate case, there have been two prior cases where the customers raised similar concerns about water quality. However, because the Utility is actively working to achieve compliance with the PCHD and DEP and address customer concerns regarding the aesthetic quality of the water provided, staff recommends that the overall quality of service provided by Cypress Lakes Utilities, Inc. should be considered satisfactory.

Issue 2: Should any adjustments be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be increased by \$455 for water and \$418 for wastewater. In addition, accumulated depreciation should be reduced by \$3,977 for water and \$3,654 for wastewater and depreciation expense should be reduced by \$2,173 for water and \$1,996 for wastewater, respectively. (Deason, Fletcher, Mouring)

Staff Analysis: The purpose of the Phoenix Project was to improve accounting, customer service, customer billing, and financial and regulatory reporting functions of UI and its subsidiaries. The Phoenix Project became operational in December of 2008. UI allocated the cost of the Phoenix Project to all its subsidiaries based on each subsidiary's ERCs as of September 30, 2009.

Allocation of Phoenix Project Costs

During 2009, the Commission approved recovery of the cost of the Phoenix Project in seven UI rate cases.⁵ The approved costs were allocated based on each subsidiary's specific test year ERCs to the total UI test year ERCs. With respect to the current UI cases before the Commission, UI allocated the Phoenix Project costs based on each subsidiary's ERCs at the end of the 2008 test year, in relation to UI's total 2008 ERCs. Cypress Lakes divided its ERCs by UI's total ERCs resulting in an allocation percentage of 0.81. This percentage was multiplied by the total investment in the Phoenix Project. Unlike its sister companies that used a gross amount of \$21,364,569 in their filings, Cypress Lakes used the amount of \$21,122,602. This represents a difference of \$241,967. Based on total Phoenix Project costs of \$21,122,602 mentioned above, Cypress Lakes calculated its allocated share to be 0.81 percent, or \$170,183. Of this amount, 52.12 percent or \$88,699 was assigned to the water system while \$81,484 was assigned to the wastewater system.

Divestiture of UI Subsidiaries

As addressed in the audits of three of Cypress Lakes' sister companies, staff agreed with the adjustments recommended by the auditors to apply a more current ERC count provided by the Utility which recognized the divestitures of certain UI systems in 2009. According to UI's response in current dockets for its other Florida subsidiaries, UI recently divested several Florida subsidiaries including Miles Grant Water and Sewer Company (Miles Grant), Utilities, Inc. of Hutchinson Island (Hutchinson), and Wedgefield Utilities, Inc. (Wedgefield), as well as subsidiaries in other states.

In addition, during a conference call on April 16, 2010, between staff, OPC, and the Utility, UI stated that it purchased a wastewater system in Louisiana⁶ that was not included in the ERC count previously provided to the staff auditors. The Utility stated that the ERCs for the newly acquired system should be included in order to properly account for that system's share of the cost of the Phoenix Project.

⁵ See Docket Nos. 080250-SU, 080249-WS, 080248-SU, 080247-SU, 070695-WS, 070694-WS, and 070693-WS.

⁶ This wastewater system represented approximately 950 ERCs.

Staff agrees that allocating costs according to ERCs is an appropriate methodology to spread the cost of the Phoenix Project. However, staff does not believe the Phoenix Project costs previously allocated to the divested subsidiaries should be reallocated to the surviving utilities. Wedgefield was sold for an amount significantly greater than its rate base.⁷ Miles Grant and Hutchinson were sold collectively for an amount significantly greater than the rate base.⁸ Staff believes the amounts allocated to the divested subsidiaries were recovered by the shareholders through the sale of those systems. Thus, staff believes the divested subsidiaries allocation amounts should be deducted from the total cost of the Phoenix Project before any such costs are allocated to the remaining UI subsidiaries.

In the current audits of its sister companies, staff auditors determined that the correct ledger balance of the software is \$21,617,487, not the \$21,122,602 that Cypress Lakes used to calculate its allocated share of the Phoenix Project. Based on the ERC percentages of all the divested subsidiaries immediately prior to their respective closing dates, staff determined the actual amount paid of \$21,617,487 for the Phoenix Project should be reduced by \$1,724,166 resulting in a remaining balance of \$19,893,321. Based on the unrecovered cost of the Phoenix Project and the ECRs adjusted for divestiture, staff recommends that the appropriate amount of Cypress Lakes' allocated share of the Phoenix Project is \$186,516. Cypress Lakes water system's share is 52.12 percent or \$97,212, and its wastewater system's share is 47.88 percent or \$89,304. As such, staff recommends that plant be increased by \$455 for water and \$418 for wastewater.

Amortization Period

In previous UI cases, the Commission approved a 6-year amortization period for the Phoenix Project.⁹ In subsequent UI cases,¹⁰ staff recommended and the Commission found that an 8-year amortization period was more appropriate for a software project of this magnitude. For several reasons, staff now believes that the amortization period for the Phoenix Project should be changed to 10 years. First, the Phoenix Project was specifically tailor-made to meet all of UI's needs. Such a project is not "off the shelf" software, but software designed to fulfill long term accounting, billing, and customer service needs. Second, staff believes the software will be used for at least 10 years. UI's legacy accounting system had been used for 21 years. Third, in a recent docket involving a UI subsidiary in Nevada,¹¹ UI responded that any amortization period between 4 and 10 years would be in compliance with Generally Accepted Accounting Principles. As such, staff believes 10 years is a more reasonable amortization period than the 8-year amortization period currently approved by this Commission. Thus, staff recommends that accumulated depreciation should be reduced by \$3,977 for water and \$3,654 for wastewater and depreciation expense should be reduced by \$2,173 for water and \$1,996 for wastewater, respectively.

⁷ The sale price of Wedgefield Utilities, Inc. in April of 2009 was \$7,300,000. Based on the rate base reported in its 2008 annual report, this amount is approximately 13.81 percent or \$885,852 greater than rate base.

⁸ The sale price of Miles Grant Water and Sewer Company and Utilities, Inc. of Hutchinson Island in August of 2009 was \$7,500,000. Based on the rate base reported in their respective 2008 annual reports, this amount is approximately 33.88 percent or \$1,897,837 greater than their collective rate bases.

⁹ See Docket Nos. 070695-WS, 070694-WS, and 070693-WS.

¹⁰ See Docket Nos. 080250-SU, 080249-WS, 080248-SU, and 080247-SU.

¹¹ Modified Final Order, issued January 15, 2009, in Docket No. 08-06036.

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Summary

In summary, staff recommends that plant be increased by \$455 for water and \$418 for wastewater. In addition, the balances of accumulated depreciation should be reduced by \$3,977 for water and \$3,654 for wastewater and depreciation expense should be reduced by \$2,173 for water and \$1,996 for wastewater, respectively.

Issue 3: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$64,641. This expense should be recovered over four years for an annual expense of \$16,160. Thus, rate case expense should be reduced by \$3,077 for water and \$2,827 for wastewater, respectively. (Mouring)

Staff Analysis: The Utility included in its application an estimate of \$88,257 for current rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On March 8, 2010, the Utility submitted a revised estimated rate case expense through completion of the limited proceeding process of \$62,120. Then, on April 14, 2010, the Utility provided an updated schedule of the capitalized time worked by Water Service Company (WSC) employees and invoices from Rose, Sundstrom & Bentley through March of 2010.

	Original <u>Estimate</u>	<u>Actual</u>	Additional <u>Estimated</u>	<u>Total</u>
Legal and Filing Fees	\$17,625	\$26,046	\$16,967	\$43,012
Consultant Fees – HDR Engineering	0	1,464	0	1,464
Consultant Fees – M&R	0	1,195	0	1,195
WSC Fees – In House	60,808	9,431	6,711	16,142
Filing Fee	0	0	0	0
Travel – WSC	2,600	0	0	0
FedEx, Miscellaneous	500	219	436	655
Notices	<u>6,726</u>	<u>1,586</u>	<u>6,726</u>	<u>8,312</u>
Total Rate Case Expense	<u>\$88,259</u>	<u>\$39,940</u>	<u>\$30,840</u>	<u>\$70,780</u>

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our review, staff believes several adjustments are necessary to the revised rate case expense estimate.

The first adjustment relates to legal expenses incurred in relation to duties that staff believes are redundant and excessive. In the supporting documentation provided by the Utility, several invoices listed duties performed multiple times resulting in a total amount of hours which staff believes is excessive. Staff has identified approximately 2.73 hours that should be removed from rate case expense as redundant and excessive. This results in an adjustment of \$793 (2.73x290).

The second adjustment relates to the Utility's estimated legal fees to complete the rate case. Cypress Lakes estimated 55.1 hours totaling \$18,183, which is the result of all of the estimated time being billed at Mr. Friedman's new hourly rate of \$330, instead of the time being split between Mr. Friedman and Mr. Marcelli. The Utility also included an estimate of additional reimbursable costs of \$825. Staff also notes that all of the supporting documentation provided

by the Utility for legal expenses prior to February of 2010, used Mr. Friedman’s hourly rate of \$320 and Mr. Marcelli’s hourly rate of \$290. However, in the Utility’s invoices from February and March of 2010, and the estimate to complete this case, the hourly rates used for Mr. Friedman and Mr. Marcelli are \$330 and \$305, respectively. The specific amounts of time associated with each item are listed below:

<u>Estimate To Complete Through PAA Process</u>		
<u>Description</u>	<u>Hours</u>	<u>Fees</u>
Unbilled hours through date of filing (March-April 2010)	4.6	660
Respond to formal data requests from staff and informal requests for information from staff and/or OPC	16.0	3,960
Respond to informal data requests from Cypress Lakes HOA	4.0	1,485
Legal research and documentation regarding confidentiality of workpapers, NSF tariffs, WSC allocation issues, water quality and customer concerns	6.0	495
Review staff recommendation; conference with client and consultant regarding recommendation; conference with staff regarding recommendation	3.5	4,620
Prepare for and attend Agenda conference; discuss Agenda with client and staff	15.0	330
Review PAA Order; Conference with client and consultant regarding PAA Order	2.0	165
Prepare revised tariff sheets; obtain staff approval of tariffs; draft and revise customer notice; obtain staff approval of notice; coordinate mailing of notices and implementation of tariffs; facilitate compliance with Order	4.0	660
Total estimated fees	<u>55.1</u>	<u>\$18,183</u>

In response to a staff data request, the Utility provided the estimated legal hours necessary to complete the case. The Utility then applied Mr. Friedman’s proposed hourly rate of \$330 to the estimated hours to arrive at the \$18,183 in legal costs to complete the case. However, based on the actual participation of Mr. Friedman, only about 1.8 percent of the hours billed through March 10, 2010, have been attributable to him (1.4/76.9), with the remaining 98.2 percent being attributable to Mr. Marcelli (75.5/76.9). Also, staff notes that the hourly rate of both Mr. Friedman and Mr. Marcelli has changed during the course of this limited proceeding. Staff has identified legal expenses of \$457 attributable to Mr. Friedman and \$22,071 attributable to Mr. Marcelli. As such, staff has calculated a weighted average hourly rate of \$292.95 [(\$457+\$22,071)/76.9 hours] based on the actual cost attributable to each attorney, to be applied to the estimated hours to completion. This methodology of using a weighted average cost for legal services is consistent with the Commission’s decision in the 2009 Ni Florida, LLC rate case.¹²

The third adjustment relates to the 181 hours and \$6,711 of estimated costs to complete this case by WSC employees. Cypress Lakes asserted that additional hours were required for assistance with the limited proceeding, staff analyst’s data requests, and audit facilitation.

¹² See Order No. PSC-10-0168-PAA-SU, issued March 23, 2010, in Docket No. 090182-SU, In re: Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

However, the Utility failed to provide any detailed documentation of what tasks were involved in its estimate to complete the case for each employee. Cypress Lakes simply stated that the \$6,711 was to assist with the limited proceeding, data requests, and audit facilitation. The hours needed were not broken down to estimate the hours needed to complete each item. In addition, there were no timesheets provided to show actual hours worked. Therefore, staff had no basis to determine whether the individual hours estimated are reasonable. Staff reviewed these requested expenses and believes the estimates reflect an overstatement. As discussed below, it is the Utility's burden to justify its requested costs. Staff believes that 93.59 hours is reasonable to allow Cypress Lakes to complete the limited proceeding and respond to data requests. By applying the individual employee rates and the average number of hours worked by WSC employees, staff recommends that the estimated WSC fees to complete the case should be \$3,406. Thus, the Utility's requested expense of \$6,711 should be decreased by \$3,305. In those cases where rate case expense has not been supported by detailed documentation, the Commission practice has been to disallow some portion or remove all unsupported amounts.¹³

It is the Utility's burden to justify its requested costs.¹⁴ Further, the Commission has broad discretion with respect to the allowance of rate case expense. It would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the costs incurred in the rate case proceedings.¹⁵

In summary, staff recommends that Cypress Lakes' revised rate case expense be decreased by \$6,139 for unsupported and unreasonable rate case expense. The appropriate total rate case expense is \$64,641. A breakdown of rate case expense is as follows:

<u>Description</u>	<u>Original Estimated</u>	Utility	<u>Staff Adjustments</u>	<u>Total</u>
		<u>Revised Actual & Estimated</u>		
Legal Fees	\$17,625	\$43,012	(2,834)	\$40,178
WSC In-House Fees	60,808	16,142	(3,305)	12,837
Consultant Fees-Engineering	0	2,659	0	2,659
Miscellaneous	9,826	8,967	0	8,967
Total Rate Case Expense	<u>\$88,259</u>	<u>\$70,780</u>	<u>(6,139)</u>	<u>\$64,641</u>
Annual Amortization	<u>\$22,065</u>	<u>\$17,695</u>	<u>(1,535)</u>	<u>\$16,160</u>

In its application, Cypress Lakes requested total rate case expense of \$88,259, which amortized over four years would be \$22,065 per year. This annual amortization of rate case

¹³ See Order Nos. PSC-94-0075-FOF-WS, issued January 21, 1994, in Docket No. 921261-WS, In re: Application for a Rate Increase in Lee County by Harbor Utilities Company, Inc.; PSC-96-0629-FOF-WS, issued May 10, 1996, in Docket No. 950515-WS, In re: Application for staff-assisted rate case in Martin County by Laniger Enterprises of America, Inc.; and PSC-96-0860-FOF-SU, issued July 2, 1996, in Docket No. 950967-SU, In re: Application for staff-assisted rate case in Highlands County by Fairmount Utilities, the 2nd, Inc. Staff notes that in all of these cases the Commission removed the entire unsupported amounts.

¹⁴ See Florida Power Corp. v. Cresce, 413 So. 2d 1187, 1191 (Fla. 1982).

¹⁵ See Meadowbrook Util. Sys., Inc. v. FPSC, 518 So. 2d 326, 327 (Fla. 1st DCA 1987), rev. den., 529 So. 2d 694 (Fla. 1988).

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expense included in its application was \$11,500 ($\$22,065 \times .5212$) and \$10,564 ($\$22,065 \times .4788$) for water and wastewater, respectively. Thus, rate case expense should be decreased by \$3,077 and \$2,827 for water and wastewater, respectively.

The recommended total rate case expense should be amortized over four years, pursuant to Section 367.0816, F.S. Based on the data provided by Cypress Lakes and the recommended adjustments discussed above, staff recommends annual rate case expense of \$16,160, or \$8,423 for water and \$7,737 for wastewater.

Issue 4: What is the appropriate increase in revenues for this Utility?

Recommendation: The appropriate revenue increase is \$63,415 for water and \$234,316 for wastewater. (Mouring, Rieger)

Staff Analysis: In its application, the Utility requested increases of \$68,388 for water and \$238,907 for wastewater. The Utility's proposed increases consist of additions to rate base for the cost of modifications to the water and wastewater plants; costs incurred by the Utility for modernization of its information, customer service, and computer systems; taxes other than income (TOTI); income taxes; rate case expense; and an increase in sludge hauling expense. The Utility's revenue increase is comprised of a return on rate base items, plus the increase in operating expenses, and gross-up for taxes. Staff has reviewed the application as well as supporting documentation. Based on the review, staff recommends a revenue increase of \$63,415 or 20.00 percent be approved for water and a revenue increase of \$234,316 or 42.39 percent be approved for wastewater. Items included in the determination of the revenue increase are discussed below.

Plant Increases

In its filing, Cypress Lakes included increases in water plant of \$148,738, which consists of \$60,039 for supply mains associated with tying two wells together and altering the chlorine injection points to maintain adequate chlorine residuals in the system and reduce the amount of sulfides in the system, and \$88,699 representing Cypress Lakes' allocated portion of the Phoenix Project. The Utility also included increases in wastewater plant of \$1,130,535, which consists of \$1,049,052 for expansion of the wastewater collection system to phase 12 of Cypress Lakes Estates and modifications to the wastewater treatment plant, and \$81,484 for Cypress Lakes' allocated portion of the Phoenix Project.

Used and Useful

In the last rate proceeding where rate base was established for this utility, used and useful determinations were 100 percent for the water treatment plant, 95.71 percent for the wastewater treatment plant, and 100 percent for the water distribution and wastewater collection systems.

Water Treatment Plant

In the previous rate case, the Commission found the water treatment plant to be 100 percent used and useful. Since there has been no change in treatment capacity, staff recommends that the water treatment plant should continue to be 100 percent used and useful.

Wastewater Treatment Plant

During the previous rate case, the Commission determined the wastewater treatment plant to be 95.71 percent used and useful. At that time, the permitted capacity of the plant was 175,000 gpd. Due to a recent expansion, the capacity of the plant is now 190,000 gpd. Because the Utility is not required to provide a used and useful analysis for limited proceeding filings, staff requested additional information about the recently expanded wastewater treatment plant.

The Utility submitted a letter with supporting data justifying a 100 percent used and useful determination. The information provided demonstrated a growth analysis which indicated the system will reach buildout, even with the recent housing slowdown, in less than five years as contemplated in Section 367.081(2)(a)2, F.S., and Rule 25-30.432, F.A.C. The Utility pointed out that although there has been an increase of 138 customers, flows have decreased each year since the last rate case and are now virtually the same as in the 2005 test year. This reduction appears to be the result of the customers' conservation efforts.

Pursuant to Rule 25-30.432, F.A.C., in determining the used and useful amount, the Commission may consider factors such as the extent to which the area served by the plant is built out and a reduction in flows due to conservation. Since the service area, which includes approximately 1,500 residential lots, will reach build-out with no potential for expansion, staff recommends that the wastewater treatment plant be considered 100 percent used and useful.

Water Distribution and Wastewater Collection Systems

In the previous rate case, both the distribution and collection systems were considered 100 percent used and useful. The Utility's service area was expanded in 2007 to include an additional 120 potential connections. According to the developer agreement, the distribution and collection systems were to be constructed by the developer and donated to the Utility. As a result, used and useful adjustments are not needed for donated lines. Therefore, staff recommends that the water distribution and collection systems are 100 percent used and useful.

Working Capital

On Schedule No. 14 in the Utility's filing, the Utility calculates its incremental increase in working capital allowance to be \$1,437 for water and \$5,071 for wastewater. Rule 25-30.433(2), F.A.C., states that working capital for Class B utilities shall be calculated using one-eighth of operation and maintenance (O&M) expenses. Based on staff's O&M expense adjustments, staff has calculated the Utility's working capital to be \$1,052 for water and \$4,718 for wastewater.

Cost of Capital

In its filing, Cypress Lakes utilized a weighted cost of capital consisting of Cypress Lakes' parent company, UI's relative percentage of common equity at a cost rate of 11.45 percent, and relative percentage of long-term debt at a cost rate of 6.60 percent as of December 31, 2008. According to Rule 25-30.445(4)(e), F.A.C., the calculation of the weighted average cost of capital for purposes of a limited proceeding shall be based on the most recent 12-month period, using the mid-point of the range of the last authorized rate of return on equity, the current embedded cost of fixed-rate capital, the actual cost of short-term debt, the actual cost of variable-cost debt, and the actual cost of other sources of capital which were used in the last individual rate proceeding of the utility. The return on equity (ROE) of 11.45 percent is based on the leverage formula approved in Order No. PSC-06-0476-PAA-WS and was used in the Utility's last rate proceeding.

Depreciation Expense

Cypress Lakes included additional annual depreciation expense related to the Phoenix Project in its revenue requirement determination in the amount of \$11,088 for water and \$10,186 for wastewater. As discussed in Issue 2, staff is recommending amortizing this system over a 10-year period, instead of an 8-year period. As a result, staff has decreased depreciation expense by \$2,173 for water and \$1,996 for wastewater. Also, this results in a reduction to accumulated depreciation of \$3,977 for water and \$3,654 for wastewater.

Summary

The table below details staff's recommended revenue increases for water and wastewater.

	<u>Utility</u>	<u>Utility</u>	<u>Staff</u>	<u>Staff</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Water</u>	<u>Wastewater</u>
Utility Plant In Service	\$148,738	\$1,130,535	\$149,193	\$1,130,953
Retirements	0	0	0	0
Accumulated Depreciation	(23,302)	(52,650)	(19,325)	(48,996)
CIAC	0	(125,000)	0.00	(125,000)
Acc. Amort. Of CIAC	0	4,051	0.00	4,051.00
Working Capital	<u>1,437</u>	<u>5,071</u>	<u>1,052</u>	<u>4,718</u>
Total Increase to Rate Base	<u>\$126,873</u>	<u>\$ 962,007</u>	<u>\$ 130,920</u>	<u>\$ 965,726</u>
Weighted Ave. Cost of Capital	8.87%	8.87%	8.87%	8.87%
Required Return	<u>\$11,247</u>	<u>\$85,283</u>	<u>\$11,606</u>	<u>\$85,613</u>
Increase In Depreciation Expense	\$12,803	\$44,183	\$10,630	\$42,187
Increase in CIAC Amort.	0	(6,944)	0	(6,944)
Increase in Rate Case Expense	11,500	10,564	8,423	7,737
Increase in Sludge Hauling	0	30,000	0	30,000
Increase in TOTI	<u>25,657</u>	<u>33,416</u>	<u>25,657</u>	<u>33,416</u>
Total Increase in O&M	<u>\$49,960</u>	<u>\$111,219</u>	<u>\$44,710</u>	<u>\$106,396</u>
Total Taxable Income	\$11,247	\$85,283	\$11,606	\$85,613
State IT(5.5%)	\$619	\$4,691	\$638	\$4,709
Federal IT(34%)	\$3,614	\$27,402	\$3,729	\$27,507
Increase in Revenue	\$65,440	\$228,594	\$60,684	\$224,226
RAFs Gross-up	<u>\$2,945</u>	<u>\$10,287</u>	<u>\$2,731</u>	<u>\$10,090</u>
Total Revenue Increase	<u>\$68,385</u>	<u>\$238,881</u>	<u>\$63,415</u>	<u>\$234,316</u>

Issue 5: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the water system's residential class is a continuation of its three-tier inclining-block rate structure approved in Cypress Lakes' 2006 rate proceeding. The current usage blocks and usage block rate factors should also remain unchanged. The appropriate rate structure for the water system's non-residential classes is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater gallonage cap should remain at 6,000 gallons (6 kgals). (Thompson, Lingo, Mouring)

Staff Analysis: Cypress Lakes is a Class B utility providing water and wastewater service to approximately 1,287 residential and 43 general service customers in Polk County. Rates were last established for Cypress Lakes in its 2006 rate proceeding.¹⁶ Cypress Lakes currently has a three-tier inclining block rate structure which includes a monthly BFC of \$5.22. The usage blocks are set at: a) 0-6 kgals, b) 6.001-12 kgals; and c) usage in excess of 12 kgals, with usage block rate factors of 1.0, 1.50 and 2.0, respectively. The current usage charges are \$3.59 per kgal, \$5.38 per kgal and \$7.18 per kgal, respectively.

In the 2006 proceeding, 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. As discussed in the case background, the utility's current request is that its case be processed as a limited proceeding. Therefore, in order to keep rate case expense costs down, staff did not require the company to include a detailed billing analysis in this case. Staff analyzed the rate schedule and deemed it sufficient to send appropriate conservation price signals.

Staff's recommended rate design for the water system is shown on Table 2-A on the following page.

¹⁶ See Docket No. 060257-WS, In re: Application for increase in water and wastewater rates in Polk County by Cypress Lakes Utilities, Inc.

TABLE 2-A

CYPRESS LAKES UTILITIES, INC. STAFF'S RECOMMENDED WATER RATE STRUCTURES AND RATES				
Current Rate Structure and Rates		Recommended Rate Structure and Rates		
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.50 and 2.00 BFC = 30%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.50 and 2.00 BFC = 30%		
BFC	\$5.22	BFC		\$6.26
0-6 kgals	\$3.59	1 st tier	0-6 kgals	\$4.31
6-12 kgals	\$5.38	2 nd tier	6-12 kgals	\$6.46
12+ kgals	\$7.18	3 rd tier	12+ kgals	\$8.62
Typical Monthly Bills		Typical Monthly Bills		
Cons (kgals)		Cons (kgals)		
0	\$5.22	0		\$6.26
1	\$8.81	1		\$10.57
3	\$15.99	3		\$19.19
5	\$23.17	5		\$27.81
10	\$48.28	10		\$57.96
20	\$116.48	20		\$139.84

Staff recommends that the 20 percent revenue requirement increase be applied as an across-the-board increase to the water system's BFC and gallonage charges.

Based on the foregoing, staff recommends that the Utility's current residential water rate structure, which consists of a three-tiered inclining block rate structure with usage blocks set at 0-6 kgals, 6-12 kgals and usage in excess of 12 kgals, with rate factors of 1.0, 1.5 and 2.0, respectively, remain unchanged. The BFC allocation should be set at 30 percent. The recommended rate structure for the system's non-residential class consists of a traditional monthly BFC/uniform gallonage charge rate structure and should remain unchanged.

Consistent with our water rate structure methodology, staff recommends that the wastewater revenue requirement increase of 42 percent be applied as an across-the-board increase to the wastewater system's BFC and gallonage charges. Staff's recommended rate design for the wastewater system is shown on Table 2-B on the following page.

TABLE 2-B

CYPRESS LAKES UTILITIES, INC. STAFF'S RECOMMENDED WASTEWATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
BFC = 50% Gallage Charge Maximum Charge at 6,000 Gallons		BFC = 50% Gallage Charge Maximum Charge at 6,000 Gallons	
BFC	\$16.30	BFC	\$23.21
\$/kgal	\$5.49	\$/kgal	\$7.82
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgals)		Cons (kgals)	
0	\$16.30	0	\$23.21
1	\$21.79	1	\$31.03
2	\$27.28	2	\$38.85
3	\$32.77	3	\$46.67
4	\$38.26	4	\$54.49
5	\$43.75	5	\$62.31
6	\$49.24	6	\$70.13

Issue 6: What are the appropriate monthly rates for the water and wastewater systems for the Utility?

Recommendation: Excluding miscellaneous service charges, the recommended water rate structure is designed to produce revenues of \$63,415. Excluding miscellaneous service, the recommended wastewater rate structure is designed to produce revenues of \$234,316. The approved water and wastewater rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved water and wastewater rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Thompson, Lingo, Mouring)

Staff Analysis: The appropriate revenue requirements, excluding miscellaneous service charges, are \$63,415 for the water system and \$234,316 for the wastewater system. As discussed in Issue 5, staff recommends that the appropriate rate structure for the water system's residential class is a continuation of its three-tier inclining-block rate structure, with no changes made to the usage blocks or usage block rate factors. The BFC cost recovery percentage should continue at 30 percent. Staff recommends that the traditional BFC/uniform gallonage charge rate structure be applied to the general service class. As also discussed in Issue 5, staff recommends that the residential wastewater gallonage cap continue at 6 kgals, and that the BFC cost recovery percentage continue at 50 percent.

The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved water and wastewater rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The approved water and wastewater rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

A comparison of the Utility's original rates, requested rates, and staff's recommended water and wastewater rates are shown on Schedules Nos. 1-A and 1-B, respectively.

Issue 7: 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?

Recommendation: The rates should be reduced, as shown on Schedule Nos. 1-A and 1-B, to remove \$8,899 from water rates and \$8,175 from wastewater rates for rate case expense, grossed-up for Regulatory Assessment Fees (RAFs). 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. (Mouring)

Staff Analysis: Section 367.0816, F.S., requires rates to be reduced immediately following the expiration of the four-year amortization 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 \$8,899 for water and \$8,175 for wastewater. The decreased revenue will result in the rate reduction recommended by staff on Schedule Nos. 1-A and 1-B.

The Utility should be required to file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Cypress Lakes should provide proof of the date notice was given no less than 10 days after the date of the notice.

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 for the reduction in the rates due to the amortized rate case expense.

Issue 8: 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 substantially affected person?

Recommendation: Yes. The recommended rates should be approved for the Utility, subject to refund, in the event of a protest filed by a substantially affected person. Prior to implementation of any temporary rates, the Utility should provide appropriate security. UI's total guarantee should be in the amount of \$800,801. 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. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. (Mouring, Salnova)

Staff Analysis: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility.

Therefore, in the event of a protest filed by a substantially affected person, 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.

Cypress Lakes is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. UI has requested an incremental increase in its corporate undertaking in the amount of \$201,530 for the combined water and wastewater interim increase for its Cypress Lakes system. The current cumulative corporate undertaking amount outstanding for other UI systems is \$599,271. The new request would bring the cumulative amount outstanding to \$800,801. The following tables list the new request, the other amounts outstanding, and the proposed cumulative corporate undertaking amount outstanding for UI. All of these systems are subsidiaries of UI.

New Request for Corporate Undertaking

UI System	Corp. Undertaking Amount	Docket No.
Cypress Lakes Utilities, Inc.	\$201,530	090349-WS

Other Security Amounts Outstanding

UI System	Amount Subject to Refund	Type	Docket No.
Utilities, Inc. of Longwood	\$63,720	Bond	090381-SU
Sanlando Utilities Corporation	\$334,451	Bond	090402-WS
Utilities, Inc of Pennbrooke	\$209,818	Bond	090392-WS
Utilities, Inc of Florida	\$599,271	Corp. Und.	090349-WS
Total	\$1,207,260		
Proposed Cumulative Corporate Undertaking Amount	\$800,801		

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed the financial statements of the parent company to determine if UI can support a corporate undertaking on behalf of its subsidiary. UI's 2007, 2008 and 2009 financial statements were used to determine the financial condition of the Utility. According to the financial statements, UI reported deficient liquidity and low levels of interest coverage over the review period. In addition, UI experienced a net loss in the amount of \$635,405 in 2008. However, UI improved profitability to sufficient levels in 2009 achieving net income in the amount of \$5,662,600. In addition, over the three year period net income has been on average three times greater than the requested cumulative corporate undertaking amount of \$800,801. The Utility has also improved its interest coverage ratio in 2009. Finally, UI's average equity ratio has increased to 45.5 percent in 2009 from 40.7 percent in 2008.

Staff believes UI has adequate resources to support a corporate undertaking in the amount requested. Since \$607,989 of the total outstanding security amount of \$1,207,260 is secured by surety bond, the incremental increase in funds subject to refund secured by corporate undertaking in the amount of \$201,530 is appropriate. Based on this analysis, staff recommends that a cumulative corporate undertaking of \$800,801 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that UI does not have any outstanding guarantees on behalf of UI-owned utilities in other states.

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

Issue 9: Should this docket be closed?

Recommendation: If a protest is not received from a substantially affected person within 21 days of issuance of the Proposed Agency Action Order, a Consummating Order will be issued. If a Consummating Order is issued, the docket should be closed upon its issuance and upon staff's approval of the revised tariff sheets. (Holley, Mouring)

Staff Analysis: If a protest is not received from a substantially affected person within 21 days of issuance of the Proposed Agency Action Order, a Consummating Order will be issued. If a Consummating Order is issued, the docket should be closed upon its issuance and upon staff's approval of the revised tariff sheets.

Cypress Lakes Utilities, Inc. Water Monthly Service Rates		Schedule No. 1-A Docket No. 090349-WS		
	Rates Prior to Filing	Utility Requested Final	Staff Recomm. Final	4-year Rate Reduction
<u>Residential and General Service</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$5.22	\$6.35	\$6.26	\$0.18
1"	\$13.06	\$15.88	\$15.65	\$0.44
1-1/2"	\$26.11	\$31.74	\$31.30	\$0.88
2"	\$41.78	\$50.79	\$50.08	\$1.41
3"	\$83.55	\$101.57	\$100.16	\$2.81
4"	\$130.55	\$158.71	\$156.50	\$4.40
6"	\$261.11	\$317.42	\$313.00	\$8.80
Residential Service Gallonage Charge, per 1,000 Gallons				
0-6,000 Gallons	\$3.59	\$4.36	\$4.31	\$0.12
6,000-12,000 Gallons	\$5.38	\$6.54	\$6.46	\$0.18
Over 12,000 Gallons	\$7.18	\$8.73	\$8.62	\$0.24
General Service Gallonage Charge	\$3.81	\$4.63	\$4.57	\$0.13
<u>General Service Irrigation</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$5.22	\$6.35	\$6.26	\$0.18
1"	\$13.06	\$15.88	\$15.65	\$0.44
1-1/2"	\$26.11	\$31.74	\$31.30	\$0.88
Gallonage Charge, per 1,000 Gallons	\$3.81	\$4.63	\$4.57	\$0.13
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$15.99	\$19.43	\$19.19	
5,000 Gallons	\$23.17	\$28.15	\$27.81	
10,000 Gallons	\$48.28	\$58.67	\$57.96	

Cypress Lakes Utilities, Inc. Wastewater Monthly Service Rates		Schedule No. 1-B Docket No. 090349-WS		
	Rates Prior to Filing	Utility Requested Final	Staff Recomm. Final	4-year Rate Reduction
<u>Residential Service</u>				
Base Facility Charge All Meter Sizes:	\$16.30	\$23.35	\$23.21	\$0.34
Gallage Charge, per 1,000 Gallons (6,000 gallon cap)	\$5.49	\$7.86	\$7.82	\$0.12
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$16.30	\$23.35	\$23.21	\$0.34
1"	\$40.76	\$58.38	\$58.03	\$0.86
1-1/2"	\$81.49	\$116.71	\$116.05	\$1.72
2"	\$130.40	\$186.76	\$185.68	\$2.75
3"	\$260.79	\$373.51	\$371.36	\$5.50
4"	\$407.49	\$583.62	\$580.25	\$8.59
6"	\$814.98	\$1,167.24	\$1,160.50	\$17.18
Gallage Charge, per 1,000 Gallons	\$6.59	\$9.44	\$9.38	\$0.14
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$32.77	\$46.93	\$46.67	
5,000 Gallons	\$43.75	\$62.65	\$62.31	
6,000 Gallons	\$49.24	\$70.51	\$70.13	
(Wastewater Gallage Cap 6,000 Gallons)				