

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida. DOCKET NO. 090462-WS
ORDER NO. PSC-10-0585-PAA-WS
ISSUED: September 22, 2010

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR
NATHAN A. SKOP
ART GRAHAM
RONALD A. BRISÉ

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING UTILITIES, INC. OF FLORIDA
APPLICATION FOR RATE INCREASE
AND
FINAL ORDER FINDING AN INTERIM REFUND IS REQUIRED
AND APPROVING FOUR-YEAR RATE REDUCTION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the actions finding an interim refund is required and approving a four-year rate reduction, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Utilities, Inc. (UI or parent) is an Illinois corporation which owns approximately 75 subsidiaries throughout 15 states including water and wastewater utilities within the State of Florida. Currently, UI has 6 separate rate case dockets pending before us. 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
090462-WS	Utilities, Inc. of Florida
090531-WS	Lake Placid Utilities, Inc.

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

This Order addresses Docket No. 090462-WS. Utilities, Inc. of Florida (UIF or Utility) is a Class A utility providing water and wastewater service to 20 systems in the following counties: Marion, Orange, Pasco, Pinellas, and Seminole. UIF is a wholly-owned subsidiary of UI. The Utility's last rate case was in 2007.¹

By letter dated September 30, 2009, UIF requested test year approval in order to file an application for general rate relief for all of its counties. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates.

UIF's requested test year for final and interim purposes is the historical year ended December 31, 2008. On February 1, 2010, the Utility filed minimum filing requirements (MFRs) to justify its requested rate increase. By letter dated February 25, 2010, UIF was notified that the MFRs were deficient. UIF corrected the deficiencies through information submitted on March 5, 2010.

On April 20, 2010, we approved interim rates² designed to generate the following water and wastewater revenues:

<u>County</u>	<u>Water Revenue Increase</u>	<u>% Increase</u>	<u>Wastewater Revenue Increase</u>	<u>% Increase</u>
Marion	N/A	N/A	\$13,089	35.75%
Orange	\$18,372	18.75%	N/A	N/A
Pasco	\$389,701	48.52%	\$255,936	57.71%
Pinellas	\$35,118	35.25%	N/A	N/A
Seminole	\$211,868	28.44%	\$102,608	14.59%

The Utility requested final rates designed to generate total annual water revenues of \$3,021,882, an increase of \$1,054,883 or 53.63 percent, and total annual wastewater revenues of \$1,821,164, an increase of \$591,109 or 48.06 percent.

On March 18, 2010, the Office of Public Counsel (OPC) filed a Notice of Intervention in this docket. On June 17, 2010, we acknowledged OPC's intervention.³

This Order addresses UIF's requested final rates. We have jurisdiction pursuant to Sections 367.081, Florida Statutes (F.S.).

¹ See Order No. PSC-07-0505-SC-WS, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for rate increase in Marion, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

² See Order No. PSC-10-0300-PCO-WS, issued May 10, 2010.

³ See Order No. PSC-10-0393-PCO-WS.

Decision

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., in every water and wastewater rate case, we must determine the overall quality of service provided by a utility by evaluating: 1) the quality of the utility's product; 2) the operational conditions of the utility's plant and facilities; and 3) the utility's attempt to address customer satisfaction. The rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered, along with input from the DEP and health department officials and consideration of customer comments and complaints.

Quality of Product and Operational Condition of the Plant and Facilities

UIF has fifteen water systems in Marion, Pasco, Pinellas, Orange, and Seminole Counties. The Crescent Heights and Davis Shores systems in Orange County provide purchased water. The Summertree and Lake Tarpon water treatment plants use chloramines to disinfect the water and the other eleven water systems chlorinate the water. UIF also has five wastewater systems. The Summertree and Orangewood systems in Pasco County purchase bulk wastewater treatment from Pasco County. The Ravenna Park/Lincoln Heights and Weathersfield systems in Seminole County purchase bulk wastewater treatment from Sanford and Altamonte Springs. The Utility has a 40,000 gallons per day (gpd) wastewater plant serving Crownwood in Marion County.

There are no outstanding notices of violation, corrective orders, or other infractions for the water or wastewater systems and the water quality and wastewater effluent are meeting treatment standards. Plant inspections by the DEP are current, having been performed in the last three years for each of the systems.

In 2005 and 2006, the Summertree water system was exceeding state standards for total trihalomethanes and five haloacetic acids. The Utility converted its disinfection process from chlorine to chloramines and the water quality reached compliance with standards in 2008. The source water has sulfide and system flushing is performed to help maintain an adequate chlorine residual and reduce the sulfide taste and odor.

Our staff conducted field inspections of the Utility's Orange and Seminole County systems on March 24 and 25, and on May 6 and 7, the Marion, Pasco, and Pinellas County systems were inspected. The water and wastewater plants were in good working order and no deficiencies were observed.

The Utility's water and wastewater systems are meeting all DEP requirements and the systems appear to be operating properly; therefore, our staff recommended that the quality of the treated water and wastewater and the operational condition of the plant and facilities should be considered satisfactory. We approve said findings with the exception of the water system for Summertree. We have some concerns as it relates to Summertree's water quality. Summertree's last water quality report was in 2009. The water quality report stated that the water provided by

UIF to its customers in Summertree met both primary and secondary DEP standards. However, we find that a more updated water quality report is needed in order for us to make a determination on Summertree's water quality. Thus, we order UIF to test the quality of water for the Summertree system to determine whether it meets DEP primary and secondary standards. The water system quality test shall be completed within 60 days of the issuance of this Order. The water quality report shall be submitted to us for review by our staff to make a determination if the primary and secondary DEP standards are being met.

The Utility's Attempts to Address Customer Satisfaction

In its filing, the Utility provided a copy of the customer complaints that it received during the test year. Complaints included concerns regarding the color, odor, and taste of the water, low pressure, metering, and water line leaks. For wastewater, there were sewer blockage complaints, a complaint about a lift station warning light that was illuminated, and one odor complaint. The Utility responded timely to each complaint and endeavored to resolve each one. There are no unresolved complaints which were made to the Utility. From a review of the complaints in the filing, the Utility is promptly responding to customers' water and wastewater concerns.

The Commission's Complaint Tracking System (CATS) was reviewed. Regarding Quality of Service/Customer Satisfaction, there were complaints made about a boil water notice in 2008, damaged appliances in 2009, and service disconnects. Respectively, a boil water notice was issued due to the power outage and loss of pressure in 2008. The Utility reimbursed the customer to offset damage to his appliances. The Utility stated that the inconvenience from the disconnect was a result of a late payment made by two customers. There are no outstanding complaints in the Commission's CATS program.

Customer meetings were held in Altamonte Springs, New Port Richey, and Ocala. Five customers attended the Altamonte Springs meeting, noting that they were opposed to a rate increase. Three customers attended the New Port Richey meeting. One of the customers discussed the Utility's conversion to chloramines at the Summertree water system and her understanding that a water treatment plant was to be constructed. She added that the water is inferior because it has color, is not clear, clogs filters, and causes a build up in the toilet tanks. She further explained that a greater return to the investors is not important, especially during the economy's financial crisis. Another customer noted the low water pressure in the Cross Creek area, especially when irrigation is occurring. A third customer said he had been a resident for 33 years and while the rates used to be affordable, they keep climbing.

Three customers spoke at the Ocala meeting, noting no improvements to warrant such an increase, an excessive requested rate of return by the Utility, poor water quality, no new water treatment plant as promised in 2007, and that the amount of the increase requested is unconscionable. A fourth customer spoke referring to her bills from Ocala Electric Utility.

Customer comments sent to the Commission regarding this rate case came mostly from the customers in Summertree in Pasco County. The customers are opposed to a rate increase and most noted that the quality of the water at Summertree is undesirable. Many of the customers

commented that they have water softeners or filters at their home and purchase bottled water to drink, opting not to drink the Utility's water. Several Summertree customers indicated that a couple of years ago the Utility had proposed adding additional treatment, storage, and high service pumping to improve the water service; however, those facilities were never built. One customer from Marion County and two others from the Orangewood system in Pasco County wrote comments opposing the rate increase.

Water provided at the Summertree system is in compliance with primary and secondary standards according to DEP. Drinking water is tested at the point of entry into the distribution system and, dependent upon water usage by customers, water quality can diminish during low consumption periods. DEP is aware that there is some presence of hydrogen sulfide and that chlorine is an effective method of treatment for combating some of the undesirable taste and odor from hydrogen sulfide. When a complaint comes to DEP from a customer, the Utility is contacted by DEP and a Utility service representative is dispatched to the customer's home.

According to the Utility, the additional treatment plant for Summertree was designed and plans were shared with some customers who were homeowners' association members. The estimated cost was nearly \$2 million and the project has not yet been budgeted. The Utility's intent, as explained to staff, is to comply with all DEP requirements. The improvements considered at Summertree to construct aeration, storage, and high service pumping were for aesthetic improvements because the Utility is already meeting primary and secondary standards as set forth by the DEP's rules. No timeframe for construction of these plant improvements has been set. Plant improvements to enhance the water quality are not included as proforma items in this rate case, and if constructed, could be a significant increase to customers' rates. An extensive flushing program is in place at Summertree to keep adequate chlorine concentration in the distribution system. Monthly flushing involves more than a half million gallons of water.

The customer complaints brought to the Utility's attention, that are part of this docket, have been responded to by the Utility. We find that a concerted effort is being made by the Utility to satisfy the customers' concerns. For the majority of customers, it appears that customers are satisfied with the service provided by the Utility. Although there are customer concerns specifically about water quality in Summertree, the Utility's records indicate that it responds to each complaint in an attempt to provide a satisfactory resolution. In reviewing the complaints from the Summertree customers, virtually every complaint involving discolored water or offensive taste was lessened or resolved with a visit from a Utility service representative who flushed the water main serving the customer who called. Therefore, we find that Utility's attempt to address customer satisfaction shall be considered satisfactory. However, communications between the Utility and its customers must improve with the goal of achieving an informed customer base.

Summary

The Utility is current of meeting water quality standards for all required chemical analyses. While water quality at the Summertree system has some undesirable attributes, including taste, odor, and color, it appears that home treatment systems or point-of-use devices

might be the best alternative to help reach customers' expectations for improved water quality. Water provided by the Utility is meeting applicable primary and secondary standards as prescribed in the rules of the DEP as it relates to all of its systems except for its Summertree customers. While treatment alternatives can be implemented by the Utility, those improvements will result in additional capital costs and ultimately higher rates to customers.

Based upon the discussion above, we find that the overall quality of the water and wastewater systems for the Utility's systems in Marion, Orange, Pasco, Pinellas, and Seminole Counties is satisfactory, except the water system for Summertree. As stated, we have some concerns as it relates to Summertree's water quality. Summertree's last water system quality report was in 2009. The water system quality report stated that the water provided by UIF to its customers in Summertree met both primary and secondary DEP standards. However, we find that a more updated water system quality report is needed in order for us to make a determination on Summertree's water quality. Thus, we order UIF to test the quality of the Summertree water system to determine whether it meets primary and secondary DEP standards. The water system quality test shall be completed within 60 days of the issuance of this Order. The water quality report shall be submitted to us for review by our staff to make a determination if the primary and secondary DEP standards are being met. Summertree customers' rates shall be reduced to the PAA rate as set out in this Order, pending the test results and determination on whether the water quality for Summertree meets DEP primary and secondary standards. If, after review by our staff, it is determined that said standards are met, the PAA rate for Summertree customers will stay in effect. If said standards are not met, our staff shall bring a recommendation as to what steps should be taken as it relates to UIF's rate case filing in this docket. Also, within eight months from the issuance of the Order, the Utility shall meet with its Summertree customers to discuss water quality improvement options.

Rate Base

In its response to Staff's Audit Report and other correspondence, UIF agreed to the audit findings and audit adjustments shown below. These adjustments address Audit Findings Nos. 1, 2, 4, 6, and 7. We approve herein adjustments to rate base and the corresponding adjustments to net operating income that are shown below.

UIF – Marion County Water					
Audit Adjustments	Plant	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 2 Northbrook Plant	(\$126)	\$13	(\$17)	\$0	\$0
Finding No. 4 Payroll Changes	678	1,138	53	(2,263)	(94)
Finding No. 6 Headquarters Samples	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,359)</u>	<u>0</u>
Adjustment Totals	<u>\$552</u>	<u>\$1,151</u>	<u>\$36</u>	<u>(\$3,622)</u>	<u>(\$94)</u>
UIF – Marion County Wastewater					

UIF – Marion County Water					
Audit Adjustments	Plant	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 2 Northbrook Plant	(\$20)	\$3	(\$3)	\$0	\$0
Finding No. 4 Payroll Changes	101	169	7	(309)	(14)
Finding No. 6 Headquarters Samples	<u>0</u>	<u>0</u>	<u>0</u>	<u>(214)</u>	<u>0</u>
Adjustment Totals	<u>\$81</u>	<u>\$172</u>	<u>\$4</u>	<u>(\$523)</u>	<u>(\$14)</u>

UIF – Orange County Water					
Audit Adjustments	Plant	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 2 Northbrook Plant	(\$73)	\$8	(\$10)	\$0	\$0
Finding No. 4 Payroll Changes	77	746	(27)	(1,480)	(72)
Finding No. 6 Headquarters Samples	<u>0</u>	<u>0</u>	<u>0</u>	<u>(787)</u>	<u>0</u>
Adjustment Totals	<u>\$4</u>	<u>\$754</u>	<u>(\$37)</u>	<u>(\$2,267)</u>	<u>(\$72)</u>

UIF – Pasco County Water						
Audit Adjustments	Plant	Land	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 1 - Land	\$0	(\$1,673)	\$0	\$0	\$0	\$0
Finding No. 2 Northbrook Plant	(704)	0	73	(95)	0	0
Finding No. 4 Payroll Changes	3,964	0	6,488	316	(23,828)	(20)
Finding No. 6 Headquarters Samples	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,585)</u>	<u>0</u>
Adjustment Totals	<u>\$3,260</u>	<u>(\$1,673)</u>	<u>\$6,561</u>	<u>\$221</u>	<u>(\$31,413)</u>	<u>(\$20)</u>

UIF – Pasco County Wastewater					
Audit Adjustments	Plant	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 2 Northbrook Plant	(\$279)	\$29	(\$38)	\$0	\$0
Finding No. 4 Payroll Changes	1,559	2,551	124	(9,373)	(7)
Finding No. 6 Headquarters Samples	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,005)</u>	<u>0</u>
Total Adjustments	<u>\$1,280</u>	<u>\$2,580</u>	<u>\$86</u>	<u>(\$12,378)</u>	<u>(\$7)</u>

UIF – Pinellas County Water					
Audit Adjustments	Plant	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 2 Northbrook Plant	(\$100)	\$10	(\$14)	\$0	\$0
Finding No. 4 Payroll Changes	570	895	46	(745)	(3)
Finding No. 6 Headquarters Samples	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,074)</u>	<u>0</u>
Total Adjustments	<u>\$470</u>	<u>\$905</u>	<u>\$32</u>	<u>(\$1,819)</u>	<u>(\$3)</u>

UIF – Seminole County Water						
Audit Adjustments	Plant	Land	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 1 - Land	\$0	(\$3,564)	\$0	\$0	\$0	\$0
Finding No. 2 Northbrook Plant	(611)	0	64	(83)	0	0
Finding No. 4 Payroll Changes	683	0	6,515	(189)	(14,068)	(767)
Finding No. 6 Headquarters Samples	0	0	0	0	(6,654)	0
Finding No. 7 – Real Estate Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(569)</u>
Total Adjustments	<u>\$72</u>	<u>(\$3,564)</u>	<u>\$6,579</u>	<u>(\$272)</u>	<u>(\$20,722)</u>	<u>(\$1,336)</u>

UIF – Seminole County Wastewater					
Audit Adjustments	Plant	Accum. Deprec.	Deprec. Expense	O & M Expenses	Taxes Other Than Income
Finding No. 1 - Land	\$0	\$0	\$0	\$2,740	\$0
Finding No. 2 Northbrook Plant	(33)	3	(4)	0	0
Finding No. 4 Payroll Changes	364	3,481	(101)	(7,516)	(410)
Finding No. 6 Headquarters Samples	0	0	0	(415)	0
Finding No. 7 – Real Estate Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(371)</u>
Total Adjustments	<u>\$331</u>	<u>\$3,484</u>	<u>(\$105)</u>	<u>(\$5,191)</u>	<u>(\$781)</u>

Based on the agreed to audit adjustments, we find the following adjustments to rate base and net operating income shall be made.

Summary of UIF's Agreed-to Audit Adjustments

<u>System</u>	<u>Plant</u>	<u>Land</u>	<u>Accum. Deprec.</u>	<u>Deprec. Expense</u>	<u>O & M Expenses</u>	<u>Taxes Other Than Income</u>
Marion Water	\$552	\$0	\$1,151	\$36	(\$3,622)	(\$94)
Marion Wastewater	81	0	172	4	(523)	(14)
Orange Water	4	0	754	(37)	(2,267)	(72)
Pasco Water	3,260	(1,673)	6,561	221	(31,413)	(20)
Pasco Wastewater	1,280	0	2,580	86	(12,378)	(7)
Pinellas Water	470	0	905	32	(1,819)	(3)
Seminole Water	72	(3,564)	6,579	(272)	(20,722)	(1,336)
Seminole Wastewater	<u>331</u>	<u>0</u>	<u>3,484</u>	<u>(105)</u>	<u>(5,191)</u>	<u>(781)</u>
Adjustment Totals	<u>\$6,050</u>	<u>(\$5,237)</u>	<u>\$22,186</u>	<u>(\$35)</u>	<u>(\$77,935)</u>	<u>(\$2,327)</u>

Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)

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 2008. UI allocated the cost of the Phoenix Project to all its subsidiaries based on each subsidiary's equivalent residential connections (ERCs) as of September 30, 2009.

Allocation of Phoenix Project Costs

During 2009, we approved recovery of the cost of the Phoenix Project in seven UI rate cases.⁴ The approved costs were allocated based on each subsidiary's specific test year ERCs compared to the total UI test year ERCs. With respect to the current UI cases before us, 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. UIF divided its ERCs by UI's total ERCs, resulting in an allocation percentage of 3.40. This percentage was multiplied by the total investment in the Phoenix Project. Based on total Phoenix Project costs of \$21,364,569, UIF calculated its allocated share to be 3.40 percent, or \$727,344. Of this amount, 72 percent or \$523,688 was assigned to the water systems, while 28 percent or \$203,656 was assigned to the wastewater systems.

Divestiture of UI Subsidiaries

We used a more recent ERC count provided by UIF which recognized the divestitures of certain UI subsidiaries in 2009. According to UIF, 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 noticed conference call on April 16, 2010, between our staff and the parties in this docket, UI stated that it purchased a wastewater system in Louisiana⁵ 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 cost of the Phoenix Project.

We agree that allocating costs according to ERCs is an appropriate methodology to spread the cost of Phoenix Project. However, we do 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.⁶ Miles Grant and Hutchinson were sold collectively for an amount significantly greater than the rate base.⁷ We believe the amounts allocated to the divested subsidiaries were recovered by the shareholders through the sale of those systems. Because no added benefit was realized by the remaining subsidiaries, we find that it is not fair, just or reasonable for ratepayers to bear any additional allocated Phoenix Project costs. Thus, we find the divested subsidiaries' allocation amounts shall be deducted from the total cost of the Phoenix Project before any such costs are allocated to the remaining UI subsidiaries.

⁴ See Docket Nos. 080250-SU, 080249-WS, 080248-SU, 080247-SU, 070695-WS, 070694-WS, and 070693-WS.

⁵ This wastewater system represented approximately 950 ERCs.

⁶ 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.

⁷ 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.

Our auditors determined that the correct ledger balance of the software is \$21,617,487, not the \$21,364,569 that UIF 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, we determine the actual amount paid of \$21,617,487 for the Phoenix Project shall be reduced by \$1,724,166.00, resulting in a remaining balance of \$19,893,321. Based on the unrecovered cost of the Phoenix Project and the ERCs adjusted for the divestitures, we find that the appropriate amount of UIF's allocated share of the Phoenix Project is \$674,948. As such, we find that plant shall be reduced by \$52,396, or \$37,800 for water and \$14,596 for wastewater.

Amortization Period

In previous UI cases, we approved a 6-year amortization period for the Phoenix Project.⁸ In subsequent UI cases,⁹ we found that an 8-year amortization period was more appropriate for a software project of this magnitude. For several reasons, we now find that the amortization period for the Phoenix Project shall 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, we find 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,¹⁰ UI responded that any amortization period between 4 and 10 years would be in compliance with Generally Accepted Accounting Principles. As such, we find 10 years is a more reasonable amortization period. Thus, we find that accumulated depreciation and depreciation expense be reduced \$12,173 for water and \$4,701 for wastewater, respectively.

In summary, we approve a reduction in plant of \$37,801 for water and \$14,596 for wastewater. In addition, accumulated depreciation and depreciation expense both shall be reduced, \$12,172 for water and \$4,701 for wastewater, respectively. Also, we approve a 10 year amortization period, which was similarly approved by us in recent decisions involving three UIF sister companies.¹¹ Below is a breakdown of the above adjustments for each county:

⁸ See Docket Nos. 070695-WS, 070694-WS, and 070693-WS.

⁹ See Docket Nos. 080250-SU, 080249-WS, 080248-SU, and 080247-SU.

¹⁰ Modified Final Order, issued January 15, 2009, in Docket No. 08-06036.

¹¹ See Order Nos. PSC-10-0407-PAA-SU, issued June 21, 2010, in Docket No. 090381-SU, In re: Application for Increase in wastewater rates in Seminole County by Utilities Inc. of Longwood; PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; and PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

<u>County</u>	<u>Water Plant in Service</u>	<u>Wastewater Plant in Service</u>	<u>Water Accumulated Depreciation</u>	<u>Wastewater Accumulated Depreciation</u>	<u>Water Depreciation Expense</u>	<u>Wastewater Depreciation Expense</u>
Marion	(\$2,910)	(\$431)	\$937	\$139	(\$937)	(\$139)
Orange	(1,660)	0	534	0	(534)	0
Pasco	(16,478)	(6,480)	5,306	2,087	(5,306)	(2,087)
Pinellas	(2,370)	0	763	0	(763)	0
Seminole	<u>(14,383)</u>	<u>(7,685)</u>	<u>4,632</u>	<u>2,475</u>	<u>(4,632)</u>	<u>(2,475)</u>
Totals	<u>(\$37,801)</u>	<u>(\$14,596)</u>	<u>\$12,172</u>	<u>\$4,701</u>	<u>(\$12,172)</u>	<u>(\$4,701)</u>

Pro Forma Plant Additions

UIF included pro forma adjustments for plant additions for both Pasco and Seminole Counties. For Pasco County - Water, the Utility included an addition to plant, net of retirements of \$258,234 for replacement of a portion of the Buena Vista distribution system. The associated decrease in accumulated depreciation was \$34,310 and depreciation expense was increased by \$6,375. UIF included pro forma adjustments to Seminole County - Water plant-in-service of \$505,573, net of retirements and \$120,000 for Seminole County - Wastewater. The associated accumulated depreciation adjustment was a reduction of \$72,427 for water and an increase of \$2,667 for wastewater. UIF increased related depreciation expense by \$18,117 for water and \$2,667 for wastewater. In response to our staff's first data request, UIF stated that, with the exception of the "Replacement telephone system", all pro forma additions have been postponed past the year 2010, and will not be included in this docket. We will address the replacement telephone system later in this Order. Thus, we approve the following adjustments as shown below:

County	Plant		Accumulated Depreciation		Depreciation Expense	
	Water	W/Water	Water	W/Water	Water	W/Water
Pasco	(\$258,234)	\$0	(\$34,310)	\$0	(\$6,375)	\$0
Seminole	(\$505,573)	(\$120,000)	(\$72,427)	\$2,667	(\$18,117)	(\$2,667)
Total	(\$763,807)	(\$120,000)	(\$106,737)	\$2,667	(\$24,492)	(\$2,667)

UIF included a pro forma adjustment for Seminole County for a replacement telephone system in the amount of \$100,000 with an associated retirement of \$31,604 which resulted in a net pro forma plant addition of \$68,396. Again, in response to our staff's first data request, UIF stated that the \$100,000 pro forma adjustment was erroneously included in just Seminole

County. The Utility further explained that the project is actually at the corporate level, and should be allocated across all five counties. After further inquiry, UIF revised its adjustment for all UIF systems downward to a total pro forma plant addition of \$18,042. The revised adjustment did not include associated retirement amounts. As such, we applied a 75 percent retirement calculation which resulted in a retirement amount of \$13,531, which resulted in a net addition of \$4,511 (\$18,042-\$13,531).¹² The revised accumulated depreciation amount is \$1,052. Applying the same \$13,531 retirement amount results in a net decrease in accumulated depreciation of \$12,479. The revised depreciation expense increase is \$1,955 with an associated retirement amount of \$1,466 resulting in a net increase in depreciation expense of \$489 (\$1,955-\$1,466). Netting the above amounts with the original amounts for the telephone replacement system, the revised pro forma adjustments are approved as shown below.

Description	Plant		Accumulated Depreciation		Depreciation Expense	
	Water	W/Water	Water	W/Water	Water	W/Water
Marion	\$250	\$37	\$693	\$102	\$27	\$4
Orange	\$143	N/A	\$396	N/A	\$15	N/A
Pasco	\$1,419	\$558	\$3,925	\$1,544	\$154	\$60
Pinellas	\$204	N/A	\$564	N/A	\$22	N/A
Seminole	(\$43,340)	(\$23,156)	(\$10,654)	(\$5,693)	(\$4,324)	(\$2,309)
Total	(\$41,324)	(\$22,561)	(\$5,076)	(\$4,047)	(\$4,106)	(\$2,245)

Used and Useful Percentages

The Utility has fifteen water systems in this docket. Crescent Heights and Davis Shores in Orange County purchase potable water from the Orlando Utilities Commission and Orange County. The other thirteen systems in Marion, Pasco, Pinellas, and Seminole Counties have water plants that produce potable water. Five of these systems also received minimal amounts of potable water during the test year via emergency interconnects with other utilities.

UIF has five wastewater systems in this proceeding. The Summertree and Orangewood systems in Pasco County purchase bulk wastewater treatment from Pasco County, while the Ravenna Park/Lincoln Heights and Weathersfield systems in Seminole County purchase bulk wastewater from the cities of Sanford and Altamonte Springs. The Utility has a 40,000 gallons per day (gpd) wastewater plant serving Crownwood in Marion County.

¹² When the original cost and the original in-service date are not known, it is Commission practice to determine the retirement cost by using 75 percent of the replacement cost. See Order Nos. PSC-09-0632-PAA-WU, issued September 17, 2009, in Docket No. 080353-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.; PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; PSC-04-0363-PAA-SU, issued April 5, 2004, in Docket No. 020408-SU, In re: Application for rate increase in Seminole County by Alafaya Utilities, Inc.; and PSC-00-1528-PAA-WU, issued August 23, 2000, in Docket No. 991437-WU, In re: Application for increase in water rates in Orange County by Wedgefield Utilities, Inc.

Used and Useful (U&U)

In its MFRs, the Utility did not include U&U adjustments for any of its water or wastewater systems except for the Marion County Crownwood wastewater system. In the Utility's last rate case, in Order No. PSC-07-0505-SC-WS, we found all of the water and wastewater plants and lines to be 100 percent U&U except the Crownwood wastewater treatment plant, which was 68.65 percent U&U. That finding was consistent with an earlier rate case, where we also found all of the water and wastewater plants and lines to be 100 percent U&U except the Crownwood wastewater treatment plant which was 68.65 percent U&U.¹³

All the UIF systems were built sometime from the 1950s through the 1970s. Summertree in Pasco County is approaching build out. The Utility points out in its MFRs that in Docket Nos. 020071-WS and 060253-WS, it was determined that Summertree's distribution and collection lines were contributed and a U&U adjustment was not made. All of the Utility's systems, since the last rate case, have either lost customers or have had no significant growth. We agree with the Utility that, consistent with the last rate case, the water and wastewater plants and lines, except the Crownwood wastewater treatment plant, are 100 percent U&U because none of the systems are oversized and the service areas are substantially built out.

The Crownwood wastewater plant serves the Crownwood quadruplex subdivision (Crownwood) and also receives bulk flows from another PSC-regulated utility, BFF Corp. (BFF). The flows from BFF, which make up approximately 63 percent of the total amount treated, are metered amounts. There has been a ten customer increase at Crownwood since the last case, while BFF has not added connections. The Utility's wastewater treatment plant U&U calculation was performed in accordance with Rule 25-30.432, F.A.C. The Crownwood wastewater treatment plant is permitted for 40,000 gpd based on the highest three months of average daily flows (TMADF). The customer demand based on TMADF is 22,975 gpd. The Utility has a small amount of growth at 3,767 gpd, but no excessive infiltration and inflow. Based on these factors, the Utility would be 66.86 percent U&U.

In Docket No. 020071-WS, the Crownwood plant was 68.65 percent U&U. In Docket No. 060253-WS, due to the decrease in flows, the used and useful was calculated to be 61.25 percent. However, we accepted the higher 68.65 percent U&U from the previous rate case because the decrease in flows could have been due to conservation or perhaps a margin of error from calculating plant flows using elapsed time meters and lift station pump flow ratings. In this case, the Utility points out that it should not be penalized by assigning a reduced level of U&U since the plant is no less useful than in previous years.

Rule 25-30.432, F.A.C., provides that in determining the amount of used and useful plant, we must consider the plant capacity as permitted by the DEP, as well as a growth allowance, the extent of build out of the service area, and whether flows have decreased due to conservation or a loss of customers. Based upon a review of the Crownwood system, it appears that the reduced flows are related to conservation. Given the age of the system, the limited growth potential, and

¹³ See Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

the impact of water conservation, we find that the Utility's Crownwood wastewater plant shall be recognized as 68.65 percent U&U, as was determined by the Commission in the last two rate cases.

Excessive Unaccounted for Water (EUW)

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. The rule provides that to determine whether adjustments to plant and operating expenses, such as chemical, electrical and purchased water costs are necessary, we must consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. According to the MFRs, during the test year the Utility had seven systems with EUW, including Crystal Lake (14.7 percent), Phillips (1.3 percent), Ravenna Park (1 percent), and Little Wekiva (2.3 percent) in Seminole County, Orangewood (9.1 percent) and Summertree (1.6 percent) in Pasco County, and Lake Tarpon (12.4 percent) in Pinellas County.

For Lake Tarpon, Orangewood, and Little Wekiva, customer meter inaccuracy is suspected as the cause of EUW. The Utility indicated that it has initiated a comprehensive water meter changeout effort in order to reduce EUW for these systems. For Summertree, the Utility believes that, after reviewing its flushing logs, the water used for flushing was understated and if adjusted based on that information, EUW would be non-existent. For Crystal Lake, in early 2010, the Utility replaced the well flow meter that was suspected to be over-registering the pumped volume. Plant flows and customer usage levels are now more in line. For the other two systems, Phillips and Ravenna Park, EUW is considered minimal and the resulting adjustments would be immaterial. We agree with the Utility, therefore, no adjustments shall be made for EUW. Additionally, in the MFRs, the Golden Hills system in Marion County had adjusted flow figures listed for corrected gallons pumped because of known piping configuration problems which caused well pump flow meters to read high. It was noted that a permit was granted in October 2009 from the St. Johns River Water Management District to revise the measuring points for this system. We have since verified that work on that project was completed in the spring of 2010.

Infiltration and Inflow (I&I)

In the Utility's last rate case, it was determined that the Ravenna Park wastewater system in Seminole County had 19.3 percent excessive I&I resulting in a \$20,600 reduction in purchased wastewater treatment. Infiltration results from groundwater entering a wastewater collection system through broken or defective pipes and joints. Inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. Rule 25-30.432, F.A.C., provides that in determining the amount of used and useful plant, the Commission will consider I&I. Additionally, adjustments to operating expenses such as chemical, electrical and purchased wastewater treatment costs are also considered necessary. We reviewed the flows from the Ravenna Park wastewater system in Seminole County and the Summertree wastewater system in Pasco County. It appears that these systems were sending more wastewater to be treated than expected based on the amount of water billed to its

customers. This finding, which the Utility was asked to review, is considered a possible indication of excessive I&I.

The Utility's review resulted in studies which estimated excessive I&I at 40.79 percent for Ravenna Park and 20.02 percent for Summertree. The Utility calculated that Ravenna Park had 13,773,581 gallons and Summertree had 10,300,071 gallons in excess I&I during the test year. For Ravenna Park, the Utility has provided information to show that it has attempted to improve the situation with spot repairs made to manholes and a gravity main in 2008, installed rainwater interceptors in manholes where surface runoff has historically inundated manhole lids in 2010, and plans in 2010 to clean and video inspect the system to identify the actual cost to correct the deficiencies in the collection system. In the MFRs, as a pro forma plant addition for 2010, the Utility allocated \$120,000 towards the correction of the I&I situation at Ravenna Park. However, the Utility later indicated that, along with most of the other pro forma plant additions in this case, the project had been postponed past the year 2010. In addition, for Summertree, the Utility has communicated that there may have been a power supply problem with the flow readings of the wastewater treated by Pasco County. The Utility intends to investigate and correct the situation.

We agree with the Utility's calculations that show excessive I&I at 20.02 percent for Summertree and 40.79 percent for Ravenna Park. Purchased wastewater expense for Summertree (Pasco County) was \$316,638 and therefore shall be decreased by \$63,391 (\$316,638 times 20.02 percent). Purchased wastewater expense for Ravenna Park (Seminole County) was \$214,911 and therefore shall be reduced by \$87,662 (\$214,911 times 40.79 percent).

Summary

Based on the analysis above, we find that except for the Crownwood wastewater treatment plant, UIF's water plants, water transmission and distribution systems, and wastewater collection systems shall be considered to be 100 percent U&U. The Crownwood wastewater treatment plant shall be considered 68.65 percent U&U. We find that no adjustment shall be made for EUW for any of the Utility's water systems. A 20.02 percent adjustment to purchased wastewater treatment expense for Summertree shall be made and a 40.79 percent adjustment to purchased wastewater treatment expense for Ravenna Park shall be made to reflect the Utility's excessive I&I. Accordingly, purchased wastewater expense shall be reduced by \$63,391 for Pasco County – Wastewater and by \$87,662 for Seminole County – Wastewater.

Working Capital Allowance

For the historical test year ended December 31, 2008, the Utility used the balance sheet approach to calculate working capital, which is appropriate for a Class A Utility. The calculated total company working capital was \$2,835,097, and it was allocated to each of UIF's systems based on Equivalent Residential Connections (ERCs) at December 31, 2008.

In UIF's last rate Order No. PSC-07-0505-SC-WS, working capital was decreased by \$1,903,373 from the Utility's thirteen-month average cash balance of \$1,979,643, or by approximately 96.15 percent, to remove the cash amounts that were transferred to the parent company. The Utility included a thirteen-month average balance of \$1,972,664 for cash in a Bank of America bank account in Florida. This is part of UIF's \$1,979,643 cash amount that is included in its requested working capital allowance. The Bank of America account was used to transfer funds to the cash account to the parent company. The actual balances from the bank statements from the 2007 Order are displayed below. Order No. PSC-07-0505-SC-WS stated that timing differences created differences between the general ledger and the bank statements. The 2007 Order stated that since the purpose of the working capital allowance is to give the company enough current funds to cover its expenses and because the intercompany payable/receivable is excluded from both the capital structure and rate base, we found it reasonable to reduce cash in working capital allowance by \$1,903,372, to \$76,270 as shown below.

Bank Balances

	End of Month Balance
December 2004	69,491.47
2005	
January	57,880.04
February	81,762.25
March	92,263.83
April	57,521.56
May	62,917.12
June	63,824.27
July	54,978.23
August	93,832.76
September	54,152.90
October	145,765.01
November	89,547.07
December	67,574.21
Average	76,270.06
Amount in MFRs	\$1,979,643.00
Difference	(1,903,372.94)

We find a similar adjustment to the one made in UIF's last rate proceeding for excess cash in working capital, also needs to be made in this docket. The following are the month-end cash balances for 2008 included in our final audit report dated May 19, 2010.

Bank Balances

	End of Month Balance
December 2007	\$3,828,901
2008	
January	(16,500)
February	1,919,587
March	656,144
April	507,366
May	1,438,106
June	379,804
July	115,309
August	168,160
September	1,928,625
October	(45,287)
November	(284,340)
December	(43,109)
Total 13-Months	\$10,551,958
13-Month Average	\$811,689
Cash Amount in MFRs	\$2,364,377
Difference	(1,552,688)

We shall revise the table above to exclude the amounts over \$1 million and the negative month-end balances as outliers, which results in the following adjustment shown below.

Bank Balances

	End of Month Balance	Revised Calculation
December 2007	\$3,828,901	
2008		
January	(16,500)	
February	1,919,587	
March	656,144	656,144
April	507,366	507,366
May	1,438,106	
June	379,804	379,804
July	115,309	115,309
August	168,160	168,160
September	1,928,625	
October	(45,287)	
November	(284,340)	
December	(43,109)	
Total 13-Months	\$10,551,958	
13-Month Average	\$811,689	
Cash Amount in MFRs	\$2,364,377	

	End of Month Balance	Revised Calculation
Difference per Audit Report	(\$1,552,688)	
Total 5-Months		\$1,826,783
5-Month Average		365,357
Cash Amount in MFRs		\$2,364,377
Difference		(\$1,999,020)
Deferred Expense Rate Case Exp. Adj.		\$126,826
Total Working Capital Adjustment		(\$1,872,194)

In addition to the reduction in cash in working capital in the amount of \$1,999,020, we also find that working capital be increased for deferred rate case expense in the amount of \$126,826.¹⁴ Our \$1,999,020 reduction to the cash balance in working capital netted against the increase of \$126,826 results in a working capital reduction of \$1,872,194 as shown in the table above. The \$1,872,194 reduction in working capital results in a working capital allowance of \$962,903. The following shows working capital allowance by county and by water and wastewater service as filed by the Utility and as approved by us.

<u>County</u>	<u>As Filed</u>	<u>Commission Adjustment</u>	<u>Commission Adjusted</u>
Marion – Water	\$157,348	(\$110,946)	\$46,402
Marion - Wastewater	\$23,248	(\$15,288)	\$7,960
Orange – Water	\$89,873	(\$59,116)	\$30,757
Pasco - Water	\$891,638	(\$586,463)	\$305,175
Pasco – Wastewater	\$350,701	(\$230,672)	\$120,029
Pinellas – Water	\$128,146	(\$84,283)	\$43,863
Seminole – Water	\$778,234	(\$511,867)	\$266,367
Seminole – Wastewater	\$415,909	(\$273,559)	\$142,350
TOTAL	<u>\$2,835,097</u>	<u>(\$1,872,194)</u>	<u>\$962,903</u>

¹⁴(Consistent with Commission practice, one-half of the total rate case expense shall be included in working capital). See Order Nos. PSC-09-0057-FOF-SU, issued January 27, 2009, in Docket No. 070293-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.; and PSC-04-0369-AS-EI, issued April 6, 2004, in Docket No. 030438-EI, In re: Petition for rate increase by Florida Public Utilities Company; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc. UIF included only \$24,950 of deferred current rate case expense in working capital for this docket. As discussed below, the total approved amount of rate case expense is \$303,552. As such, the appropriate amount to include in working capital is \$151,776. Thus, work capital is be increased by \$126,826 (\$151,776-\$24,950).

Rate Base

We have calculated UIF's water and wastewater rate bases by system and by county using the Utility's MFRs with adjustments as approved above. The appropriate rate bases for the UIF systems for the test year ended December 31, 2008, are shown below.

County	Water	Wastewater	Total
Marion	\$444,429	\$111,892	\$556,321
Orange	\$225,363	N/A	\$225,363
Pasco	\$3,368,786	\$792,657	\$4,161,443
Pinellas	\$336,788	N/A	\$336,788
Seminole	\$3,141,040	\$2,124,710	\$5,265,750
Total	\$7,516,406	\$3,029,259	\$10,545,665

Cost of Capital

Return on Equity (ROE)

The ROE included in the Utility's filing is 11.17 percent. Based on the current leverage formula and an equity ratio of 41.92 percent, the appropriate ROE is 10.69 percent.¹⁵ This represents a forty-eight basis point reduction from UIF's requested ROE of 11.17 percent. We approve an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes. We approve said ROE contingent upon the water quality test to be conducted within 60 days of the issuance of this Order for the Summertree water system. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the ROE approved in this Order.

Weighted Average Cost of Capital

Marion County

The weighted average cost of capital included in the Utility's filing is 7.28 percent. The test year per book amounts were taken directly from Marion County's MFR filing Schedule D-2. Staff revised the cost rate for common equity proposed by the Utility. The appropriate ROE of 10.69 percent is discussed above. Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008, we approve an appropriate weighted average cost of capital of 6.89 percent.¹⁶ Schedule No. 2, attached hereto, details our findings.

¹⁵ See Order Nos. PSC-10-0401-PAA-WS, issued June 18, 2010, and PSC-10-0466-CO-WS, issued July 13, 2010, in Docket No. 100006-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.

¹⁶ This represents a thirty-eight basis point reduction to UIF's requested cost of capital for Marion County.

Orange County

The weighted average cost of capital included in the Utility's filing is 7.08 percent. The test year per book amounts were taken directly from Orange County's MFR filing Schedule D-2. We revised the cost rate for common equity proposed by the Utility. The appropriate ROE of 10.69 percent is discussed above. Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008, we approve an appropriate weighted average cost of capital of 6.61 percent.¹⁷ Schedule No. 2 details our findings.

Pasco County

The weighted average cost of capital included in the Utility's filing is 7.40 percent. The test year per book amounts were taken directly from Pasco County's MFR filing Schedule D-2. We revised the cost rate for common equity proposed by the Utility. The appropriate ROE of 10.69 percent is discussed above. Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008, we approve an appropriate weighted average cost of capital of 6.98 percent.¹⁸ Schedule No. 2 details our findings.

Pinellas County

The weighted average cost of capital included in the Utility's filing is 7.14 percent. The test year per book amounts were taken directly from Pinellas County's MFR filing Schedule D-2. We revised the cost rate for common equity proposed by the Utility. The appropriate ROE of 10.69 percent is discussed above. Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008, we approve an appropriate weighted average cost of capital of 6.68 percent.¹⁹ Schedule No. 2 details our findings.

Seminole County

The weighted average cost of capital included in the Utility's filing is 7.63 percent. The test year per book amounts were taken directly from Seminole County's MFR filing Schedule D-2. We revised the cost rate for common equity proposed by the Utility. The appropriate ROE of 10.69 percent is discussed above. Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008, we approve an appropriate weighted average cost of capital of 7.25 percent.²⁰ Schedule No. 2 details our findings.

¹⁷ This represents a thirty-seven basis point reduction to UIF's requested cost of capital for Orange County.

¹⁸ This represents a forty-two basis point reduction to UIF's requested cost of capital for Pasco County.

¹⁹ This represents a forty-six basis point reduction to UIF's requested cost of capital for Pinellas County.

²⁰ This represents a thirty-eight basis point reduction to UIF's requested cost of capital for Seminole County.

Summary

Based on our analyses, the appropriate weighted average cost of capital for the test year ended December 31, 2008, is 6.89 percent for Marion County, 6.61 percent for Orange County, 6.98 percent for Pasco County, 6.68 percent for Pinellas County, and 7.25 percent for Seminole County. However, we approve said weighted average cost of capital for the test year ended December 31, 2008, contingent upon the water quality test to be conducted within 60 days of the issuance of this Order for the Summertree water system. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the weighted average cost of capital for the test year ended December 31, 2008, approved in this Order for Pasco County.

Net Operating Income

On MFR Schedules B-5 and B-6, the Utility reported water salaries and wages, pensions and benefits, and payroll taxes of \$416,938, \$105,000, and \$36,773, respectively, and reported wastewater salaries and wages, pensions and benefits, and payroll taxes of \$156,762, \$39,108, and \$13,712, respectively. The proposed salaries and wages expense represents an increase of 61.15 percent for water and 58.83 percent for wastewater over the levels reflected in the Utility's last rate case in 2006. The proposed pensions and benefits expense represents increases of 49.99 percent for water and 50.20 percent for wastewater over the same period.

Our review of O&M expenses included a comparison of reported expenses with those approved in UIF's last rate case. Schedules B-7 and B-8 requires the Utility to explain why any increases in expenses exceed customer growth and inflation (collectively, "benchmark"). UIF calculated the following benchmarks for water and wastewater respectively:

Benchmarks

	<u>Marion</u>	<u>Orange</u>	<u>Pasco</u>	<u>Pinellas</u>	<u>Seminole</u>
Water	11.44%	7.69%	15.71%	14.37%	12.48%
Wastewater	30.12%	N/A	19.44%	N/A	12.62%

For salaries and wages and pensions and benefits, the Utility stated that the reason for the increases was due to the number of employees and available positions that increased between the 2005 and 2008 year-end test periods, as well as the associated cost of living increases.

In our staff's data request, dated May 12, 2010, the Utility was asked to explain why its salaries and wages expense was significantly greater than the relative level of salaries the Commission approved in its 2006 rate case. In its response, UIF explained that several field employees were transitioned out of the UI family due to the recent sales of certain systems. In addition, there have been employees terminated at the corporate level as well. However, UI stated that revenues have grown since the last UIF rate case in 2005, and personnel are needed to support the administrative functions of WSC that are passed down to all UI customers. In addition, three out of the five UIF systems had pro forma adjustments made to the test year that effectively decreased their test year salaries (Orange, Pinellas, and Seminole all have salary

reductions in their pro forma adjustments). The salary adjustments that were made were threefold: (1) it annualized current employees' salaries as of the date the salary workpaper was prepared (July 2009), (2) it accounted for current salary allocation profiles and for sold systems as of the point in time, and (3) it incorporated salary increases through April 2010.

We do not agree with the Utility's justification for increased salaries. As stated above, the Utility believes that more personnel are needed to support the administrative functions of WSC, the costs of which are passed down to all UI customers based on the increase in revenues from 2005 to 2008. However, the increase in revenues is due to UI having many rate cases since 2005, not from an increase in customers. As discussed above, the number of customers in Florida has decreased due to the recent divestitures of several systems.

Based on the above, we find the requested increase in salaries and wages expense is excessive. The Utility has the burden of proving that its costs are reasonable.²¹ We find that the Utility has not met its burden of proof for the proposed increase in salaries and wages expense from 2005 to 2008. Further, we find UIF has not demonstrated any substantial benefit to the Utility as a result of the additional allocated personnel since the last rate case.

We have utilized the benchmark analysis found on MFR Schedules B-7 and B-8²² to support a reduction to salaries and wages expense in three recent cases for sister companies of UIF.²³ Accordingly, pensions and benefits expense shall be reduced by \$29,660 for water and \$10,060 for wastewater.²⁴ Finally, payroll taxes shall be reduced by \$9,396 for water and \$3,234 for wastewater. Below is a breakdown of the above adjustments for each county:

²¹ See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982)

²² See Order Nos. PSC-92-0578-FOF-SU, issued June 29, 1992, in Docket No. 910540-SU, In re: Application for sewer service rate adjustment in Aloha Gardens service area by Aloha Utilities, Inc. in Pasco County; and PSC-92-0336-FOF-WS, issued May 12, 1992, in Docket No. 911194-WS, In re: Application for a rate increase in Collier County by Florida Cities Water Company, Golden Gate Division.

²³ See Order Nos. PSC-10-0407-PAA-SU, issued June 21, 2010, in Docket No. 090381-SU, In re: Application for Increase in wastewater rates in Seminole County by Utilities Inc. of Longwood; and PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; and PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

²⁴ We note that we utilized the Utility's test year ratio of pensions and benefits to salaries in order to determine the corresponding adjustments for pensions and benefits.

<u>County</u>	<u>Water Salaries</u>	<u>Wastewater Salaries</u>	<u>Water Pension and Benefits</u>	<u>Wastewater Pension and Benefits</u>	<u>Water Payroll Taxes</u>	<u>Wastewater Payroll Taxes</u>
Marion	(\$1,065)	(\$130)	(\$354)	(\$43)	(\$81)	(\$10)
Orange	(1,066)	0	(254)	0	(82)	0
Pasco	(107,015)	(42,083)	(25,431)	(10,000)	(8,187)	(3,219)
Pinellas	(11,848)	0	(3,142)	0	(906)	0
Seminole	<u>(1,827)</u>	<u>(62)</u>	<u>(480)</u>	<u>(16)</u>	<u>(140)</u>	<u>(5)</u>
Totals	<u>(\$122,821)</u>	<u>(\$42,275)</u>	<u>(\$29,661)</u>	<u>(\$10,059)</u>	<u>(\$9,396)</u>	<u>(\$3,234)</u>

Relocation Expenses

UI reported relocation expenses for the 2008 test year of \$156,647,²⁵ which represented a 59 percent increase over the amount in 2007. UIF's allocated portion of this expense was \$5,420. UI's relocation expenses have varied significantly from year to year. For example, UI did not have any relocation expenses in 2004 and 2005. However, UI recorded relocation expenses of \$16,145 for 2006 and \$98,577 for 2007.²⁶ Recognizing that relocation expenses have varied significantly from year to year, it has been our practice to base this expense on a 4-year average of actual expense rather than the specific expense in any given year. To be consistent with our practice, we find that relocation expenses shall be based on a 4-year average.²⁷ Accordingly, we find that relocation expenses shall be reduced by \$1,875 for water and \$1,199 for wastewater as indicated below:

²⁵ The relocation expenses for 2008 related to the relocation of one headquarter employee.

²⁶ The year over year increase from 2006 to 2007 represented a 511 percent increase.

²⁷ See Order Nos. PSC-10-0407-PAA-SU, issued June 21, 2010, in Docket No. 090381-SU, In re: Application for Increase in wastewater rates in Seminole County by Utilities Inc. of Longwood; PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; PSC-04-1110-PAA-GU, issued November 8, 2004, in Docket No. 040216-GU, In re: Application for a rate increase by Florida Public Utilities Company; PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket No. 010949-EI, In re: Request for rate increase by Gulf Power Company, and PSC-92-0924-FOF-GU, issued September 3, 1992, in Docket No. 91150-GU, In re: Application for a rate increase by Peoples Gas System, Inc.

Marion	(\$169)	(\$27)
Orange	(\$98)	N/A
Pasco	(\$631)	(\$719)
Pinellas	(\$142)	N/A
Seminole	(\$835)	(\$453)
Total:	(\$1,875)	(\$1,199)

Transportation Expense

In its filing, UIF recorded test year transportation expenses as follows:

<u>County</u>	<u>Water Transportation Expense</u>	<u>Wastewater Transportation Expense</u>
Marion	\$4,141	\$613
Orange	\$2,080	N/A
Pasco	\$22,475	\$8,838
Pinellas	\$5,074	N/A
Seminole	\$18,013	\$9,624

In recent rate cases for three of UIF's sister companies, we asked those utilities to provide the amount of their transportation expenses that related to fuel purchases and the total gallons of fuel purchased. In their response, those utilities stated that they could not determine the total gallons of fuel purchased because its parent company (Utilities, Inc. or UI) utilized GE Capital Fleet to manage its entire convoy, but recently had switched vendors and the information relating to purchased gallons was no longer available.

As stated, it is the Utility's burden to prove that its costs are reasonable.²⁸ In the recent rate cases for three of UIF's sister companies, we determined that UI's gallonage data is unreliable in determining the appropriate level of fuel costs for ratemaking purposes on a prospective basis.²⁹

²⁸ See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982).

²⁹ See Order Nos. PSC-10-0407-PAA-SU, issued June 21, 2010, in Docket No. 090381-SU, In re: Application for Increase in wastewater rates in Seminole County by Utilities Inc. of Longwood; and PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; and PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

Based on the recent United States Energy Information Administration Short-Term Energy Outlook Report dated April 6, 2010, the average annual retail gasoline price for 2010 is expected to be \$2.76 per gallon, while the annual average for 2008 was \$3.26 per gallon. We have utilized the United States Energy Information Administration Short-Term Energy Outlook Report in recent formal file and suspend rate case to determine the appropriate level of fuel cost.³⁰ The difference between the annual average price in 2008 and 2010 represents a decrease of 50 cents or 15.34 percent. In the absence of reliable gallonage data and consistent with our decisions for UIF's sister companies, we find that a reasonable method to determine the prospective fuel expense for ratemaking purposes is to decrease test year fuel costs by 15.34 percent. Therefore, we find that the Utility's transportation expense shall be decreased as shown below.

<u>County</u>	<u>Water Fuel Expense in Transportation</u>	<u>Water Fuel Costs Adjustment</u>	<u>Wastewater Fuel Expense in Transportation</u>	<u>Wastewater Fuel Expense Adjustment</u>
Marion	\$3,280	(\$503)	\$613	(\$75)
Orange	\$1,571	(\$241)	N/A	N/A
Pasco	\$17,540	(\$2,690)	\$6,898	(\$1,058)
Pinellas	\$3,873	(\$594)	N/A	N/A
Seminole	\$13,523	(\$2,074)	\$7,225	(\$1,108)

Rate Case Expense

UIF included rate case expense of \$475,898 in its MFRs. We requested an update of the actual rate case expense incurred, with supporting documentation, as well as an estimate of the necessary amount to complete the case. On June 14, 2010, the Utility submitted a revised estimate of rate case expense through completion of the PAA process. The Utility projected an additional \$183,193 of rate case expense to complete the case, for a total rate case expense of \$544,053.

Pursuant to Section 367.081(7), F.S., we shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. Also, it is a utility's burden to justify its requested costs.³¹ Further, we have broad discretion with respect to allowance of rate case expense. However, it would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the costs incurred in

³⁰ See Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

³¹ See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982).

the rate case proceedings.³² As such, we have examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our review, we find several adjustments are necessary to the revised rate case expense estimate.

The first adjustment relates to costs incurred to correct MFR deficiencies. Based on our review of invoices, UIF incurred \$158 in legal fees related to deficiencies. We have previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicative filing costs.³³ Accordingly, we find that \$158 be removed as duplicative and unreasonable rate case expense.

The second adjustment relates to the Utility's estimated legal fees and expenses to complete the rate case. Rose, Sundstrom & Bentley, LLP (RS&B), the Utility's legal counsel, estimated 264.6 hours or \$83,268 in fees. UIF did not provide any support for the estimated legal fees. However, based on recently approved estimated legal fees for one of UIF's sister companies,³⁴ we find 55.1 hours is a reasonable estimate of legal fees for this case. The specific amount of time associated with each item is listed below:

Estimate To Complete Through PAA Process		
<u>Description</u>	<u>Hours</u>	<u>Fees</u>
Attend three customer meetings. ³⁵	10.1	\$3,085
Respond to formal data requests and informal requests for information from Staff.	17.5	5,399
Legal research and documentation regarding confidentiality of work papers, NSF tariffs, WSC allocation issues, water quality and customer concerns.	6.0	1,851
Review staff recommendation; conference with client and consultant regarding recommendation; conference with staff regarding recommendation.	3.5	1,080
Prepare for and attend Agenda conference; discuss Agenda with client and staff.	12.0	3,960
Review PAA Order; Conference with client and consultant regarding PAA Order.	2.0	617
Prepare revised tariff sheets; Obtain Our staff's approval of tariffs; Draft and revise customer notice; Obtain Staff approval of notice; Coordinate mailing of notices and implementation of tariffs.	4.0	1,220
Total Estimated Fees	<u>55.1</u>	<u>\$17,211</u>

Based on this analysis, legal fees are \$17,211. Therefore, we find that legal fees shall be decreased by \$66,057 (\$83,268-\$17,211).

³² See Meadowbrook Util. Sys., Inc. v. FPSC, 518 So. 2d 326, 327 (Fla. 1st DCA 1987), rev. den., 529 So. 2d 694 (Fla. 1988).

³³ See Order Nos. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

³⁴ Sanlando Utilities Corporation is a Class A Utility that was also represented by RS&B.

³⁵ Hours were calculated using the travel time to and from the office address of RS&B to the customer meeting locations and added to the total time of the customer meetings.

The third adjustment relates to Milian, Swain and Associates, Inc.'s (MS&A) actual and estimated fees of \$230,000. In UIF's last rate case, rate case expense of \$151,899 was approved for the work performed by MS&A. There was no support documentation provided for the estimated costs to complete through the PAA process. In addition, the invoices for the actual hours did not provide any detail or itemized description of the work performed. Because this case is measurably less intricate than UIF's last rate case,³⁶ we find that UIF has not met its burden of proof for the proposed fee for these services. The processing of the instant case should not require more hours than what was approved in the last rate case. Therefore, we find it reasonable to use the same number of hours approved in UI's last case, along with MS&A's current hourly rates to determine the appropriate amount of rate case expense for this function.³⁷ Using this method, the total MS&A fees are \$174,650. Thus, we find that rate case expense be decreased by \$55,350 (\$230,000-\$174,650).

The fourth adjustment relates to unsupported estimated expenses to complete the rate case. There was no documentation provided to support the Utility's requested consultant fees for Management & Regulatory Consultants, Inc. (M&R) of \$1,088 or for the \$1,000 for temporary employees. Accordingly, we find that \$2,088 (\$1,088+\$1,000) shall be removed as unsupported rate case expense.

The fifth adjustment relates to WSC employee actual and estimated fees of \$142,773. No support documentation was provided for the estimated hours. In cases where rate case expense has not been supported by detailed documentation, our practice has been to disallow some portion or all unsupported amounts.³⁸ In UIF's 2007 rate case, we approved a total of \$35,008 for WSC employee fees. We find that limiting the current rate case expense to the amount approved in the 2007 case of \$35,008 is fair and reasonable considering this case is measurably less intricate than UIF's last rate case. Thus, we find that rate case expense shall be decreased by \$107,765.

The sixth adjustment is for meal expenses for UI employees to have working dinners and lunches. We do not find this to be a reasonable rate case expense. Thus, we reduce rate case expense by \$816.

The seventh adjustment addresses WSC travel expenses. In its MFRs, UIF estimated \$3,200 for travel. In its updated estimate of rate case expense, the Utility reduced its request from \$3,200 to \$1,578. Based on several previous UI rates cases, it is our experience for PAA

³⁶ The Utility's last rate case involved many more issues. There were eight data requests with a total of 52 questions and 37 audit findings in the last rate case. In the current rate case, there has only been one data request with 16 questions, as well as only seven audit findings, of which the Utility agreed to six of the seven.

³⁷ In the last rate case, the hourly rate for MS&A's principal partner and associate accountant were \$160 and \$130, respectively; however, in this case, their hourly rates are \$200 and \$150, respectively.

³⁸ 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.; Order No. 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 Order No. 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. We note that, in all of these cases, the Commission removed the entire unsupported amounts.

rate cases that UI does not send a representative from their Illinois office to attend our Agenda Conference. Therefore, we find that rate case expense shall be decreased by \$1,578.

The eighth adjustment relates to FedEx and other miscellaneous costs. In its MFRs, the Utility estimated \$5,984 for these items. In support of these expenses, the Utility provided only \$984 in FedEx invoices. Consistent with our practice, these requested costs shall be disallowed because they are costs associated with having the records located out of state.³⁹ This is a decision of the shareholders of the Utility, and therefore the shareholders shall bear the related costs. Thus, we find that rate case expense shall be decreased by \$5,984.

The ninth adjustment relates to printing costs. The Utility requested actual expenses of \$3,338. However, the invoices provided by the Utility only totaled \$3,064. Thus, we find that rate case expense shall be decreased by \$707 (\$3,771-\$3,064).

As addressed in above, we find a revenue decrease of \$5,770 for Marion County – Water is appropriate. In evaluating overearning cases, we allow utilities to recover the rate case expense associated with overearnings investigations.⁴⁰ As noted earlier, we found an annual rate case expense for Marion County – Water of \$4,206. In this rate proceeding, the customers' rates have been reduced to reflect the decreases of \$5,770. Therefore, the customers have received a benefit from the rate case expense. We would note that this approved allowance for rate case expense is consistent with our decision in UIF's last rate case.

In summary, we find that the Utility's revised rate case expense be decreased by \$240,501. The appropriate total rate case expense is \$303,552. A breakdown of rate case expense is as follows:

³⁹ See Order Nos. PSC-10-0407-PAA-SU, issued June 21, 2010, in Docket No. 090381-SU, In re: Application for Increase in wastewater rates in Seminole County by Utilities Inc. of Longwood; and PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; and PSC-10-0423-PAA-WS, issued July 1, 2010 in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

⁴⁰ See Order No. PSC-97-0847-FOF-WS, issued July 15, 1997, in Docket No. 960234-WS, In re: Investigation of rates of Gulf Utility Company in Lee County for possible overearnings.

	MFR <u>Estimated</u>	Utility Revised <u>Actual & Estimated</u>	Commission <u>Adjustment</u>	Approved <u>Total</u>
Legal and Filing Fees	\$85,050	\$112,919	(\$66,214)	\$46,704
Consultant Fees-MS&A	\$230,250	\$230,000	(\$55,350)	\$174,650
Consultant Fees-M&R	\$19,790	\$23,775	(\$1,088)	\$22,688
Consultant Fees-CPH	\$0	\$858	\$0	\$858
WSC Fees- In House	\$102,728	\$142,773	(\$107,765)	\$35,008
Filing Fee	\$4,000	\$9,000	\$0	\$9,000
Meals- WSC	\$0	\$816	(\$816)	\$0
Travel- WSC	\$3,200	\$1,578	(\$1,578)	\$0
Temp Employee-WSC	\$0	\$2,581	(\$1,000)	\$1,581
Fed Ex & other Misc.	\$12,000	\$5,984	(\$5,984)	\$0
Notices & printing services	<u>\$18,880</u>	<u>\$13,771</u>	<u>(\$707)</u>	<u>\$13,064</u>
Total Rate Case Expense	\$475,898	\$544,053	(\$240,501)	\$303,552

In its MFRs, the Utility requested total rate case expense of \$475,898. When amortized over four years, this represents an annual expense of \$118,975. The approved annual rate case expense of \$75,888 (\$303,552 ÷ four) shall be recovered over four years, pursuant to Section 367.016, F.S. Therefore, annual rate case expense shall be decreased as indicated below:

<u>County</u>	Requested RCE	Commission Approved	
	4-Year Amortization	4-Year Amortization	Adjustment
Marion - Water	\$6,594	\$4,206	(\$2,388)
Marion - Wastewater	983	627	(356)
Orange - Water	3,761	2,399	(1,362)
Pasco - Water	37,341	23,818	(13,523)
Pasco - Wastewater	14,789	9,433	(5,356)
Pinellas - Water	5,369	3,425	(1,945)
Seminole - Water	32,597	20,792	(11,805)
Seminole - Wastewater	<u>17,541</u>	<u>11,188</u>	<u>(6,352)</u>
Total:	<u>\$118,975</u>	<u>\$75,888</u>	<u>(\$43,087)</u>

Bad Debt Expense

The Utility recorded bad debt expense of \$43,287 for 2008. The basis for determining the appropriate level of bad debt expense has been whether the amount is representative of the bad debt expense to be incurred by the Utility. We have set bad debt expense using the 3-year average in three electric cases,⁴¹ two gas cases,⁴² and five water and wastewater cases.⁴³ We

⁴¹ See Order Nos. PSC-94-0170-FOF-EI, issued February 10, 1994, in Docket No. 930400-EI, In re: Application for a Rate Increase for Marianna electric operations by Florida Public Utilities Company, at p. 20; PSC-93-0165-FOF-EI, issued February 2, 1993, in Docket No. 920324-EI, In re: Application for a rate increase by Tampa Electric Company, at pp. 69-70; and PSC-92-1197-FOF-EI, issued October 22, 1992, in Docket No. 910890-EI, In re: Petition for a rate increase by Florida Power Corporation, at p. 48.

approved a 3-year average in those cases based on the premise that a 3-year average fairly represented the expected bad debt expense. Consistent with our practice, bad debt expense shall be based on a 3-year average, as shown below.

<u>County</u>	<u>Test Year Bad Debt Expense</u>	<u>3-year Average</u>
Marion - Water	\$569	\$546
Marion - Wastewater	85	81
Orange - Water	4,716	3,549
Pasco - Water	11,086	6,903
Pasco - Wastewater	4,359	2,715
Pinellas - Water	220	154
Seminole - Water	14,503	11,994
Seminole - Wastewater	7,749	6,408
Total:	<u>\$43,287</u>	<u>\$32,351</u>

Based on the 3-year average calculation, UIF is expected to incur bad debt expense of \$32,351, which we find is representative of UIF's bad debt expense. As a result, we find that UIF's bad debt expense shall be reduced as indicated below:

<u>County</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Marion	(\$23)	(\$3)	(\$26)
Orange	(\$1,167)		(\$1,167)
Pasco	(\$4,182)	(\$1,645)	(\$5,827)
Pinellas	(\$66)		(\$66)
Seminole	(\$2,509)	(\$1,341)	(\$3,850)

Operating Income

As shown on Schedules 3-A and 3-B where applicable, after applying our adjustments, the Utility's net operating income by county is as shown below. Our adjustments to operating

⁴² See Order Nos. PSC-92-0924-FOF-GU, issued September 3, 1992, in Docket No. 911150-GU, In re: Application for a rate increase by Peoples Gas System, Inc., at p. 6; and PSC-92-0580-FOF-GU, issued June 29, 1992, in Docket No. 910778-GU, In re: Petition for a rate increase by West Florida Natural Gas Company, at pp. 30-31.

⁴³ See Order Nos. PSC-10-0407-PAA-SU, issued June 21, 2010, in Docket No. 090381-SU, In re: Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood; PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; and PSC-07-0505-SC-WS, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida, at pp. 41-42; and PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc., at pp. 92-96.

income are shown on Schedules No. 3-C. We note that our decision may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the Operating Income for Pasco County.

<u>County</u>	<u>Water Operating Income</u>	<u>Wastewater Operating Income</u>
Marion	\$34,041	\$749
Orange	\$4,241	N/A
Pasco	\$100,029	(\$21,048)
Pinellas	\$9,981	N/A
Seminole	\$126,521	\$97,633

Revenue Requirement

Consistent with our findings concerning the underlying rate base, cost of capital, and operating income issues, we approve rates that are designed to generate pre-repression revenue requirements as shown below. We note that our decision may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the Revenue Requirement for Pasco County.

System	Test Year Revenues	(\$ Decrease) \$ Increase	Revenue Requirement	(% Decrease) % Increase
Marion Water	\$180,504	(\$5,770)	\$174,734	(3.20%)
Marion Wastewater	\$39,829	\$11,678	\$51,507	29.32%
Orange Water	\$100,789	\$17,895	\$118,684	17.76%
Pasco Water	\$806,112	\$227,103	\$1,033,215	28.17%
Pasco Wastewater	\$446,272	\$128,287	\$574,559	28.75%
Pinellas Water	\$99,904	\$21,002	\$120,906	21.02%
Seminole Water	\$779,689	\$170,036	\$949,725	21.81%
Seminole Wastewater	\$743,954	\$94,788	\$838,742	12.74%

Rate Structures

We have performed a detailed analysis of the Utility's billing data in each county in order to evaluate various BFC cost recovery percentages, as well as usage blocks and usage block rate factors (when appropriate) for the residential rate classes. The goals of the evaluations were to select the rate design parameters that: 1) allow the Utility to recover each county's revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement, where appropriate, water conserving rate structures consistent with the Commission's Memorandum of Understanding with both of these Water Management Districts.

The systems in Orange and Seminole Counties are located in the St. Johns River Water Management District (SJRWMD). The systems in Marion, Pasco and Pinellas Counties are located in the Southwest Florida Water Management District (SWFWMD or District). We have a Memorandum of Understanding with these districts to implement water conserving rate structures whenever feasible.

The Utility's current rate structures were originally approved in the Utility's 1992 rate case. These same rate structures were subsequently approved in the Utility's last rate case in 2007. A discussion of the appropriateness of these rate structures in the instant case follows on a county-by-county basis.

Marion County

The Utility's water rates prior to filing the instant case were a BFC of \$3.84 for a 5/8" x 3/4" meter, and a gallonage charge of \$2.31 for all kgal consumed. The corresponding wastewater rates prior to filing were a BFC of \$20.25 for a 5/8" x 3/4" meter. The residential wastewater gallonage charge was \$2.16 per kgal, capped at 10 kgal of usage. General service wastewater customers were charged \$2.58 for each kgal used.

An analysis of the water Utility's billing data shows that average residential consumption is 8.4 kgal per month. This indicates a moderate amount of discretionary consumption. However, this data also reveals that approximately 15 percent of customers consume over 20 kgal per month. Ordinarily under these circumstances, we might recommend implementing an inclining block rate structure to help address water conservation concerns. However, as discussed previously, we have ordered a revenue reduction of 3.2 percent for the Marion County water system. This reduction in revenue requirement precluded the design of an effective inclining block rate structure that would encourage water conservation at higher levels of consumption without simultaneously reducing rates at lower levels of consumption. Therefore, the Utility's current BFC/uniform gallonage charge rate structure shall be retained.

A BFC cost recovery level of 33 percent was approved in the Utility's last case. We find that keeping the BFC cost recovery at 33 percent is appropriate. Since the percentage of bills captured at 1 kgal or less of consumption is 21 percent, the customer base is not considered seasonal. Therefore, keeping the current BFC percentage at 33 percent does not raise revenue sufficiency concerns.

The current rate structure for the Marion County wastewater system is the traditional BFC/uniform gallonage charge rate structure with a gallonage cap set at 10 kgal per month. A BFC cost recovery level of 50 percent was approved in the Utility's last case. Due to the capital intensive nature of wastewater plants, and consistent with how we typically allocate BFC revenues for wastewater systems, we find that 50 percent is the appropriate BFC cost recovery percentage for the Marion County wastewater system. The current BFC/uniform gallonage charge with a cap set at 10 kgal per month shall also be retained. Additionally, the current general service/residential service wastewater gallonage charge differential of 1.2 shall be retained.

Orange County

The Utility's water rates prior to filing the instant case were a BFC of \$6.63 for a 5/8" x 3/4" meter. Residential water charges are based on a three-tier inclining block rate structure, with monthly usage blocks of 0-8 kgal, 8.001-16 kgal, and usage in excess of 16 kgal, with usage block rate factors of 1.0, 1.25, and 1.5, respectively. Residential consumption charges per kgal before filing were \$2.74 for consumption in the first usage block, \$3.42 for consumption in the second block, and \$4.11 for consumption in excess of 16 kgal. General service water customers were charged \$2.93 for all kgal consumed.

An analysis of the water Utility's billing data shows that average residential consumption is 6.5 kgal per month. Furthermore, this analysis indicates that only approximately five percent of bills were in excess of 16 kgal per month. These usage characteristics indicate that the Utility's existing rate structure is adequately addressing water conservation concerns. Therefore, we find that the current three-tiered inclining block rate structure shall be retained. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional fourth tier will be created for non-discretionary usage below 6 kgal per month.

A BFC cost recovery level of 26 percent was approved in the Utility's last case. Based on our analysis, we find that keeping the BFC cost recovery at 26 percent is appropriate. Since the percentage of bills captured at 1 kgal or less of consumption is approximately ten percent, the customer base is not considered seasonal. Therefore, keeping the current BFC percentage at 26 percent does not raise revenue sufficiency concerns.

Pasco County

The Utility's water rates prior to filing the instant case were a BFC of \$9.61 for a 5/8" x 3/4" meter, and a gallonage charge of \$3.12 for all kgal consumed. There are two wastewater systems in Pasco County, the Summertree system and the Wis-Bar system. The wastewater rates prior to filing for the Summertree system were a BFC of \$11.34 for a 5/8" x 3/4" meter, and a residential gallonage charge of \$9.63, capped at 6 kgal of usage. General service customers were charged \$11.56 for all kgal consumed. The wastewater rates prior to filing for the Wis-Bar system were a BFC of \$8.73 for a 5/8" x 3/4" meter, and a residential gallonage charge of \$6.87, capped at 6 kgal of usage. In addition, the Wis-Bar system has wastewater flat rate customers – the residential flat rate was \$25.23, while the multi-residential flat rate was \$21.09.

An analysis of the water Utility's billing data shows that average residential consumption is 2.8 kgal per month. It also showed that approximately 44 percent of customer bills were for consumption levels of 1 kgal per month or less. This is an indication that the customer base is very seasonal. Because of the very low average monthly usage, the current BFC/uniform gallonage charge rate structure shall be retained. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, a second tier will be created for non-discretionary usage below 3 kgal per month.

A BFC cost recovery level of 45 percent was approved in the Utility's last case. We find that keeping the BFC cost recovery at 45 percent is appropriate. Since the percentage of bills captured at 1 kgal or less of consumption is approximately 44 percent, the customer base is considered very seasonal. Therefore, keeping the current BFC percentage at 45 percent should help address revenue sufficiency concerns while the customers are not in residence.

The rate structures for the two wastewater systems consist of the traditional BFC/uniform gallonage rate structure with a gallonage cap set at 6 kgal per month. Approximately 27 percent of the wastewater revenue requirement is considered fixed costs and the remaining 73 percent is considered to be variable costs. The seemingly low percentage of fixed costs is due to this Utility purchasing its sewage treatment from Pasco County. This reduces the capital intensive nature of the wastewater plant. Thus, 30 percent is the appropriate BFC cost recovery percentage for the Pasco County wastewater systems. The current general service/residential service wastewater gallonage charge differential of 1.2 shall also be retained.

In the Utility's last rate case, there were some residential customers of the Wis-Bar system who were not metered and were billed using a flat rate. In the Utility's current filing, all individual residential customers of the Wis-Bar system are now metered. Since metered data is now available for these customers, all residential customers of the Wis-Bar wastewater system shall be charged for wastewater service using the BFC/uniform gallonage rate structure. However, there continues to be a single unmetered multi-residential customer in the Wis-Bar service territory. The appropriate flat rate for this customer shall be set by adjusting the current rate of \$21.82 per month for a 5/8" meter by the percentage increase in the approved revenue requirement for the Pasco County wastewater systems. However, we note that our decision here today may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the rate structure for Pasco County.

Pinellas County

The Utility's water rates prior to filing the instant case were a BFC of \$6.43 for a 5/8" x 3/4" meter and a uniform gallonage charge of \$3.63 per kgal .

An analysis of the water Utility's billing data shows that average residential consumption is 2.5 kgal per month. This analysis also showed that approximately 45 percent of customer

bills were for consumption levels of 1 kgal per month or less. This shows that the customer base is very seasonal. Because of the very low average monthly usage, the current BFC/uniform gallonage charge rate structure shall be retained. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, a second tier will be created for non-discretionary usage below 3 kgals per month.

A BFC cost recovery level of 40 percent was approved in the Utility's last case. We find that keeping the BFC cost recovery at 40 percent is appropriate. Since the percentage of bills captured at 1 kgal or less of consumption is approximately 45 percent, the customer base is considered very seasonal. Therefore, keeping the current BFC percentage at 40 percent should help address revenue sufficiency concerns while the customers are not in residence.

Seminole County

The Utility's water rates prior to filing the instant case were a BFC of \$6.15 for a 5/8" x 3/4" meter. Residential water charges are based on a three-tier inclining block rate structure, with monthly usage blocks of 0-8 kgal, 8.001-16 kgal, and usage in excess of 16 kgal, with usage block rate factors of 1.0, 1.75, and 2.25, respectively. Residential consumption charges per kgal before filing were \$2.25 for consumption in the first usage block, \$3.95 for consumption in the second block, and \$5.07 for consumption in excess of 16 kgal. General service water customers were charged \$2.74 for all kgals consumed. The corresponding wastewater rates prior to filing were a BFC of \$11.11 for a 5/8" x 3/4" meter, and a residential gallonage charge of \$6.20, capped at 10 kgal of usage. General service customers were charged \$7.43 for all kgals consumed.

An analysis of the water Utility's billing data shows that average residential consumption is 6.4 kgals per month. This analysis also showed that only 13 percent of customer bills were for consumption levels of 1 kgal per month or less. This shows that the customer base is not very seasonal. Additionally, the Utility's billing data indicated that only nine percent of bills are for monthly consumption in excess of 16 kgals per month. These usage characteristics indicate that the Utility's existing rate structure is adequately addressing water conservation concerns. Therefore, the current three-tiered inclining block rate structure shall be retained. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional fourth tier will be created for non-discretionary usage below 6 kgals per month.

A BFC cost recovery level of 25 percent was approved in the Utility's last case. We find that keeping the BFC cost recovery at 25 percent is appropriate. Since the percentage of bills captured at 1 kgal or less of consumption is approximately 13 percent, the customer base is not considered seasonal. Therefore, keeping the current BFC percentage at 25 percent should not raise revenue sufficiency concerns.

The Utility's current wastewater rate structure consists of the traditional BFC/uniform gallonage charge rate structure with a gallonage cap set at 10 kgals per month. A BFC cost recovery level of 25 percent was approved in the Utility's last case. Approximately 23 percent of the wastewater revenue requirement would be recovered from the BFC and the remaining 77

percent from the gallonage charge. The seemingly low percentage of revenues recovered through the BFC is due to this Utility purchasing its sewage treatment. This reduces the capital intensive nature of the wastewater plant. Therefore, 25 percent is the appropriate BFC cost recovery percentage for the Seminole County wastewater system. We also find that the current general service/residential service wastewater gallonage charge differential of 1.2 shall be retained.

Conclusion

Based on the foregoing, the appropriate rate structures for the systems in Marion County are continuations of the current base facility charge (BFC)/uniform gallonage charge rate structure for the water system and the traditional BFC/gallonage charge rate structure for the wastewater system. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 33 percent for the water system and 50 percent for the wastewater system.

The appropriate rate structure for the water systems in Orange County is a continuation of the current three-tier inclining block rate structure for its residential customers. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional fourth tier will be created for non-discretionary usage below 6 kgals per month. The usage blocks and usage block rate factors shall remain unchanged. The BFC/uniform gallonage charge rate structure shall be continued for the general service customers. The BFC cost recovery percentage for the water system shall be set at 26 percent.

The appropriate rate structures for the water system in Pasco County, is a continuation of the BFC/uniform gallonage charge rate structure. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional tier will be created for non-discretionary usage below 3 kgals per month. The appropriate rate structure for the wastewater systems are a continuation of the BFC/gallonage charge rate structure for metered customers on the wastewater system. The flat rate structure for the one unmetered Wis-Bar wastewater customer shall also be retained. The general service wastewater gallonage charge shall be 1.2 times the corresponding residential charge. The BFC cost recovery percentages shall be set at 45 percent for the water system and 30 percent for the wastewater system. As stated above, our decision here today may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the rate structure for Pasco County.

In Pinellas County, the appropriate rate structure for the water system is the current BFC/uniform gallonage charge rate structure. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional tier will be created for non-discretionary usage below 3 kgals per month. We find that the BFC cost recovery percentage shall be set at 40 percent.

In Seminole County, the appropriate rate structure for the water system is the current three-tier inclining block rate structure. The usage blocks and usage block rate factors shall remain unchanged. However, by restricting any cost recovery due to repression from being applied to non-discretionary usage, an additional fourth tier will be created for non-discretionary usage below 6 kgals per month. The BFC/gallage charge rate structure shall be continued for the wastewater system. The general service wastewater gallage charge shall be 1.2 times the corresponding residential charge. The BFC cost recovery percentages shall be set at 25 percent for the water system and 25 percent for the wastewater system.

Repression Adjustments

A detailed analysis of the consumption patterns of the Utility's residential customers in each of the five counties was conducted, as well as the effect of increased revenue requirements on the amount paid by residential customers at varying levels of consumption. This is the same methodology for calculating repression adjustments that we have approved in prior cases. This methodology also restricts any price changes due to repression from being applied to non-discretionary consumption, and allocates all cost recovery due to repression to discretionary levels of consumption. The analysis indicates that repression adjustments are appropriate for the water systems in Pasco and Seminole Counties, and not appropriate for the water systems in Marion, Orange, and Pinellas Counties.

Marion County

In Marion County, the reduction in the water system's revenue requirements will result in a reduction in rates. Thus, a repression adjustment is not appropriate for the water system in Marion County.

Orange County

The Orange County system consists primarily of single family residences and is non-seasonal in nature. We estimate that the appropriate threshold for discretionary usage is 6 kgals per month. Average usage per residential customer is 6.5 kgals per month. Based on the customer billing data provided by the Utility, 32 percent of total residential consumption is discretionary usage and therefore subject to the effects of repression. As shown previously in Table 17-1, we have approved a 17.8 percent increase in revenue requirements for Orange County.

We have calculated the repression adjustment using the same methodology approved in prior cases. These calculations show that residential discretionary consumption can be expected to decline by 625 kgals. This represents a 2.5 percent reduction in total residential consumption, and a 7.8 percent reduction in discretionary consumption. Therefore, a repression adjustment is appropriate for this system.

We find that test year residential consumption for this utility shall be reduced by 625 kgals, purchased water expense shall be reduced by \$1,143, and regulatory assessment fees

(RAFs) shall be reduced by \$54. The final post-repression revenue requirement for the water system shall be \$117,390.

Pasco County

We have approved a 28.5 percent increase in revenue requirements for Pasco County. This system consists primarily of single family residences and is very seasonal in nature. We estimate that the appropriate threshold for discretionary usage is 3 kgals per month. Average usage per residential customer is 2.8 kgals per month. Based on the customer billing data provided by the Utility, 42 percent of total residential consumption is discretionary usage and therefore subject to the effects of repression.

The repression adjustment was calculated using the same methodology approved in prior cases. These calculations show that residential discretionary consumption can be expected to decline by 4,914 kgals. This represents a 4.7 percent reduction in total residential consumption, and a 11.3 percent reduction in discretionary consumption. Therefore, a repression adjustment is appropriate for this system.

Based on the foregoing, we find that in Pasco County, test year consumption shall be reduced by 4,914 kgals, purchased wastewater expense shall be reduced by \$2,929, chemicals expense shall be reduced by \$364, and RAFs shall be reduced by \$155. The final post-repression revenue requirement for the water system shall be \$1,020,574. However, we note that our decision herein may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustment if any are necessary to the Repression Adjustments for Pasco County.

Pinellas County

We have approved a 21.1 percent increase in revenue requirements for Pinellas County. This system consists primarily of mobile homes and is very seasonal in nature. We estimate that the appropriate threshold for discretionary usage is 3 kgals per month. Average usage per residential customer is 2.5 kgals per month. Based on the customer billing data provided by the Utility, 34 percent of total residential consumption is discretionary usage and therefore subject to the effects of repression.

The repression adjustment was calculated using the same methodology approved in prior cases. These calculations show that residential discretionary consumption can be expected to decline by 736 kgals. This represents a 3.8 percent reduction in total residential consumption, and a 11.4 percent reduction in discretionary consumption. Therefore, a repression adjustment is appropriate for this system.

Based on the foregoing, we find that in Pinellas County, test year residential consumption for this utility shall be reduced by 736 kgals, purchased water expense shall be reduced by \$334, chemicals expense shall be reduced by \$55, purchased power expense shall be reduced by \$107,

and RAFs shall be reduced by \$24. The final post-repression revenue requirement for the water system shall be \$119,887.

Seminole County

We have approved a 22.1 percent increase in revenue requirements for Seminole County. This system consists primarily of single family residences and is not seasonal in nature. We estimate that the appropriate threshold for discretionary usage is 6 kgals per month. Average usage per residential customer is 6.4 kgals per month. Based on the customer billing data provided by the Utility, 34 percent of total residential consumption is discretionary usage and therefore subject to the effects of repression.

The repression adjustment was calculated using the same methodology approved in prior cases. These calculations show that residential discretionary consumption can be expected to decline by 7,464 kgals. This represents a 3.7 percent reduction in total residential consumption, and a 11.1 percent reduction in discretionary consumption. Therefore, a repression adjustment is appropriate for this system.

Based on the foregoing, we find that in Seminole County, test year consumption shall be reduced by 7,464 kgals, chemicals expense shall be reduced by \$1,115, purchased power expense shall be reduced by \$1,422, and RAFs shall be reduced by \$119. The final post-repression revenue requirement for the water system shall be \$937,890.

Conclusion

Based on the foregoing, we find that repression adjustments are appropriate for the water systems in Orange, Pasco, Pinellas, and Seminole Counties.

In Orange County, test year consumption shall be reduced by 625 kgals, purchased water expense shall be reduced by \$1,143, and RAFs shall be reduced by \$54. The final post-repression revenue requirement for the water system shall be \$117,390.

In Pasco County, test year consumption shall be reduced by 4,914 kgals, purchased wastewater expense shall be reduced by \$2,929, chemicals expense shall be reduced by \$364, and RAFs shall be reduced by \$155. The final post-repression revenue requirement for the water system shall be \$1,020,574. However, as stated above, our decision may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the Repression Adjustments for Pasco County.

In Pinellas County, test year consumption shall be reduced by 736 kgals, purchased water expense shall be reduced by \$334, chemicals expense shall be reduced by \$55, purchased power expense shall be reduced by \$107, and RAFs shall be reduced by \$24. The final post-repression revenue requirement for the water system shall be \$119,887.

In Seminole County, test year consumption shall be reduced by 7,464 kgals, chemicals expense shall be reduced by \$1,115, purchased power expense shall be reduced by \$1,422, and RAFs shall be reduced by \$119. The final post-repression revenue requirement for the water system shall be \$937,890.

In order to monitor the effect of these rate changes, the Utility is ordered to file reports for the water systems in Orange, Pasco, Pinellas, and Seminole Counties detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. These reports shall be prepared by customer class, usage block, and meter size. The reports shall be filed with Commission staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility is ordered to file a revised monthly report for that month within 30 days of any revision.

Monthly Rates

The appropriate monthly water rates are shown on Schedule No. 4-A, and the appropriate monthly wastewater rates are shown on Schedule Nos. 4-B. Excluding miscellaneous service charges, the approved water and wastewater rates produce revenues as shown below:

System	Revenues
Marion County - Water	\$173,642
Marion County - Wastewater	\$51,405
Orange County - Water	\$117,390
Pasco County - Water	\$1,020,727
Pasco County - Wastewater	\$574,460
Pinellas County - Water	\$119,947
Seminole County - Water	\$937,890
Seminole County - Wastewater	\$837,631

Additionally, the Utility shall file revised water and wastewater tariff sheets and a proposed customer notice to reflect our approved rates for the respective systems. These rates shall 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. These rates shall not be implemented until staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice. However, we note that our decision herein may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the monthly water rates for Pasco County.

Interim Refunds

By Order No. PSC-10-0300-PCO-WS, issued May 10, 2010, we authorized the collection of interim water and wastewater rates, subject to refund, pursuant to Section 367.082, F.S. An

interim increase was not requested or approved for the Marion County water system. Below shows the approved interim revenue requirements.

<u>County</u>	<u>Adjusted Test Year Revenues</u>	<u>Revenue Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Marion - Water	\$175,128	\$0	\$175,317	0%
Marion - Wastewater	\$38,780	\$13,089	\$51,869	33.75%
Orange – Water	\$97,996	\$18,372	\$116,368	18.75%
Pasco – Water	\$803,213	\$389,701	\$1,192,914	48.52%
Pasco - Wastewater	\$443,502	\$255,936	\$699,438	57.71%
Pinellas – Water	\$99,613	\$35,118	\$134,731	35.25%
Seminole - Water	\$744,946	\$211,868	\$956,813	28.44%
Seminole - Wastewater	\$703,420	\$102,608	\$806,028	14.59%

According to Section 367.082, F.S., any refund shall be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect shall be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 12-month period that ended December 31, 2008. UIF's approved interim rates did not include any provisions for pro forma operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the lower limit of the last authorized range of return on equity.

To establish the proper refund amount, revised interim revenue requirements were calculated utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period. Using the principles discussed above, the revenue requirements for Marion County - Wastewater, Orange County - Water, Pasco County - Water and Wastewater, Pinellas County - Water, and Seminole County - Water and Wastewater granted in Order No. PSC-10-0300-PCO-WS, for the interim test year, are less than the revenue requirement for the interim collection period minus rate case expense. Below shows the interim refund percentages.

Interim Refund Percentages

	(A)	(B)	(C)	(D)
County	Interim Test Year Revenues Granted	Recalculated Interim Period Revenues	Excess Revenue Collected from Rates (A)-(B)	Refund Percentage (C)/(A)
Marion – Water	N/A	N/A	N/A	N/A
Marion – Wastewater	\$51,869	\$49,907	(\$1,962)	3.78%
Orange – Water	\$116,368	\$116,165	(\$203)	0.17%
Pasco – Water	\$1,192,914	\$983,342	(\$209,572)	17.57%
Pasco – Wastewater	\$699,438	\$555,541	(\$143,897)	20.57%
Pinellas - Water	\$134,731	\$113,687	(\$21,044)	15.62%
Seminole - Water	\$956,813	\$905,533	(\$51,280)	5.36%
Seminole - Wastewater	\$806,028	\$815,192	\$9,164	No Refund

With the exception of Orange County – Water, we approve the above refund percentages stated above. The Utility would ordinarily be required to refund the difference for Orange County – Water. However, because the amount is immaterial, the total amount of what would have been the interim refund plus interest shall be credited to CIAC.⁴⁴ Upon issuance of the consummating order in this docket, the corporate undertaking shall be released after the appropriate amounts of interim revenues are refunded and the refund amounts are verified by our staff. However, we note that our decision may be impacted based on the determination whether the water quality for the Summertree water system meets DEP primary and secondary standards. If the test results show that primary and secondary DEP standards are not being met, we will decide what appropriate adjustments if any are necessary to the interim refund for Pasco County.

Four Year Rate Reduction

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 total company revenues of \$81,502 as shown below associated with the amortization of rate case expense and the return on the provision included in working capital, as well as the gross-up for regulatory assessment fees.

⁴⁴ See Order Nos. PSC-03-0351-PAA-SU, pp. 23-24, issued March 11, 2003, in Docket No. 020344-SU, In re: Application for rate increase in Monroe County by Key Haven Utility Corporation; PSC-93-0284-FOF-WS, p. 3, issued February 23, 1993, in Docket No. 921241-WS, In re: Disposition of contributions-in-aid-of-construction (CIAC) gross-up funds received by Rolling Oaks Utilities, Inc. in Citrus County; and PSC-92-0563-FOF-WS, p. 15, issued June 24, 1992, in Docket No. 910976-WS, In re: Application for Rate Increase in Brevard County By Florida Cities Water Company, Barefoot Bay Division.

The reduction in revenues will result in the rate reduction shown on Schedule Nos. 4-A and 4-B, attached hereto.

UIF is ordered to file revised tariff sheets for each system to reflect the approved rates no later than one month prior to the actual date of the required rate reduction. The Utility shall also file a proposed customer notice for each system setting forth the lower rates and the reason for the reduction with the revised tariffs. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates shall not be implemented until Commission staff has approved the proposed customer notices, and the notice has been received by the customers. The Utility shall provide proof of the date notices were given no less than ten days after the date of the notices.

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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. The appropriate reduction was calculated by taking the annual amount of rate case expense and the return on the provision included in working capital allowance by system, as well as grossed-up for RAFs as shown below.

	Approved Amount
Marion Water	\$4,556
Marion Wastewater	\$680
Orange Water	\$2,595
Pasco Water	\$25,811
Pasco Wastewater	\$9,878
Pinellas Water	\$3,706
Seminole Water	\$22,561
Seminole Wastewater	\$11,716
Total	\$81,502

Proof Of Adjustments

To ensure that the Utility adjusts its books in accordance with our decisions, UIF shall provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for increased water and wastewater rates of Utilities, Inc. of Florida is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that the schedules and attachments to this Order are incorporated by reference herein. It is further

ORDERED that Utilities, Inc. of Florida is hereby authorized to charge the new rates and charges as set forth herein and as approved in the body of this Order. It is further

ORDERED that Utilities, Inc. of Florida shall file revised water tariff sheets and a proposed customer notice to reflect the approved water rates shown on Schedule 4A. It is further

ORDERED that the tariffs shall be approved upon our staff's verification that the tariffs are consistent with our decision herein. It is further

ORDERED that the approved rates shall 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. It is further

ORDERED that the approved water and wastewater rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as set forth in the body of this Order. It is further

ORDERED that Utilities, Inc. of Florida shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that the Utility shall file reports detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. In addition, the reports shall be prepared by customer class, usage block, and meter size. The reports shall be filed with our staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility shall file a revised monthly report for that month within 30 days of any revision. It is further

ORDERED that the water and wastewater rates shall be reduced as shown on Schedule Nos. 4-A and 4-B to remove rate case expense, grossed-up for regulatory assessment fees, which is being amortized over a four-year period. It is further

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility shall file revised tariff sheets and a proposed customer notices for each system 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. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates shall not be implemented until Commission staff has approved the proposed customer notices, and the notice has been received by the customers. It is further

ORDERED that the Utility shall provide proof of the date notices were given no less than ten days after the date of the notices. It is further

ORDERED that if the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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.

ORDERED that with the exception of Orange County-Water, Utilities, Inc. of Florida shall be required to refund it customers according to the percentages of the interim revenues stated herein the body of this Order. It is further

ORDERED that the refund amount plus any interest for Orange County- Water stated in the body of this Order shall be credited to Contribution in Aid of Construction.

ORDERED that Utilities, Inc. of Florida shall be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility shall treat any unclaimed refunds as contributions in aid of construction pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking shall be released upon Commission staff's verification that the required refunds have been made. It is further

ORDERED that Utilities, Inc. of Florida shall perform and complete a water system quality test for the Summertree water system within 60 days of the issuance of this Order. The test results shall be submitted to us for review by our staff to make a determination if the primary and secondary DEP standards are being met. It is further

ORDERED that within eight months from the issuance of the Order, the Utility shall meet with its Summertree customers to discuss water quality improvement options. It is further

ORDERED that Utilities, Inc. of Florida shall provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made. It is further

ORDERED the provisions of this Order, except for the four-year rate reduction and the requirement of proof of adjustments, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201,F.A.C., is received by the Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings." It is further

ORDERED that if no person whose substantial interests are affected by the Proposed Agency Action issues files a protest within twenty-one days of the issuance of the Order, a Consummating Order will be issued. It is further

ORDERED, in the event no protest is filed, this docket shall remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by Commission staff, and that the interim refund has been completed and verified. It is further

ORDERED that this docket shall remain open for Utilities, Inc. of Florida to test the quality of the Summertree water system to determine whether it meets DEP primary and secondary standards. As stated above, a water quality test shall be completed within 60 days of the issuance of this Order. The test results shall be submitted to us for review by our staff to make a determination if the primary and secondary DEP standards are being met. If said standards are not met, our staff shall bring a recommendation as to what steps should be taken as relates to Utilities, Inc. of Florida's rate case filing in this docket. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 22nd day of September, 2010.



ANN COLE
Commission Clerk

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COMMISSIONER EDGAR dissents on the Commission's decision concerning rate case expense without separate opinion.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action, except for the actions finding an interim refund is not required and approving a four-year rate reduction, are preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 13, 2010. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Utilities, Inc. of Florida - Marion County Schedule of Water Rate Base Test Year Ended 12/31/08				Schedule No. 1-A Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year
1 Plant in Service	\$681,677	\$98,766	\$780,443	(\$2,107)	\$778,336
2 Land and Land Rights	28,058	(10,797)	17,261	0	17,261
3 Non-used and Useful Components	\$0	\$0	0	0	0
4 Accumulated Depreciation	(296,031)	(24,017)	(320,048)	2,781	(317,267)
5 CIAC	(157,814)	0	(157,814)	0	(157,814)
6 Amortization of CIAC	75,070	2,441	77,511	0	77,511
7 CWIP	14,634	(\$14,634)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>157,348</u>	<u>157,348</u>	<u>(110,946)</u>	<u>46,402</u>
9 Rate Base	<u>\$345,594</u>	<u>\$209,107</u>	<u>\$554,701</u>	<u>(\$110,272)</u>	<u>\$444,429</u>

Utilities, Inc. of Florida - Marion County Schedule of Wastewater Rate Base Test Year Ended 12/31/08			Schedule No. 1-B Docket No. 090462-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year
1 Plant in Service	\$175,502	\$7,440	\$182,942	(\$313)	\$182,629
2 Land and Land Rights	0	10,826	10,826	0	10,826
3 Non-used and Useful Components	0	(20,958)	(20,958)	0	(20,958)
4 Accumulated Depreciation	(46,897)	(15,601)	(62,498)	413	(62,085)
5 CIAC	(7,200)	0	(7,200)	0	(7,200)
6 Amortization of CIAC	643	76	719	0	719
7 CWIP	4,680	(4,680)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>23,248</u>	<u>23,248</u>	<u>(15,288)</u>	<u>7,960</u>
9 Rate Base	<u>\$126,728</u>	<u>\$351</u>	<u>\$127,079</u>	<u>(\$15,187)</u>	<u>\$111,892</u>

Utilities Inc. of Florida - Marion County		Schedule No. 1-C	
Adjustments to Rate Base		Docket No. 090462-WS	
Test Year Ended 12/31/08			
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$552	\$81	
2 To Reflect Phoenix Project Adjustment	(2,910)	(431)	
3 To Reflect Other Pro Forma Adjustments	<u>250</u>	<u>37</u>	
Total	<u>(\$2,107)</u>	<u>(\$313)</u>	
<u>Accumulated Depreciation</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$1,151	\$172	
2 To Reflect Phoenix Project Adjustment	937	139	
3 To Reflect Other Pro Forma Adjustments	<u>693</u>	<u>102</u>	
Total	<u>\$2,781</u>	<u>\$413</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance	<u>(\$110,946)</u>	<u>(\$15,288)</u>	

Utilities, Inc. of Florida - Marion County Capital Structure Test Year Ended 12/31/08						Schedule No. 2 Docket No. 090462-WS				
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost		
Per Utility										
1	Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,716,863)	\$283,137	41.53%	6.65%	2.76%	
2	Short-term Debt	39,713,462	0	39,713,462	(39,650,979)	62,483	9.16%	4.30%	0.39%	
3	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4	Common Equity	158,595,058	0	158,595,058	(158,345,602)	249,456	36.59%	11.17%	4.09%	
5	Customer Deposits	4,586	0	4,586	0	4,586	0.67%	6.00%	0.04%	
6	Tax-credits - Zero Cost	6,398	0	6,398	0	6,398	0.94%	0.00%	0.00%	
7	Deferred Income Taxes	<u>75,720</u>	<u>0</u>	<u>75,720</u>	<u>0</u>	<u>75,720</u>	<u>10.75%</u>	0.00%	<u>0.00%</u>	
8	Total Capital	<u>\$378,395,224</u>	<u>\$0</u>	<u>\$378,395,224</u>	<u>(\$377,713,444)</u>	<u>\$681,780</u>	<u>100.00%</u>		<u>7.28%</u>	
Per Commission										
9	Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,776,556)	\$223,444	40.16%	6.65%	2.67%	
10	Short-term Debt	39,713,462	0	39,713,462	(39,664,163)	49,299	8.86%	4.30%	0.38%	
11	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
12	Common Equity	158,595,058	0	158,595,058	(158,398,185)	196,873	35.39%	10.69%	3.78%	
13	Customer Deposits	4,586	0	4,586	0	4,586	0.82%	6.00%	0.05%	
14	Tax-credits - Zero Cost	6,398	0	6,398	0	6,398	1.15%	0.00%	0.00%	
15	Deferred Income Taxes	<u>75,720</u>	<u>0</u>	<u>75,720</u>	<u>0</u>	<u>75,720</u>	<u>13.61%</u>	0.00%	<u>0.00%</u>	
16	Total Capital	<u>\$378,395,224</u>	<u>\$0</u>	<u>\$378,395,224</u>	<u>(\$377,838,904)</u>	<u>\$556,320</u>	<u>100.00%</u>		<u>6.89%</u>	
						LOW	HIGH			
						RETURN ON EQUITY	<u>9.69%</u>	<u>11.69%</u>		
						OVERALL RATE OF RETURN	<u>6.53%</u>	<u>7.24%</u>		

Utilities, Inc. of Florida - Marion County Statement of Water Operations Test Year Ended 12/31/08						Schedule No. 3-A Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$169,225</u>	<u>\$29,001</u>	<u>\$198,226</u>	<u>(\$17,722)</u>	<u>\$180,504</u>	<u>(\$5,770)</u> (3.20%)	<u>\$174,734</u>
Operating Expenses							
2 Operation & Maintenance	105,959	(258)	105,701	(8,124)	97,577		97,577
3 Depreciation	30,432	(6,761)	23,671	(874)	22,797		22,797
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	17,285	(2,459)	14,826	(959)	13,867	(260)	13,608
6 Income Taxes	<u>0</u>	<u>13,659</u>	<u>13,659</u>	<u>(1,437)</u>	<u>12,222</u>	<u>(2,073)</u>	<u>10,148</u>
7 Total Operating Expense	<u>153,675</u>	<u>4,181</u>	<u>157,857</u>	<u>(\$11,394)</u>	<u>\$146,463</u>	<u>(\$2,333)</u>	<u>\$144,130</u>
8 Operating Income	<u>\$15,549</u>	<u>\$24,820</u>	<u>\$40,369</u>	<u>(\$6,328)</u>	<u>\$34,041</u>	<u>(\$3,437)</u>	<u>\$30,604</u>
9 Rate Base	<u>\$345,594</u>		<u>\$554,701</u>		<u>\$444,429</u>		<u>\$444,429</u>
10 Rate of Return	<u>4.50%</u>		<u>7.28%</u>		<u>7.66%</u>		<u>6.89%</u>

Utilities, Inc. of Florida - Marion County
 Statement of Wastewater Operations
 Test Year Ended 12/31/08

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$37,332</u>	<u>\$17,763</u>	<u>\$55,095</u>	<u>(\$15,266)</u>	<u>\$39,829</u>	<u>\$11,678</u> 29.32%	<u>\$51,507</u>
Operating Expenses							
2 Operation & Maintenance	18,425	14,129	32,554	(1,157)	31,397		31,397
3 Depreciation	4,347	2,194	6,541	(131)	6,410		6,410
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	0	3,623	3,623	(709)	2,914	526	3,440
6 Income Taxes	<u>0</u>	<u>3,128</u>	<u>3,128</u>	<u>(4,770)</u>	<u>(1,642)</u>	<u>4,197</u>	<u>2,555</u>
7 Total Operating Expense	<u>22,772</u>	<u>23,074</u>	<u>45,846</u>	<u>(\$6,766)</u>	<u>\$39,080</u>	<u>\$4,722</u>	<u>\$43,802</u>
8 Operating Income	<u>\$14,560</u>	<u>(\$5,311)</u>	<u>\$9,249</u>	<u>(\$8,500)</u>	<u>\$749</u>	<u>\$6,956</u>	<u>\$7,705</u>
9 Rate Base	<u>\$126,728</u>		<u>\$127,079</u>		<u>\$111,892</u>		<u>\$111,892</u>
10 Rate of Return	<u>11.49%</u>		<u>7.28%</u>		<u>0.67%</u>		<u>6.89%</u>

Utilities Inc. of Florida - Marion County		Schedule No. 3-C	
Adjustment to Operating Income		Docket No. 090462-WS	
Test Year Ended 12/31/08			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
Remove requested final revenue increase.	<u>(\$17,722)</u>	<u>(\$15,266)</u>	
<u>Operation and Maintenance Expense</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	(\$3,622)	(\$523)	
2 Appropriate Salary Adjustment	(1,065)	(130)	
3 Appropriate Benefits Adjustment	(354)	(43)	
4 Reflect Appropriate Allocated Relocation Expenses	(169)	(27)	
5 Appropriate Transportation Expense	(503)	(75)	
6 Reflect Appropriate Rate Case Expense	(2,388)	(356)	
7 Appropriate Bad Debt Expense	(23)	(3)	
Total	<u>(\$8,124)</u>	<u>(\$1,157)</u>	
<u>Depreciation Expense - Net</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$36	\$4	
2 To Reflect Phoenix Project Adjustment	(937)	(139)	
3 To Reflect Other Pro Forma Adjustments	27	4	
Total	<u>(\$874)</u>	<u>(\$131)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$797)	(\$687)	
2 Commission and Utility Agreed Upon Audit Adjustments	(94)	(14)	
3 To Reflect Other Pro Forma Adjustments	14	2	
4 Payroll taxes associated with Salary Adjustment	(81)	(10)	
Total	<u>(\$959)</u>	<u>(\$709)</u>	

Utilities, Inc. of Florida - Marion County Water Monthly Service Rates Test Year Ended 12/31/08				Schedule No. 4-A Docket No. 090462-WS	
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Comm. Approved Final	Four-Year Rate Reduction
Residential					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$3.84	\$3.84	\$4.22	\$3.72	\$0.10
1"	\$9.60	\$9.60	\$10.55	\$9.30	\$0.24
1-1/2"	\$19.20	\$19.20	\$21.10	\$18.60	\$0.48
2"	\$30.72	\$30.72	\$33.75	\$29.76	\$0.78
3"	\$61.44	\$61.44	\$67.51	\$59.52	\$1.55
4"	\$96.00	\$96.00	\$105.48	\$93.00	\$2.42
6"	\$192.00	\$192.00	\$210.97	\$186.00	\$4.85
Gallage Charge, per 1,000 Gallons	\$2.31	\$2.31	\$2.53	\$2.24	\$0.06
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$3.84	\$3.84	\$4.22	\$3.72	\$0.10
1"	\$9.60	\$9.60	\$10.55	\$9.30	\$0.24
1-1/2"	\$19.20	\$19.20	\$21.10	\$18.60	\$0.48
2"	\$30.72	\$30.72	\$33.75	\$29.76	\$0.78
3"	\$61.44	\$61.44	\$67.51	\$59.52	\$1.55
4"	\$96.00	\$96.00	\$105.48	\$93.00	\$2.42
6"	\$192.00	\$192.00	\$210.97	\$186.00	\$4.85
Gallage Charge, per 1,000 Gallons	\$2.31	\$2.31	\$2.53	\$2.24	\$0.06
Typical Residential Bills 5/8" x 3/4" Meter					
3,000 Gallons	\$10.77	\$10.77	\$11.81	\$10.44	
5,000 Gallons	\$15.39	\$15.39	\$16.87	\$14.92	
10,000 Gallons	\$26.94	\$26.94	\$29.52	\$26.12	

Utilities, Inc. of Florida - Marion County Wastewater Monthly Service Rates Test Year Ended 12/31/08			Schedule No. 4-B Docket No. 090462-WS		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Comm. Approved Final	Four-Year Rate Reduction
Residential					
Base Facility Charge All Meter Sizes:	\$20.25	\$26.41	\$28.03	\$26.20	\$0.35
Gallonge Charge - Per 1,000 gallons (10,000 gallon cap)	\$2.16	\$2.81	\$2.99	\$2.79	\$0.04
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$20.25	\$26.41	\$28.03	\$26.20	\$0.35
1"	\$50.63	\$66.03	\$70.09	\$65.50	\$0.86
1-1/2"	\$101.25	\$132.04	\$140.16	\$131.00	\$1.73
2"	\$162.02	\$211.27	\$224.28	\$209.60	\$2.76
3"	\$324.02	\$422.53	\$448.54	\$419.20	\$5.53
4"	\$506.29	\$660.21	\$700.86	\$655.00	\$8.64
6"	\$1,012.58	\$1,401.72	\$1,401.72	\$1,310.00	\$17.28
Gallonge Charge, per 1,000 Gallons	\$2.58	\$3.36	\$3.57	\$3.35	\$0.04
Typical Residential Bills 5/8" x 3/4" Meter					
3,000 Gallons	\$26.73	\$34.84	\$37.00	\$34.57	
5,000 Gallons	\$31.05	\$40.46	\$42.98	\$40.15	
10,000 Gallons (Wastewater Gallonge Cap - 10,000 Gallons)	\$41.85	\$54.51	\$57.93	\$54.10	

Utilities, Inc. of Florida - Orange County Schedule of Water Rate Base Test Year Ended 12/31/08			Schedule No. 1-A Docket No. 090462-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year
1 Plant in Service	\$351,708	(\$68,586)	\$283,122	(\$1,513)	\$281,609
2 Land and Land Rights	87	14	101	0	101
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(134,640)	53,835	(80,625)	1,684	(78,941)
5 CIAC	46,633	(85,736)	(39,103)	0	(39,103)
6 Amortization of CIAC	27,683	3,257	30,940	0	30,940
7 CWIP	10,032	(10,032)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>89,873</u>	<u>89,873</u>	<u>(59,116)</u>	<u>30,757</u>
9 Rate Base	<u>\$301,683</u>	<u>(\$17,375)</u>	<u>\$284,308</u>	<u>(\$59,945)</u>	<u>\$225,363</u>

Utilities, Inc. of Florida – Orange County		Schedule No. 1-B
Adjustments to Rate Base		Docket No. 090462-WS
Test Year Ended 12/31/08		
Explanation	Water	
<u>Plant In Service</u>		
1	Commission and Utility Agreed Upon Audit Adjustments	\$4
2	To reflect Project Phoenix Adjustment	(1,660)
3	To reflect Other Pro Forma Adjustments	<u>143</u>
	Total	<u>(\$1,513)</u>
<u>Accumulated Depreciation</u>		
1	Commission and Utility Agreed Upon Audit Adjustments	\$754
2	To reflect Project Phoenix Adjustment	534
3	To reflect Other Pro Forma Adjustments	<u>396</u>
	Total	<u>\$1,684</u>
<u>Working Capital</u>		
	To reflect the appropriate working capital allowance	<u>(\$59,116)</u>

Utilities, Inc. of Florida - Orange County Capital Structure Test Year Ended 12/31/08						Schedule No. 2 Docket No. 090462-WS		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,885,221)	\$114,779	40.37%	6.65%	2.68%
2 Short-term Debt	39,713,462	0	39,713,462	(39,688,132)	25,330	8.91%	4.30%	0.38%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	158,595,058	0	158,595,058	(158,493,933)	101,125	35.57%	11.17%	3.97%
5 Customer Deposits	2,278	0	2,278	0	2,278	0.80%	6.00%	0.05%
6 Tax-credits - Zero Cost	3,178	0	3,178	0	3,178	1.12%	0.00%	0.00%
7 Deferred Income Taxes	<u>37,618</u>	<u>0</u>	<u>37,618</u>	<u>0</u>	<u>37,618</u>	<u>13.23%</u>	0.00%	<u>0.00%</u>
8 Total Capital	<u>\$378,351,594</u>	<u>\$0</u>	<u>\$378,351,594</u>	<u>(\$378,067,286)</u>	<u>\$284,308</u>	<u>100.00%</u>		<u>7.08%</u>
Per Commission								
9 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,913,266)	\$86,623	38.49%	6.65%	2.56%
10 Short-term Debt	39,713,462	0	39,713,462	(39,694,326)	19,136	8.49%	4.30%	0.37%
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
12 Common Equity	158,595,058	0	158,595,058	(158,518,638)	76,420	33.91%	10.69%	3.62%
13 Customer Deposits	2,278	0	2,278	0	2,278	1.01%	6.00%	0.06%
14 Tax-credits - Zero Cost	3,178	0	3,178	0	3,178	1.41%	0.00%	0.00%
15 Deferred Income Taxes	<u>37,618</u>	<u>0</u>	<u>37,618</u>	<u>0</u>	<u>37,618</u>	<u>16.69%</u>	0.00%	<u>0.00%</u>
16 Total Capital	<u>\$378,351,594</u>	<u>\$0</u>	<u>\$378,351,594</u>	<u>(\$378,126,231)</u>	<u>\$225,363</u>	<u>100.00%</u>		<u>6.61%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>9.69%</u>	<u>11.69%</u>	
OVERALL RATE OF RETURN						<u>6.27%</u>	<u>6.95%</u>	

Utilities, Inc. of Florida - Orange County Statement of Water Operations Test Year Ended 12/31/08		Schedule No. 3-A Docket No. 090462-WS						
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement	
1 Operating Revenues:	<u>\$93,791</u>	<u>\$39,840</u>	<u>\$133,631</u>	<u>(\$32,842)</u>	<u>\$100,790</u>	<u>\$17,895</u> 17.76%	<u>\$118,684</u>	
Operating Expenses								
2 Operation & Maintenance	89,963	(885)	89,078	(\$6,455)	82,623		82,623	
3 Depreciation	22,630	(15,248)	7,382	(\$556)	6,826		6,826	
4 Amortization	0	2,016	2,016	0	2,016		2,016	
5 Taxes Other Than Income	9,026	(821)	8,206	(1,622)	6,583	805	7,388	
6 Income Taxes	<u>0</u>	<u>6,808</u>	<u>6,808</u>	<u>(8,308)</u>	<u>(1,500)</u>	<u>6,431</u>	<u>4,931</u>	
7 Total Operating Expense	<u>121,619</u>	<u>(8,130)</u>	<u>113,489</u>	<u>(16,941)</u>	<u>96,548</u>	<u>7,236</u>	<u>103,784</u>	
8 Operating Income	<u>\$(27,828)</u>	<u>\$47,970</u>	<u>\$20,142</u>	<u>(\$15,901)</u>	<u>\$4,241</u>	<u>\$10,659</u>	<u>\$14,900</u>	
9 Rate Base	<u>\$301,683</u>		<u>\$284,308</u>		<u>\$225,363</u>		<u>\$225,363</u>	
10 Rate of Return	<u>(9.22%)</u>		<u>7.08%</u>		<u>1.88%</u>		<u>6.61%</u>	

Utilities Inc. of Florida - Orange County		Schedule No. 3-B
Adjustment to Operating Income		Docket No. 090462-WS
Test Year Ended 12/31/08		
Explanation		Water
<u>Operating Revenues</u>		
Remove requested final revenue increase.		<u>(\$32,842)</u>
<u>Operation and Maintenance Expense</u>		
1 Commission and Utility Agreed Upon Audit Adjustments		(\$2,267)
2 Appropriate Salary Adjustment		(1,066)
3 Appropriate Benefits Adjustment		(254)
4 Reflect Appropriate Allocated Relocation Expense		(98)
5 Appropriate Transportation Expense		(241)
6 Reflect Appropriate Rate Case Expense		(1,362)
7 Appropriate Bad Debt Expense		<u>(1,167)</u>
Total		<u>(\$6,455)</u>
<u>Depreciation Expense - Net</u>		
1 Commission and Utility Agreed Upon Audit Adjustments		(\$37)
2 To reflect Project Phoenix Adjustment		(534)
3 To reflect Other Pro Forma Adjustments		15
Total		<u>(\$556)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.		(\$1,478)
2 Commission and Utility Agreed Upon Audit Adjustments		(72)
3 To reflect Other Pro Forma Adjustments		9
4 Payroll taxes associated Salary Adjustment		<u>(82)</u>
Total		<u>(\$1,622)</u>

Utilities, Inc. of Florida - Orange County				Schedule No. 4-A	
Water Monthly Service Rates				Docket No. 090462-WS	
Test Year Ended 12/31/08					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Comm. Approved Final	Four-Year Rate Reduction
<u>Residential, General Service and Multi-Family</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$6.63	\$7.68	\$8.82	\$7.99	\$0.17
1"	\$16.59	\$19.20	\$22.07	\$19.98	\$0.44
1-1/2"	\$33.19	\$38.41	\$44.16	\$39.95	\$0.87
2"	\$53.10	\$61.45	\$70.64	\$63.92	\$1.40
3"	\$106.19	\$122.90	\$141.27	\$127.84	\$2.80
4"	\$165.92	\$192.02	\$220.74	\$199.75	\$4.37
6"	\$331.84	\$384.04	\$441.48	\$399.50	\$8.73
Gallage Charge, per 1,000 Gallons					
First 6,000 gallons	\$2.74	\$3.17	\$3.64	\$3.25	\$0.07
Next 2,000 gallons	\$2.74	\$3.17	\$3.64	\$3.25	\$0.07
Next 8,000 gallons	\$3.42	\$3.96	\$4.55	\$4.30	\$0.09
Over 16,000 gallons	\$4.11	\$5.47	\$5.47	\$5.15	\$0.11
<u>General Service</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$6.63	\$7.68	\$8.82	\$7.99	\$0.17
1"	\$16.59	\$19.20	\$22.07	\$19.98	\$0.44
1-1/2"	\$33.19	\$38.41	\$44.16	\$39.95	\$0.87
2"	\$53.10	\$61.45	\$70.64	\$63.92	\$1.40
3"	\$106.19	\$122.90	\$141.27	\$127.84	\$2.80
4"	\$165.92	\$192.02	\$220.74	\$199.75	\$4.37
6"	\$331.84	\$384.04	\$441.48	\$399.50	\$8.73
Gallage Charge, per 1,000 Gallons	\$2.93	\$3.39	\$3.90	\$3.53	\$0.08
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$14.85	\$17.19	\$19.74	\$17.74	
5,000 Gallons	\$20.33	\$23.53	\$27.02	\$24.24	
10,000 Gallons	\$35.39	\$40.96	\$47.04	\$42.59	

Utilities, Inc. of Florida - Pasco County Schedule of Water Rate Base Test Year Ended 12/31/08			Schedule No. 1-A Docket No. 090462-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$3,641,036	\$696,004	\$4,337,040	(\$270,034)	\$4,067,006
2 Land and Land Rights	12,042	(11,522)	520	(1,673)	(1,153)
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(652,975)	(90,740)	(743,715)	(18,518)	(762,233)
5 CIAC	(594,329)	0	(594,329)	0	(594,329)
6 Amortization of CIAC	386,629	(32,310)	354,319	0	354,319
7 Construction Work In Progress	82,871	(82,871)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>891,638</u>	<u>891,638</u>	<u>(586,463)</u>	<u>305,175</u>
9 Rate Base	<u>\$2,875,274</u>	<u>\$1,370,199</u>	<u>\$4,245,473</u>	<u>(\$876,687)</u>	<u>\$3,368,786</u>

Utilities, Inc. of Florida - Pasco County Schedule of Wastewater Rate Base Test Year Ended 12/31/08			Schedule No. 1-B Docket No. 090462-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$1,252,475	\$123,879	\$1,376,354	(\$4,642)	\$1,371,712
2 Land and Land Rights	0	1,218	1,218	0	1,218
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(333,948)	(44,893)	(378,841)	6,210	(372,631)
5 CIAC	(531,736)	(38,287)	(570,023)	0	(570,023)
6 Amortization of CIAC	369,711	(127,359)	242,352	0	242,352
7 CWIP	42,674	(42,674)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>350,701</u>	<u>350,701</u>	<u>(230,672)</u>	<u>120,029</u>
9 Rate Base	<u>\$799,176</u>	<u>\$222,585</u>	<u>\$1,021,761</u>	<u>(\$229,104)</u>	<u>\$792,657</u>

Utilities, Inc. of Florida - Pasco County Adjustments to Rate Base Test Year Ended 12/31/08		Schedule No. 1-C Docket No. 090462-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$3,260	\$1,280	
2 To Reflect Phoenix Project Adjustment	(16,478)	(6,480)	
3 To Remove Pro Forma Adjustments	(258,234)	0	
4 To Reflect Other Pro Forma Adjustments	1,419	558	
Total	<u>(\$270,034)</u>	<u>(\$4,642)</u>	
<u>Land</u>			
Commission and Utility Agreed Upon Audit Adjustments	<u>(\$1,673)</u>	<u>\$0</u>	
<u>Accumulated Depreciation</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$6,561	\$2,580	
2 To Reflect Phoenix Project Adjustment	5,306	2,087	
3 To Remove Pro Forma Adjustments	(34,310)	0	
4 To Reflect Other Pro Forma Adjustments	3,925	1,544	
Total	<u>(\$18,518)</u>	<u>\$6,210</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance	<u>(\$586,463)</u>	<u>(\$230,672)</u>	

Utilities, Inc. of Florida - Pasco County Capital Structure Test Year Ended 12/31/08						Schedule No. 2 Docket No. 090462-WS		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$177,777,358)	\$2,222,642	42.02%	6.65%	2.81%
2 Short-term Debt	39,713,462	0	39,713,462	(39,222,967)	490,495	9.31%	4.30%	0.40%
3 Preferred Stock	0	0	0	0	\$0	0.00%	0.00%	0.00%
4 Common Equity	158,595,058	0	158,595,058	(156,636,816)	1,958,242	37.18%	11.17%	4.15%
5 Customer Deposits	31,515	0	31,515	0	31,515	0.60%	6.00%	0.04%
6 Tax Credits - Zero Cost	43,966	0	43,966	0	43,966	0.83%	0.00%	0.00%
7 Deferred Income Taxes	520,374	0	520,374	0	520,374	9.88%	0.00%	0.00%
8 Total Capital	<u>\$378,904,375</u>	<u>\$0</u>	<u>\$378,904,375</u>	<u>(\$373,637,141)</u>	<u>\$5,267,234</u>	<u>100.00%</u>		<u>7.40%</u>
Per Commission								
9 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$178,303,486)	\$1,696,514	40.77%	6.65%	2.71%
10 Short-term Debt	39,713,462	0	39,713,462	(39,339,159)	374,303	8.99%	4.30%	0.39%
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
12 Common Equity	158,595,058	0	158,595,058	(157,100,287)	1,494,771	35.92%	10.69%	3.84%
13 Customer Deposits	31,515	0	31,515	0	31,515	0.76%	6.00%	0.04%
14 Tax Credits - Zero Cost	43,966	0	43,966	0	43,966	1.06%	0.00%	0.00%
15 Deferred Income Taxes	520,374	0	520,374	0	520,374	12.50%	0.00%	0.00%
16 Total Capital	<u>\$378,904,375</u>	<u>\$0</u>	<u>\$378,904,375</u>	<u>(\$374,742,932)</u>	<u>\$4,161,443</u>	<u>100.00%</u>		<u>6.98%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>9.69%</u>	<u>11.69%</u>	
OVERALL RATE OF RETURN						<u>6.63%</u>	<u>7.34%</u>	

Utilities, Inc. of Florida - Pasco County Statement of Water Operations Test Year Ended 12/31/08						Schedule No. 3-A Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$800,466</u>	<u>\$563,370</u>	<u>\$1,363,836</u>	<u>(\$557,724)</u>	<u>\$806,112</u>	<u>\$227,103</u> 28.17%	<u>\$1,033,215</u>
Operating Expenses							
2 Operation & Maintenance	\$718,400	(\$42,392)	676,008	(\$184,884)	494,124		494,124
3 Depreciation	166,678	(\$21,336)	145,342	(11,307)	134,035		134,035
4 Amortization	0	(3,186)	(3,186)	0	(3,186)		(3,186)
5 Taxes Other Than Income	139,346	(14,400)	124,946	(37,300)	87,646	10,220	97,866
6 Income Taxes	<u>0</u>	<u>106,520</u>	<u>106,520</u>	<u>(110,056)</u>	<u>(3,536)</u>	<u>81,613</u>	<u>78,077</u>
7 Total Operating Expense	<u>1,024,424</u>	<u>25,207</u>	<u>1,049,630</u>	<u>(343,547)</u>	<u>706,083</u>	<u>91,833</u>	<u>797,916</u>
8 Operating Income	<u>(\$223,957)</u>	<u>\$538,163</u>	<u>\$314,206</u>	<u>(\$214,177)</u>	<u>\$100,029</u>	<u>\$135,270</u>	<u>\$,235,299</u>
9 Rate Base	<u>\$2,875,274</u>		<u>\$4,245,473</u>		<u>\$3,368,786</u>		<u>\$3,368,786</u>
10 Rate of Return	<u>(7.79%)</u>		<u>7.40%</u>		<u>2.97%</u>		<u>6.98%</u>

Utilities, Inc. of Florida - Pasco County Statement of Wastewater Operations Test Year Ended 12/31/08						Schedule No. 3-B Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$443,411</u>	<u>\$308,410</u>	<u>\$751,821</u>	<u>(\$305,549)</u>	<u>\$446,272</u>	<u>\$128,287</u> 28.75%	<u>\$574,559</u>
Operating Expenses							
2 Operation & Maintenance	385,324	165,898	551,222	(136,630)	414,592		414,592
3 Depreciation	30,285	13,933	44,218	(1,940)	42,278		42,278
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	0	55,124	55,124	(16,943)	38,181	5,773	43,954
6 Income Taxes	<u>0</u>	<u>25,634</u>	<u>25,634</u>	<u>(53,397)</u>	<u>(27,731)</u>	<u>46,102</u>	<u>18,371</u>
7 Total Operating Expense	<u>415,609</u>	<u>260,589</u>	<u>676,198</u>	<u>(208,911)</u>	<u>467,320</u>	<u>51,875</u>	<u>519,195</u>
8 Operating Income	<u>\$27,803</u>	<u>\$47,821</u>	<u>\$75,623</u>	<u>(\$96,638)</u>	<u>(\$21,048)</u>	<u>\$76,412</u>	<u>\$55,365</u>
9 Rate Base	<u>\$799,176</u>		<u>\$1,021,761</u>		<u>\$792,657</u>		<u>\$795,657</u>
10 Rate of Return	<u>3.48%</u>		<u>7.40%</u>		<u>(2.66%)</u>		<u>6.98%</u>

Utilities, Inc. of Florida - Pasco County		Schedule No. 3-C	
Adjustment to Operating Income		Docket No. 090462-WS	
Test Year Ended 12/31/08			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
Remove requested final revenue increase.	<u>(\$557,724)</u>	<u>(\$305,549)</u>	
<u>Operation and Maintenance Expense</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	(\$31,413)	(\$12,378)	
2 To Adjust for Excessive I & I	0	(63,391)	
3 Appropriate Salary Adjustment	(107,015)	(42,083)	
4 Appropriate Benefit Adjustment	(25,431)	(10,000)	
5 Reflect Appropriate Allocated Relocation Adjustment	(631)	(719)	
6 Appropriate Transportation Expense	(2,690)	(1,058)	
7 Reflect Appropriate Rate Case Expense	(13,523)	(5,356)	
8 Appropriate Bad Debt Expense	(4,182)	(1,645)	
Total	<u>(\$184,884)</u>	<u>(\$136,630)</u>	
<u>Depreciation - net</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$221	\$86	
2 To Reflect Phoenix Project Adjustment	(5,306)	(2,087)	
3 To Remove Pro Forma Adjustments	(6,375)	0	
4 To Reflect Other Pro Forma Adjustments	154	60	
Total	<u>(\$11,307)</u>	<u>(\$1,940)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$25,098)	(\$13,750)	
2 Commission and Utility Agreed Upon Audit Adjustments	(20)	(7)	
3 To Remove Pro Forma Adjustments	(4,080)	0	
4 To Reflect Other Pro Forma Adjustments	84	33	
5 Payroll Taxes Associated Salary Adjustment	(8,187)	(3,219)	
Total	<u>(\$37,300)</u>	<u>(\$16,943)</u>	

Utilities, Inc. of Florida - Pasco County Water Monthly Service Rates Test Year Ended 12/31/08			Schedule No. 4-A Docket No. 090462-WS		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Comm. Approved Final	Four-Year Rate Reduction
<u>Residential, General Service and Irrigation</u>					
Base Facility Charge by Meter Size:					
5/8"	\$9.61	\$14.27	\$16.34	\$12.55	\$0.31
3/4"	\$14.41	\$21.39	\$24.49	\$18.83	\$0.47
1"	\$24.03	\$35.66	\$40.85	\$31.38	\$0.78
1-1/2"	\$48.06	\$71.33	\$81.69	\$62.75	\$1.57
2"	\$76.89	\$114.12	\$130.70	\$100.40	\$2.51
3"	\$153.78	\$228.26	\$261.40	\$200.80	\$5.02
4"	\$240.28	\$356.64	\$408.44	\$313.75	\$7.84
6"	\$480.57	\$713.29	\$816.90	\$627.50	\$15.68
<u>Residential Gallonage Charges</u>					
First 3,000 gallons	\$3.12	\$4.64	\$5.30	\$3.73	\$0.10
Over 3,000 gallons	\$3.12	\$4.64	\$5.30	\$4.04	\$0.10
<u>General Service Gallonage Charge</u>					
All gallons	\$3.12	\$4.64	\$5.30	\$3.85	\$0.10
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$18.97	\$28.19	\$32.24	\$23.74	
5,000 Gallons	\$25.21	\$37.47	\$42.84	\$31.82	
10,000 Gallons	\$40.81	\$60.67	\$69.34	\$52.02	

Utilities, Inc. of Florida - Pasco County Wastewater Monthly Service Rates Test Year Ended 12/31/08			Schedule No. 4-B Docket No. 090462-WS		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Comm. Approved Final	Four-Year Rate Reduction
Residential					
ALL (Summertree)	\$11.34	\$17.78	\$19.11	\$14.60	\$0.25
5/8" (Wis Bar)	\$8.73	\$13.68	\$14.71	\$11.24	\$0.19
5/8" (Wis Bar) - Flat	\$25.23	\$39.55	\$42.52	N/A	N/A
Multi-Residential					
5/8" (Wis Bar)	\$21.09	\$33.05	\$35.54	\$27.16	\$0.47
1" (Wis Bar)	\$21.82	\$34.20	\$36.77	\$28.10	\$0.48
General Service					
All areas served by the Company					
Base Facility Charge by Meter Size:					
5/8"	\$11.45	\$17.95	\$19.30	\$14.60	\$0.25
3/4"	\$17.17	\$26.91	\$28.94	\$21.90	\$0.38
1"	\$28.62	\$44.87	\$48.23	\$36.50	\$0.63
1-1/2"	\$57.25	\$89.73	\$96.48	\$73.00	\$1.25
2"	\$91.60	\$143.57	\$154.37	\$116.80	\$2.01
3"	\$183.20	\$287.15	\$308.74	\$233.60	\$4.02
4"	\$286.25	\$448.66	\$482.40	\$365.00	\$6.27
6"	\$572.50	\$897.32	\$964.80	\$730.00	\$12.55
Gallonge Charge (per 1,000 Gallons)					
All Residential (Summertree) Max 6,000 Gallons	\$9.63	\$15.10	\$16.23	\$12.40	\$0.21
All Residential (Wis Bar) Max 6,000 Gallons	\$6.87	\$10.77	\$11.57	\$8.37	\$0.15
All General Service	\$11.56	\$18.13	\$19.48	\$16.43	\$0.28
Typical Residential Bills 5/8" x 3/4" Meter					
Summertree					
3,000 Gallons	\$40.23	\$63.08	\$67.80	\$51.80	
5,000 Gallons	\$59.49	\$93.28	\$100.26	\$76.60	
6,000 Gallons (Wastewater Gallonge Cap - 6,000 Gallons)	\$69.12	\$108.38	\$116.49	\$89.00	
Wis-Bar					
3,000 Gallons	\$29.34	\$45.99	\$49.42	\$36.35	
5,000 Gallons	\$43.08	\$67.53	\$72.56	\$53.09	
6,000 Gallons (Wastewater Gallonge Cap - 6,000 Gallons)	\$49.95	\$78.30	\$84.13	\$61.46	

Utilities, Inc. of Florida - Pinellas County Schedule of Water Rate Base Test Year Ended 12/31/08				Schedule No. 1-A Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year
1 Plant in Service	\$362,956	\$84,794	\$447,750	(\$1,697)	\$446,053
2 Land and Land Rights	6,231	20	6,251	0	6,251
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(65,868)	(30,905)	(96,773)	2,232	(94,541)
5 CIAC	(138,847)	0	(138,847)	0	(138,847)
6 Amortization of CIAC	70,677	3,332	74,009	0	74,009
7 Construction Work in Progress	14,323	(14,323)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>128,146</u>	<u>128,146</u>	<u>(84,283)</u>	<u>43,863</u>
9 Rate Base	<u>\$249,472</u>	<u>\$171,064</u>	<u>\$420,536</u>	<u>(\$83,748)</u>	<u>\$336,788</u>

Utilities, Inc. of Florida - Pinellas County		Schedule No. 1-B
Adjustments to Rate Base		Docket No. 090462-WS
Test Year Ended 12/31/08		
Explanation	Water	
<u>Plant In Service</u>		
1 Commission and Utility Agreed Upon Audit Adjustments		\$470
2 To Reflect Phoenix Project Adjustment		(2,370)
3 To Reflect Other Pro Forma Adjustments		<u>204</u>
Total		<u>(\$1,697)</u>
<u>Accumulated Depreciation</u>		
1 Commission and Utility Agreed Upon Audit Adjustments		\$905
2 To Reflect Phoenix Project Adjustment		763
3 To Reflect Other Pro Forma Adjustments		<u>564</u>
Total		<u>\$2,232</u>
<u>Working Capital</u>		
To Reflect the Appropriate Working Capital Allowance		<u>(\$84,283)</u>

Utilities, Inc. of Florida - Pinellas County Capital Structure Test Year Ended 12/31/08						Schedule No. 2 Docket No. 090462-WS			
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,829,170)	\$170,830	40.62%	6.65%	2.70%	
2 Short-term Debt	39,713,462	0	39,713,462	(39,675,763)	37,699	8.96%	4.30%	0.39%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	158,595,058	0	158,595,058	(158,444,549)	150,509	35.79%	11.17%	4.00%	
5 Customer Deposits	3,253	0	3,253	0	3,253	0.77%	6.00%	0.05%	
6 Tax Credits - Zero Cost	4,538	0	4,538	0	4,538	1.08%	0.00%	0.00%	
7 Deferred Income Taxes	53,707	0	53,707	0	53,707	12.77%	0.00%	0.00%	
8 Total Capital	<u>\$378,370,018</u>	<u>\$0</u>	<u>\$378,370,018</u>	<u>(\$377,949,482)</u>	<u>\$420,536</u>	<u>100.00%</u>		<u>7.14%</u>	
Per Commission									
9 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,869,016)	\$130,984	38.89%	6.65%	2.59%	
10 Short-term Debt	39,713,462	0	39,713,462	(39,684,563)	28,899	8.58%	4.30%	0.37%	
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
12 Common Equity	158,595,058	0	158,595,058	(158,479,650)	115,408	34.27%	10.69%	3.66%	
13 Customer Deposits	3,253	0	3,253	0	3,253	0.97%	6.00%	0.06%	
14 Tax Credits - Zero Cost	4,538	0	4,538	0	4,538	1.35%	0.00%	0.00%	
15 Deferred Income Taxes	53,707	0	53,707	0	53,707	15.95%	0.00%	0.00%	
16 Total Capital	<u>\$378,370,018</u>	<u>\$0</u>	<u>\$378,370,018</u>	<u>(\$378,033,230)</u>	<u>\$336,788</u>	<u>100.00%</u>		<u>6.68%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>9.69%</u>	<u>11.69%</u>		
OVERALL RATE OF RETURN						<u>6.33%</u>	<u>7.02%</u>		

Utilities, Inc. of Florida - Pinellas County Statement of Water Operations Test Year Ended 12/31/08						Schedule No. 3-A Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$101,480</u>	<u>\$52,289</u>	<u>\$153,769</u>	<u>(\$53,865)</u>	<u>\$99,904</u>	<u>\$21,002</u> 21.02%	<u>\$120,906</u>
Operating Expenses							
2 Operation & Maintenance	109,778	(19,144)	90,634	(19,556)	71,078		71,078
3 Depreciation	17,738	(6,354)	11,384	(709)	10,675		10,675
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	6,348	5,242	11,590	(3,320)	8,270	945	9,215
6 Income Taxes	<u>0</u>	<u>10,154</u>	<u>10,154</u>	<u>(10,255)</u>	<u>(101)</u>	<u>7,547</u>	<u>7,447</u>
7 Total Operating Expense	<u>133,864</u>	<u>(10,102)</u>	<u>123,762</u>	<u>(33,839)</u>	<u>89,923</u>	<u>8,492</u>	<u>98,415</u>
8 Operating Income	<u>(\$32,384)</u>	<u>\$62,391</u>	<u>\$30,007</u>	<u>(\$20,026)</u>	<u>\$9,981</u>	<u>\$12,509</u>	<u>\$22,491</u>
9 Rate Base	<u>\$249,472</u>		<u>\$420,536</u>		<u>\$336,788</u>		<u>\$336,788</u>
10 Rate of Return	<u>(12.98%)</u>		<u>7.14%</u>		<u>2.96%</u>		<u>6.68%</u>

Utilities, Inc. of Florida - Pinellas County		Schedule No. 3-B
Adjustment to Operating Income		Docket No. 090462-WS
Test Year Ended 12/31/08		
Explanation	Water	
<u>Operating Revenues</u>		
Remove requested final revenue increase.		<u>(\$53,865)</u>
<u>Operation and Maintenance Expense</u>		
1 Commission and Utility Agreed Upon Audit Adjustments		(\$1,819)
2 Appropriate Salary Adjustment		(11,848)
3 Appropriate Benefit Adjustment		(3,142)
4 Reflect Appropriate Allocated Relocation Expense		(142)
5 Appropriate Transportation Expense		(594)
6 Reflect Appropriate Rate Case Expense		(1,945)
7 Appropriate Bad Debt Expense		(66)
Total		<u>(\$19,556)</u>
<u>Depreciation Expense - Net</u>		
1 Commission and Utility Agreed Upon Audit Adjustments		\$32
2 To Reflect Phoenix Project Adjustment		(763)
3 To Reflect Other Pro Forma Adjustments		22
Total		<u>(\$709)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.		(\$2,424)
2 Commission and Utility Agreed Upon Audit Adjustments		(3)
3 To Reflect Other Pro Forma Adjustments		13
4 Payroll Taxes Associated Salary Adjustment		(906)
Total		<u>(\$3,320)</u>

Utilities, Inc. of Florida - Pinellas County Water Monthly Service Rates Test Year Ended 12/31/08			Schedule No. 4-A Docket No. 090462-WS		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final	Four-Year Rate Reduction
<u>Residential, General Service and Multi-Family</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$6.43	\$8.68	\$9.91	\$7.30	\$0.22
1"	\$16.08	\$21.70	\$24.79	\$18.25	\$0.56
1-1/2"	\$32.16	\$43.39	\$49.59	\$36.50	\$1.12
2"	\$51.46	\$69.44	\$79.35	\$58.40	\$1.79
3"	\$102.92	\$138.87	\$158.69	\$116.80	\$3.58
4"	\$160.80	\$216.98	\$247.93	\$182.50	\$5.59
6"	\$321.61	\$433.95	\$495.88	\$365.00	\$11.19
<u>Residential Gallonage Charge</u>					
First 3,000 gallons	\$3.63	\$4.90	\$5.59	\$3.95	\$0.14
Over 3,000 gallons	\$3.63	\$4.90	\$5.59	\$4.39	\$0.14
<u>General Service</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$6.43	\$8.68	\$9.91	\$7.30	\$0.22
1"	\$16.08	\$21.70	\$24.79	\$18.25	\$0.56
1-1/2"	\$32.16	\$43.39	\$49.59	\$36.50	\$1.12
2"	\$51.46	\$69.44	\$79.35	\$58.40	\$1.79
3"	\$102.92	\$138.87	\$158.69	\$116.80	\$3.58
4"	\$160.80	\$216.98	\$247.93	\$182.50	\$5.59
6"	\$321.61	\$433.95	\$495.88	\$365.00	\$11.19
Gallonage Charge, per 1,000 Gallons	\$3.63	\$4.90	\$5.59	\$4.10	\$0.15
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$17.32	\$23.38	\$26.68	\$19.14	
5,000 Gallons	\$24.58	\$33.18	\$37.86	\$27.92	
10,000 Gallons	\$42.73	\$57.68	\$65.81	\$49.87	

Utilities, Inc. of Florida - Seminole County Schedule of Water Rate Base Test Year Ended 12/31/08			Schedule No. 1-A Docket No. 090462-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year
1 Plant in Service	\$6,339,298	(\$1,781,599)	\$4,557,699	(\$563,224)	\$3,994,475
2 Land and Land Rights	184,795	(165,113)	19,682	(3,564)	16,118
3 Non-used and Useful Components	0	0	0	0	0
4 Construction Wok in Progress	72,343	(72,343)	0	0	0
5 Accumulated Depreciation	(2,275,057)	1,396,638	(878,419)	(71,870)	(950,289)
6 CIAC	(914,894)	3,888	(911,006)	0	(911,006)
7 Amortization of CIAC	663,753	61,622	725,375	0	725,375
8 Working Capital Allowance	<u>0</u>	<u>778,234</u>	<u>778,234</u>	<u>(511,867)</u>	<u>266,367</u>
9 Rate Base	<u>\$4,070,238</u>	<u>\$221,327</u>	<u>\$4,291,565</u>	<u>(\$1,150,525)</u>	<u>\$3,141,040</u>

Utilities, Inc. of Florida - Seminole County Schedule of Wastewater Rate Base Test Year Ended 12/31/08				Schedule No. 1-B Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year
1 Plant in Service	\$2,329,527	\$668,447	\$2,997,974	(\$150,510)	\$2,847,464
2 Land and Land Rights	0	470	470	0	470
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(433,733)	(173,132)	(606,865)	2,933	(603,932)
5 CIAC	(772,777)	1,795	(770,982)	0	(770,982)
6 Amortization of CIAC	506,911	2,430	509,341	0	509,341
7 CWIP	45,375	(45,375)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>415,909</u>	<u>415,909</u>	<u>(273,559)</u>	<u>142,350</u>
9 Rate Base	<u>\$1,675,303</u>	<u>\$870,544</u>	<u>\$2,545,847</u>	<u>(\$421,137)</u>	<u>\$2,124,710</u>

Utilities, Inc. of Florida - Seminole County		Schedule No. 1-C	
Adjustments to Rate Base		Docket No. 090462-WS	
Test Year Ended 12/31/08			
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$72	\$331	
2 To Reflect Phoenix Project Adjustment	(14,383)	(7,685)	
3 To Remove Pro Forma Adjustments	(505,573)	(120,000)	
4 To Reflect Other Pro Forma Adjustments	(43,340)	(23,156)	
Total	<u>(\$563,224)</u>	<u>(\$150,510)</u>	
<u>Land</u>			
Commission and Utility Agreed Upon Audit Adjustments	<u>(\$3,564)</u>	\$0	
<u>Accumulated Depreciation</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	\$6,579	\$3,484	
2 To Reflect Phoenix Project Adjustment	4,632	2,475	
3 To Remove Pro Forma Adjustments	(72,427)	2,667	
4 To Reflect Other Pro Forma Adjustments	(10,654)	(5,693)	
Total	<u>(\$71,870)</u>	<u>\$2,933</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance	<u>(\$511,867)</u>	<u>(\$273,559)</u>	

Utilities, Inc. of Florida - Seminole County Capital Structure Test Year Ended 12/31/08						Schedule No. 2 Docket No. 090462-WS		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$177,019,307)	\$2,980,693	43.59%	6.65%	2.90%
2 Short-term Debt	39,713,462	0	39,713,462	(39,055,680)	657,782	9.62%	4.30%	0.41%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	158,595,058	0	158,595,058	(155,968,941)	2,626,117	38.41%	11.17%	4.29%
5 Customer Deposits	30,297	0	30,297	0	30,297	0.44%	6.00%	0.03%
6 Tax Credits - zero cost	42,266	0	42,266	0	42,266	0.62%	0.00%	0.00%
7 Deferred Income Taxes	500,257	0	500,257	0	500,257	7.32%	0.00%	0.00%
8 Total Capital	<u>\$378,881,340</u>	<u>\$0</u>	<u>\$378,881,340</u>	<u>(\$372,043,928)</u>	<u>\$6,837,412</u>	<u>100.00%</u>		<u>7.63%</u>
Per Commission								
9 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$177,767,094)	\$2,232,906	42.40%	6.65%	2.82%
10 Short-term Debt	39,713,462	0	39,713,923	(39,220,815)	492,647	9.36%	4.30%	0.40%
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
12 Common Equity	158,595,058	0	158,595,058	(156,627,681)	1,967,377	37.36%	10.69%	4.00%
13 Customer Deposits	30,297	0	30,297	0	30,297	0.58%	6.00%	0.03%
14 Tax Credits - zero cost	42,266	0	42,266	0	42,266	0.80%	0.00%	0.00%
15 Deferred Income Taxes	500,257	0	500,257	0	500,257	9.51%	0.00%	0.00%
16 Total Capital	<u>\$378,881,340</u>	<u>\$0</u>	<u>\$378,881,340</u>	<u>(\$373,615,590)</u>	<u>\$5,265,750</u>	<u>100.00%</u>		<u>7.25%</u>
						LOW	HIGH	
RETURN ON EQUITY						9.69%	11.69%	
OVERALL RATE OF RETURN						6.88%	7.63%	

Utilities, Inc. of Florida - Seminole County Statement of Water Operations Test Year Ended 12/31/08						Schedule No. 3-A Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$728,392</u>	<u>\$444,027</u>	<u>\$1,172,419</u>	<u>(\$392,730)</u>	<u>\$779,689</u>	<u>\$170,036</u> 21.81%	<u>\$949,725</u>
Operating Expenses							
2 Operation & Maintenance	904,918	(450,836)	454,082	(40,252)	413,830		413,830
3 Depreciation	176,595	(22,666)	153,929	(27,345)	126,584		126,584
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	201,190	(75,381)	125,809	(27,672)	98,137	7,652	105,789
6 Income Taxes	0	111,115	111,115	(96,498)	14,617	61,105	75,722
7 Total Operating Expense	<u>1,282,703</u>	<u>(437,768)</u>	<u>844,935</u>	<u>(191,767)</u>	<u>653,168</u>	<u>68,757</u>	<u>721,925</u>
8 Operating Income	<u>\$(554,311)</u>	<u>\$881,795</u>	<u>\$327,484</u>	<u>(\$200,963)</u>	<u>\$126,521</u>	<u>\$101,279</u>	<u>\$227,800</u>
9 Rate Base	<u>\$4,070,238</u>		<u>\$4,291,565</u>		<u>\$3,141,040</u>		<u>\$3,141,040</u>
10 Rate of Return	<u>(13.62)%</u>		<u>7.63%</u>		<u>4.03%</u>		<u>7.25%</u>

Utilities, Inc. of Florida - Seminole County Statement of Wastewater Operations Test Year Ended 12/31/08						Schedule No. 3-B Docket No. 090462-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$689,590</u>	<u>\$324,658</u>	<u>\$1,014,248</u>	<u>(\$270,294)</u>	<u>\$743,954</u>	<u>\$94,788</u> 12.74%	<u>\$838,742</u>
Operating Expenses							
2 Operation & Maintenance	291,686	319,488	611,174	(\$102,185)	508,989	0	508,989
3 Depreciation	65,776	23,338	89,114	(7,556)	81,558	0	81,558
4 Amortization	0	(24,289)	(24,289)	0	(24,289)	0	(24,289)
5 Taxes Other Than Income	0	78,063	78,063	(15,157)	62,906	4,265	67,171
6 Income Taxes	<u>0</u>	<u>65,920</u>	<u>65,920</u>	<u>(48,762)</u>	<u>17,158</u>	<u>34,064</u>	<u>51,221</u>
7 Total Operating Expense	<u>357,462</u>	<u>462,520</u>	<u>819,982</u>	<u>(173,661)</u>	<u>646,321</u>	<u>38,329</u>	<u>684,650</u>
8 Operating Income	<u>\$332,128</u>	<u>(\$137,862)</u>	<u>\$194,266</u>	<u>(\$96,633)</u>	<u>\$97,633</u>	<u>\$56,459</u>	<u>\$154,092</u>
9 Rate Base	<u>\$1,675,303</u>		<u>\$2,545,847</u>		<u>\$2,124,710</u>		<u>\$2,124,710</u>
10 Rate of Return	<u>19.82%</u>		<u>7.63%</u>		<u>4.60%</u>		<u>7.25%</u>

Utilities, Inc. of Florida - Seminole County Adjustment to Operating Income Test Year Ended 12/31/08		Schedule No. 3-C Docket No. 090462-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
Remove requested final revenue increase.	<u>(\$392,730)</u>	<u>(\$270,294)</u>	
<u>Operation and Maintenance Expense</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	(\$20,722)	(\$5,191)	
2 To Adjust for Excessive I & I	0	(87,662)	
3 Appropriate Salary Adjustment	(1,827)	(62)	
4 Appropriate Benefits Adjustment	(480)	(16)	
5 Reflect Appropriate Allocated Relocation Expense	(835)	(453)	
6 Appropriate Transportation Expense	(2,074)	(1,108)	
7 Reflect Appropriate Rate Case Expense	(11,805)	(6,352)	
8 Appropriate Bad Debt Expense	<u>(2,509)</u>	<u>(1,341)</u>	
Total	<u>(\$40,252)</u>	<u>(\$102,185)</u>	
<u>Depreciation Expense - net</u>			
1 Commission and Utility Agreed Upon Audit Adjustments	(\$272)	(\$105)	
2 To Reflect Phoenix Project Adjustment	(4,632)	(2,475)	
3 To Remove Pro Forma Adjustments	(18,117)	(2,667)	
4 To Reflect Other Pro Forma Adjustments	<u>(4,324)</u>	<u>(2,309)</u>	
Total	<u>(\$27,345)</u>	<u>(\$7,556)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$17,673)	(\$12,163)	
2 Commission and Utility Agreed Upon Audit Adjustments	(1,336)	(781)	
3 To Reflect Pro Forma Adjustments	(8,523)	(2,208)	
4 Payroll taxes associated Salary Adjustment	<u>(140)</u>	<u>(5)</u>	
Total	<u>(\$27,672)</u>	<u>(\$15,157)</u>	

Utilities, Inc. of Florida - Seminole County Water Monthly Service Rates Test Year Ended 12/31/08			Schedule No. 4-A Docket No. 090462-WS		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Comm. Approved Final	Four-Year Rate Reduction
<u>Residential, General Service and Irrigation</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$6.15	\$7.56	\$9.28	\$7.30	\$0.17
1"	\$15.38	\$18.89	\$23.21	\$18.25	\$0.43
1-1/2"	\$30.76	\$37.79	\$46.43	\$36.50	\$0.87
2"	\$49.21	\$60.46	\$74.29	\$58.40	\$1.39
3"	\$98.42	\$120.91	\$148.58	\$116.80	\$2.77
4"	\$153.79	\$188.93	\$232.17	\$182.50	\$4.34
6"	\$307.58	\$377.86	\$464.35	\$365.00	\$8.67
<u>Gallonage Charge, per 1,000 Gallons</u>					
First 6,000 Gallons	\$2.25	\$2.77	\$3.40	\$2.77	\$0.07
Next 2,000 Gallons	\$2.25	\$2.77	\$3.40	\$3.09	\$0.07
Next 8,000 Gallons	\$3.95	\$4.86	\$5.96	\$5.41	\$0.13
Over 16,000 gallons	\$5.07	\$6.23	\$7.65	\$6.96	\$0.17
<u>General Service</u>					
Gallonage Charge, per 1,000 Gallons	\$2.74	\$3.36	\$4.13	\$3.53	\$0.08
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$12.90	\$15.87	\$19.48	\$15.61	
5,000 Gallons	\$17.40	\$21.41	\$26.28	\$21.15	
10,000 Gallons	\$32.05	\$39.44	\$48.40	\$40.28	

Utilities, Inc. of Florida - Seminole County Wastewater Monthly Service Rates Test Year Ended 12/31/08			Schedule No. 4-B Docket No. 090462-WS		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Comm. Approved Final	Four-Year Rate Reduction
Residential					
Base Facility Charge All Meter Sizes:	\$11.11	\$12.05	\$15.15	\$12.53	\$0.18
Gallonge Charge - Per 1,000 gallons (10,000 gallon cap)	\$6.20	\$6.72	\$8.45	\$6.99	\$0.10
Flat Rate (unmetered)	\$37.64	\$40.80	\$51.34	\$42.44	\$0.59
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$11.11	\$12.05	\$15.15	\$12.53	\$0.18
1"	\$27.77	\$30.11	\$37.87	\$31.33	\$0.44
1-1/2"	\$55.53	\$60.20	\$75.74	\$62.65	\$0.88
2"	\$89.07	\$96.56	\$121.48	\$100.24	\$1.40
3"	\$177.70	\$192.65	\$242.36	\$200.48	\$2.80
4"	\$277.66	\$301.01	\$378.69	\$313.25	\$4.38
6"	\$555.33	\$602.02	\$757.39	\$626.50	\$8.75
Gallonge Charge, per 1,000 Gallons	\$7.43	\$8.06	\$10.13	\$8.39	\$0.12
Typical Residential Bills 5/8" x 3/4" Meter					
3,000 Gallons	\$29.71	\$32.21	\$40.50	\$33.50	
5,000 Gallons	\$42.11	\$45.65	\$57.40	\$47.48	
10,000 Gallons (Wastewater Gallonge Cap - 10,000 Gallons)	\$73.11	\$79.25	\$99.65	\$82.43	