

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
St. Johns County by Camachee Island
Company, Inc. d/b/a Camachee Cove Yacht
Harbor Utility.

DOCKET NO. 090230-WU
ORDER NO. PSC-10-0126-PAA-WU
ISSUED: March 3, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
DAVID E. KLEMENT
BEN A. "STEVE" STEVENS III

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES
AND
FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein approving an increase in rates and charges is 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

Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility (Camachee or Utility) is a Class C water utility located in St. Johns County serving approximately 92 water customers in Camachee Cove Yacht Harbor. Camachee is located in the St. Johns River Water Management District (SJRWMD). The Utility reported operating revenues for 2008 of \$43,224 and an operating loss of \$37,578.

The Utility began operations in 1977. Camachee was granted an original certificate to operate a water utility in St. Johns County in 1988, subsequent to the County turning jurisdiction over to the Commission. The County rescinded Commission jurisdiction in 1989. On January 16, 2009, the County returned jurisdiction to the Commission. The Utility applied for a grandfather certificate on April 13, 2009, and a staff assisted rate case (SARC) on April 24, 2009. Camachee's grandfather certificate was approved on October 27, 2009.

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FPSC-COMMISSION OFFICE

We have audited the Utility's records for compliance with our rules and orders, and examined all components necessary for rate setting. Our staff engineer has also conducted a field investigation, which included a visual inspection of the water facilities along with the service area. We also reviewed Camachee's operating expenses, maps, files, and rate application to determine the reasonableness of maintenance expenses, regulatory compliance, plant in service, and quality of service.

Our decision on Camachee's application is explained in detail below. We have jurisdiction to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.)

DECISION

QUALITY OF SERVICE

Pursuant to Rule 25-30.433(1), F.A.C., we determine the overall quality of service provided by a utility by evaluating three separate components of water operations. These include the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. We also review comments or complaints from customers, and we consider the utility's current compliance with the Florida Department of Environmental Protection (DEP).

Camachee is regulated by the DEP Northeast District office in Jacksonville. Our staff conducted a field investigation of the Utility's service area on July 8, 2009. Although the plant was being renovated at the time, our staff reviewed maintenance records, and conducted a physical inspection of the plant and the service area. Camachee explained that the treatment facilities were approaching the end of their service life, and it was necessary to renovate the existing system by bringing in a new ground storage tank, new high service pumps with an enclosure, a new hydro pneumatic tank, a new aerator tower, and some piping modifications to accommodate the new equipment. The renovation phase began on April 9, 2009, and was completed on September 10, 2009. On October 1, 2009, the DEP conducted a sanitary survey of the Utility and noted some minor deficiencies, which were all corrected. The Utility currently meets all required chemical analyses and treatment standards for the plant and the system. The quality of drinking water delivered to the customers is considered satisfactory by the DEP.

There are no outstanding complaints on the Commission's Complaint Tracking System. The Utility indicated that it did not receive any customer complaints during the test year. A customer meeting was held on October 21, 2009, in St. Augustine, Florida. Approximately 22 customers attended and five spoke. Representatives of the Utility were also present. A customer commended the Utility for providing "top quality water" by renovating the existing treatment facilities. However, he was concerned about the base facility charge. He also wanted to understand the role of the customer regarding contributions in aid of construction and how we determined the appropriate revenue requirement. Another customer complained about the dramatic increase in the water rates. Our staff explained our ratemaking process to the customers in attendance.

Camachee is current in all of the required chemical analyses and treatment standards, and it appears to be addressing customer concerns satisfactorily. Therefore, we find that the overall quality of service for Camachee is satisfactory.

USED AND USEFUL

Water Distribution System

The Camachee water treatment system has two wells rated at 90 and 495 gallons per minute (gpm). A portion of the water produced is treated through a reverse osmosis system to meet turbidity and sulphate standards. The reverse osmosis treated water is then blended with the rest of the raw water, aerated, and discharged into the ground storage tank. The water is then injected with liquid chlorine before it is pumped into the distribution system.

The ground storage tank has a usable capacity of 22,000 gallons. The Utility's peak day of 59,400 gallons occurred on December 30, 2008. It does not appear that there was a fire, line break, or other unusual occurrence on that day. The Utility's records indicate that unaccounted for water was below 10 percent during the test year; therefore, no adjustment will be made for excessive unaccounted for water. The Utility's fire flow requirement is 500 gpm for 2 hours or 60,000 gallons. There has been no growth in the service area during the last five years, and it appears that the system is built out.

Based on a peak day of 59,400 gallons per day (gpd), a fire flow allowance of 60,000 gpd, and a firm reliable capacity of 86,400 gpd, the water treatment plant is 100 percent used and useful. Pursuant to Rule 25-30.4325(8), F.A.C, the usable storage capacity is less than the peak day demand; therefore, the storage tank shall be considered 100 percent used and useful. The distribution system was designed to serve the existing customers and the service area is built out. Therefore, we find that the water distribution system shall be considered 100 percent used and useful.

RATE BASE

We selected a test year ending December 31, 2008, for this rate case. Rate base components have been updated through December 31, 2008, using information obtained from our audit report, and our original engineering cost study. A summary of each component and the adjustments follows.

Utility Plant in Service

Camachee recorded \$200,100 for Utility Plant in Service (UPIS) for the test year ending December 31, 2008. Pursuant to Audit Finding No. 2, the Utility was unable to provide any original cost records to substantiate its June 30, 2007, plant balances. As mentioned above, the Utility has never had a rate case or had rate base established by us since becoming subject to our jurisdiction. Due to a lack of Utility records, our engineer performed an original cost study to determine the appropriate amount of plant in service. The engineer derived the cost study from available maps, partial invoice records, and visible facilities noted during the engineering field

investigation. Based on the original cost study, we find that an adjustment shall be made to increase plant in service by \$11,626.

Camachee also recorded Construction Work in Progress (CWIP) of \$201,107 for the test year ending December 31, 2008. Our auditors verified the CWIP amounts recorded by Camachee. Since the audit, we have received an additional \$79,781 of invoices for the new water plant. Based on the additional invoices, we have increased CWIP by \$79,781. As mentioned above, the additional water plant was completed on September 10, 2009. We have made adjustments to decrease CWIP by \$201,107 and increase UPIS by \$280,888 (\$201,107 + \$79,781). Therefore, we find that UPIS shall be \$492,614 (\$200,100 + \$11,626 + \$280,888).

Land and Land Rights

The Utility's records reflect balances of \$10,000 in Acct No. 303 – Land and Land Rights as of December 31, 2008. The National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), Balance Sheet Account No. 303 – Land and Land Rights, states that the cost of land shall be recorded at its original cost when it was first dedicated to utility service. Pursuant to Audit Finding No. 2, we were unable to determine the value of the Utility's portion of land. Based on comparable land values, however, we find that \$10,000 is a reasonable amount to record for land; therefore, an adjustment is not necessary for Account No. 303 – Land and Land Rights

Non-used and Useful Plant

We consider Camachee's water treatment plant to be 100 percent used and useful. Therefore, a used and useful adjustment is not necessary.

Contributions in Aid of Construction: The Utility recorded Contributions in Aid of Construction (CIAC) of \$0 for the test year ended December 31, 2008. As discussed earlier, Camachee has never had a rate case. We calculated CIAC using the methodology prescribed in our Rule 25-30.570, F.A.C. Based on this methodology, we find that CIAC shall be increased by \$60,393.

Accumulated Depreciation: The Utility recorded a balance for accumulated depreciation of \$141,320 for the test year ended December 31, 2008. We have calculated accumulated depreciation using the prescribed rates set forth in our Rule 25-30.140, F.A.C. Accordingly, we have decreased this account by \$1,266 to reflect the appropriate amount of accumulated depreciation. Also, we have decreased accumulated depreciation by \$3,039, to reflect an averaging adjustment. We have made an adjustment to increase accumulated depreciation by \$8,120 to reflect the depreciation associated with the pro forma WTP. Based upon these adjustments, we find that accumulated depreciation shall be \$145,135.

Accumulated Amortization of CIAC: Camachee recorded accumulated amortization of CIAC of \$0 for the test year ending December 31, 2008. We calculated amortization of CIAC using composite rates prescribed in our Rule 25-30.140, F.A.C. Based on this calculation, we have increased accumulated amortization of CIAC by \$48,162. We have also decreased accumulated

amortization of CIAC by \$688, to reflect an averaging adjustment. These adjustments result in total accumulated amortization of CIAC of \$47,474.

Working Capital Allowance: Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of a utility. Consistent with our Rule 25-30.433(2), F.A.C., we used the one-eighth of the Operation & Maintenance (O&M) expense formula approach for calculating working capital allowance. Applying this formula, we find that a working capital allowance of \$7,675 is appropriate, based on O&M expenses of \$61,400. We have increase working capital by \$7,675 to reflect one-eighth of our approved O&M expenses.

Conclusion: Based on the forgoing, we find that the appropriate test year average water rate base is \$352,235. Rate base is shown on Schedule No. 1-A, and our approved adjustments are shown on Schedule 1-B.

RATE OF RETURN

According to the audit conducted in this docket, Camachee recorded the following items in its capital structure: common equity of (\$131,877) and long-term debt of \$404,014. Consistent with our practice, advances from the parent in which no interest is charged shall be treated as common equity.¹ Using the most recent Commission-approved leverage formula² and with an equity ratio of 100 percent, the appropriate return on equity (ROE) is 9.67 percent. Camachee's capital structure has been reconciled with our approved rate base. We find that an ROE of 9.67 percent with a range of 8.67 percent-10.67 percent, and an overall rate of return of 9.67 percent is appropriate. The ROE and overall rate of return are shown on Schedule No. 2.

TEST YEAR REVENUES

Camachee recorded test year water revenue of \$43,224. The Utility did not bill two of its unmetered general service customers during the test year. Therefore, for the test year, we have imputed the revenues associated with the two unmetered general service customers. Also, the Utility received a price index during the test year. We have annualized test year revenues to reflect the additional billing determinants for the general service customers and the rate increase. This results in an increase of \$1,853 to reflect the appropriate test year revenue. We find that the appropriate amount of test year revenues in this case is \$45,077. Test year revenue is shown on Schedule No. 3-A, and the adjustment is shown on Schedule No. 3-B.

¹ See Order Nos. PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 011451-WS, In Re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia; PSC-05-1218-PAA-WS, issued December 15, 2005, in Docket No. 050274-WS, In Re: Application for staff-assisted rate case in Pasco County by Silver Fox Utility Company LLC d/b/a Timberwood Utilities; and PSC-07-1009-PAA-WU, issued December 20, 2007, in Docket No. 070177-WU, In Re: Application for staff-assisted rate case in Pasco County by LWV Utility.

² See Order No. PSC-09-0430-PAA-WS, issued June 19, 2009, in Docket No. 090006-WS, In Re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

OPERATING EXPENSE

Camachee recorded operating expenses of \$80,802 during the test year ended December 31, 2008. We have reviewed the test year O&M expenses, and examined the invoices, canceled checks, and other supporting documentation. We have made several adjustments to the Utility's operating expenses, as summarized below:

Salaries and Wages – Employees – (601)

Camachee recorded a balance of \$0 in Account No. 601 for the test year. Pursuant to Audit Finding No. 3, the Utility incorrectly recorded its employee wages in Account No. 675. We have increased Account No. 601 by \$17,249 to recognize the reclassification of salaries and wages for employees to the proper account. We find that the salaries and wages - employees expense for the test year shall be \$17,249.

Salaries and Wages – Officers – (603)

Camachee recorded a balance of \$0 in Account No. 603 for the test year. Pursuant to Audit Finding No. 3, the Utility incorrectly recorded its officer wages in Account No. 675. We have increased Account No. 603 by \$3,673 to recognize the reclassification of salaries and wages for officers to the proper account. We find that salaries and wages - officers expense for the test year shall be \$3,673.

We determined the above employee and officer salaries of \$20,922 by comparing the Utility's salaries with the appropriate average salary levels found in the 2008 Water Utility Compensation Survey (WUCS) published by the American Water Works Association (AWWA). We have previously utilized the AWWA's WUCS to determine appropriate salary levels.³ The chart below shows our calculation of salaries:

³ See Order Nos. PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 070601-WU, In Re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply; PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In Re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.; and PSC-09-0587-PAA-WU, issued August 31, 2009, in Docket No. 080715-WU, In Re: Application for staff-assisted rate case in Lake County by CWS Communities LP.

<u>Work Performed</u>	<u>2008 AWWA Compensation Survey</u>	<u>Hourly Cost</u>	<u>Hours per year</u>	<u>Cost per year</u>
Management of Water Operations	\$73,464	\$35.32	104	\$3,673
Office Administration and Bookkeeping	\$49,448	\$23.77	208	\$4,944
Customer Service	\$61,267	\$29.46	104	\$3,064
General Maintenance and Meter Reading	\$33,843	\$16.27	568	\$9,241
		Totals:	984	\$20,922

Employee Pensions and Benefits – (604)

Camachee recorded a balance of \$0 in Account No. 604 for the test year. Pursuant to Audit Finding No. 3, Camachee incorrectly recorded its employee pensions and benefits in Account No. 675. We have made an adjustment to increase Account No. 604 by \$9,014 to recognize the reclassification of employee pensions and benefits to the proper account. We find that employee pensions and benefits expense for the test year shall be \$9,014.

Fuel for Power Production – (616)

The Utility recorded a balance of \$299 in Account No. 616 for the test year. Pursuant to Audit Finding No. 3, Camachee incorrectly recorded a portion of its fuel for purchased power in Account No. 620. We have made an adjustment to increase Account No. 616 by \$203 to recognize the reclassification of fuel for purchased power to the proper account. We find that fuel for power production expense for the test year shall be \$502.

Materials & Supplies – (620)

The Utility recorded a balance of \$1,444 in Account No. 620 for the test year. Pursuant to Audit Finding No. 3, Camachee incorrectly recorded a portion of its materials & supplies in Account No. 675. We have made an adjustment to increase Account No. 620 by \$480 to recognize the reclassification of materials & supplies to the proper account. Additionally, as

stated above, the Utility incorrectly recorded a portion of its fuel for purchased power in Account No. 620. We have made an adjustment to decrease Account No. 620 by \$203 to recognize the reclassification of fuel for purchased power to the proper account. Therefore, Account No. 620 shall be increased by \$277. We find that materials & supplies expense for the test year shall be \$1,721.

Contractual Services - Professional – (631)

Camachee recorded \$4,900 in Account No. 631 for the test year. The \$4,900 was for accounting services. According to the work detail, 3.25 hours was related to rate case expense. We have made an adjustment of \$601 ($\185×3.25) to reclassify the hours associated with rate case expense. We find that the remaining 43.5 hours is excessive based on the duties the accounting firm will be performing on a prospective basis. 25 hours will be sufficient for the Utility's accounting firm to process a class C annual report and other related duties. The reduction from 43.5 hours to 25 hours results in a decrease of \$1,799; therefore, we have made an adjustment of \$1,799.

The audit shows that Camachee's books and records are not in conformance with the NARUC USOA. We estimate a one-time cost of \$1,000 for converting the Utility's books and records to NARUC USOA and for reconciling Camachee's books in this case. This amount shall be amortized over five years, allowing the recovery of \$200 annually.

Based on the above adjustments, we find that Contractual Services – Professional shall be \$2,700.

Contractual Services - Testing – (635)

The Utility recorded \$4,138 in Account No. 635 for the test year. Pursuant to Audit Finding No. 3, the Utility recorded 13 months of testing rather than 12. We have made an adjustment to decrease Account No. 635 by \$60 to recognize the extra month of testing. State and local authorities require several analyses to be submitted in accordance with Chapter 62-550, F.A.C. Testing costs incurred during the test year did not include non-annual testing costs. For additional testing costs not incurred during the test year, we find that an additional annualized expense of \$1,343 shall be included in Account 635. These tests are required by DEP every three or more years. Projected estimated costs include:

Primary Inorganics	\$523
Volatile Organics	286
Synthetic Organic Contaminants	1,758
Secondaries	416
Radionuclides	662
TTHM	132

Haloacetic acids 252
 Total 3-year cost = \$4,032 3-year Annualized cost = \$1,343

We find that Contractual Services – Testing shall be \$1,283 (\$1,343 - \$60).

Contractual Services - Other – (636)

Camachee recorded \$17,322 in Account No. 636 for the test year. Camachee is required by DEP to have a licensed operator at the Utility daily. According to the Utility, the operator spends approximately one hour at the Utility every day. The Utility recorded \$13,200 in Contractual Services – Other relating to the licensed operator. We compared the operators compensation with the appropriate average salary levels found in the 2008 WUCS. The chart below shows our calculation:

Water Plant Operations	\$43,657	\$20.99	365	\$7,661
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Based on the above chart, we have made an adjustment to reduce Contractual Services – Other by \$5,539. We find that Contractual Services – Other shall be \$11,783 for the test year.

Rent – (640)

The Utility recorded \$0, in Account No. 640 for the test year. Pursuant to Audit Finding No. 3, the Utility incorrectly recorded its rent in Account No. 675. We have made an adjustment to increase Account No. 640 by \$360 to recognize the reclassification of rent to the proper account. We find that rent expense for the test year shall be \$360.

Transportation Expense – (650)

Camachee recorded \$0 in Account No. 650 for the test year. Pursuant to Audit Finding No. 3, the Utility incorrectly recorded its transportation expense in Account No. 675. We have made an adjustment to increase Account No. 650 by \$600 to recognize the reclassification of transportation expense to the proper account. We find that transportation expense shall be \$600 for the test year.

Regulatory Commission Expense – (665)

The Utility recorded \$0 in Account No. 665 for the test year. We have made adjustments to include the costs associated with this rate case in Account No. 665. First, we have included the filing fee of \$1,000 which results in an increase of \$250 (\$1,000 divided by 4 years). Second, we have included consulting fees of \$2,328, which results in an increase of \$582 (\$2,328 divided by 4 years). As discussed above, we have included \$601 relating to accounting services for the rate case, which results in an increase of \$150 (\$601 divided by 4 years). We have also included the costs associated with the notices for this rate case, which results in an increase of \$38 (\$151 divided by 4

years) to Account No. 665. These adjustments result in a total increase of \$1,020 (\$250 + \$582 + \$150 + \$38) to Account No. 665.

Miscellaneous Expense – (675)

Camachee recorded \$35,565 in Account No. 675 for the test year. As stated above, there were several expenses including salaries and wages, employee pensions and benefits, materials and supplies, rent and transportation expenses that were inadvertently recorded in Account No. 675. We have made an adjustment to decrease Account No. 675 by \$35,140 to recognize the reclassification of various expenses to their proper accounts. Therefore, we find that miscellaneous expense shall be \$425 for the test year.

Conclusion

Based on the above adjustments, we shall decrease O&M by \$9,200 as shown on Schedule No. 3-B. Our approved O&M expenses of \$61,400 are shown on Schedule No. 3-C.

Depreciation Expense (Net of Amortization of CIAC)

Camachee recorded \$9,242 for depreciation expense. We calculated test year depreciation expense using the rates prescribed in our Rule 25-30.140, F.A.C. The calculated test year net depreciation expense is \$4,761. Also, we have made an adjustment of \$8,120 to reflect depreciation expense associated with the pro forma WTP. Therefore, we find that net depreciation expense shall be \$12,881.

Taxes Other Than Income

The Utility's records reflect a balance of \$960 for Account No. 408 – Taxes Other Than Income (TOTI) for the test year, which represented real estate and personal property taxes.

Camachee was under the jurisdiction of St. Johns County Water and Sewer Authority during the test year and did pay quarterly regulatory assessment fees (RAFs) for the first three-quarters of 2008. The last quarter of RAFs due was recorded as a payable of the trial balance. Our audit staff calculated RAF expense as per the rate charged by the Commission, which is 4.5 percent of total revenue, or \$1,944 for the year ending December 31, 2008. In addition, consistent with our approved increase of \$69,301, RAFs shall be increased by \$3,121.

The Utility did not include any allocations for payroll taxes in its employees calculation. Utilizing the schedule provided by the Utility, our audit staff identified payroll taxes of \$71.

Based on the above adjustments, we find that TOTI shall be increased \$5,136, which yields a total TOTI of \$6,096.

Income Tax

Camachee recorded income tax of \$0. The tax liability is passed on to the owner's tax returns. Therefore, we did not make an adjustment to this account.

Conclusion

The application of our approved adjustments to the Utility's test year operating expenses results in operating expenses of \$80,378. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule 3-B.

REVENUE REQUIREMENT

The Utility shall be allowed an annual increase of \$69,362 (153.87 percent). This increase will allow Camachee the opportunity to recover its expenses and earn a 9.67 percent return on its investment. The calculation is as follows:

	<u>Water</u>
Adjusted Rate Base	\$352,235
Rate of Return	x .0967
Return on Rate Base	<u>\$34,061</u>
Adjusted O&M expense	61,400
Depreciation expense (Net)	12,881
Amortization	0
Taxes Other Than Income	6,096
Income Taxes	<u>0</u>
Revenue Requirement	\$114,439
Less Test Year Revenues	<u>45,077</u>
Annual Increase	<u>\$69,362</u>
Percent Increase/(Decrease)	<u>153.87%</u>

RATE STRUCTURE

Base Facility Charge for 2" Meters

On November 16, 2009, our staff received a letter from a customer of Camachee. In the letter the customer stated that he constructed a 3,800 square foot home⁴ and installed a 2" meter in order to comply with an ordinance in St. Johns County that required him to install a sprinkler system in his home when it was constructed. The customer asserted that it would be discriminatory to penalize his property with an extraordinarily high base facility charge (BFC) due to the requirements of St. Johns County. The customer suggested that a reasonable solution

⁴ According to information obtained from the St. Johns County Property Appraiser's website, the customer's house is 5,786 square feet.

to the problem would be to provide an exception to the standard BFC structure that would allow the 2" meters to stay in place in order to service sprinkler systems, but would assess customers a BFC consistent with 5/8 x 3/4" meters.

According to our Rule 25-30.437(6), F.A.C.; "the rates are first established with the 5/8 inch x 3/4 inch meter as the foundation. For meter sizes larger than 5/8 inch, the BFC shall be based on the usage characteristics." Absent any justification for a different calculation, we refer to the AWWA's meter equivalency factors for usage characteristics when calculating rates for meter sizes larger than 5/8 inch.⁵

The BFC is charged to customers to recover the Utility's fixed costs. The size of a customer's meter is indicative of the potential demand that a customer can place on the system, and so it determines the prorata share of the fixed costs the customer is responsible for paying. In other words, the larger the meter size, the greater the potential demand that the customer can place on the system, so the greater the BFC that the customer must pay. The AWWA has determined that potential demand for meter sizes other than 5/8 x 3/4" shall be measured as a function of equivalent residential units (ERCs). Based on the AWWA meter equivalency chart, a 2" meter is worth 8 ERCs, meaning that a 2" meter can place 8 times more demand on the system than the 5/8 x 3/4" meter can. Therefore, the 2" meter must pay a BFC that is 8 times greater than the corresponding charge for a 5/8 x 3/4" meter.

Based on information provided by the Utility, the customer's average monthly usage over the past two years is 6,329 gallons per month. The customer's average usage is consistent with the average usage for the other customers of the Utility. Our staff proposed to the customer that he could change his meter from a 2" to a 5/8 x 3/4" meter. If he did so, he would need to pay the meter change-out fee, but after that he would pay the 5/8 x 3/4" BFC. Based on the size of the customer's home, it appears that if the customer were to replace his 2" meter with a 5/8 x 3/4" meter, the 5/8 x 3/4" meter would be inadequate to serve the sprinkler system in case of a fire.

It is not appropriate to allow a customer to utilize a 2" meter and pay a lower BFC. As stated above, the larger meter size equates to a greater potential demand that the customer can place on the water system. Although the customer's sprinkler system has not been utilized or may never be utilized, the potential demand on the water system is always present. Therefore, we find that the customers with 2" meters shall pay a BFC consistent with the AWWA meter equivalency factors.

We believe that a possible solution to the customer's concern would be to install a second 5/8 x 3/4" meter in order to serve the normal residential water usage, but maintain the 2" meter to serve solely the sprinkler system. To accomplish this objective, the customer would have to retain the services of a licensed plumber to reconfigure the necessary piping on the customer's side of the meter. Once the piping reconfiguration is completed, the Utility would need to inspect it to verify proper installation before the 5/8 x 3/4" meter is installed.

Pursuant to our Rule 25-30.465 F.A.C., the rate for private fire protection shall be one-twelfth of the current BFC of the Utility's meter sizes. Based on our approved rates in Schedule

⁵ See Order No. PSC-96-0120-FOF-WU, issued January 23, 1996, in Docket No. 951365-WU, In Re: Application for a new class of service in Marion County by Ventures Associates Utilities Corp.

No. 4, the recommended 2" BFC is \$97.84. If the customer were to install a 5/8 x 3/4" meter and maintain the 2" meter for only private fire protection service, the customer would be charged the 5/8 x 3/4" BFC which is \$12.23 plus one-twelfth of the BFC for 2" meters which is \$8.15 for a total of \$20.38, and assessed the gallonage charges for any usage registered on either meter. This would be a savings of \$77.46 per month. However, as stated above, the customer would be responsible for the costs associated with installing the 5/8 x 3/4" meter, as well as the costs of the necessary pipe reconfiguration.

Camachee's Water System Rate Structure

On December 2, 2008, the Board of County Commissioners of St. Johns County passed Ordinance No. 2008-57, declaring that privately-owned water and wastewater facilities in St. Johns County would be subject to the provisions of Chapter 367, F.S. The effective date of the transfer of jurisdiction for Camachee and other utilities in St. John's County was January 16, 2009. When Camachee became subject to our jurisdiction, we directed it to continue to collect the rates and charges for water and wastewater service that were being collected on January 16, 2009, until changed by the Commission.

The Utility's current rates consist of a monthly BFC/gallonage charge rate structure, in which the BFC is \$15.41 for all meter sizes and for both the residential and general service classes. The BFC also includes a three kgal allotment, and all gallons in excess of three kgal used are charged \$3.98 per kgal. This type of rate structure is not considered conservation-oriented because it contains a gallonage allotment in the BFC. Consistent with our Memorandum of Understanding with the state's five Water Management Districts, we find it appropriate to replace the Utility's current rate structure with one that is more conservation oriented. Our discussion of the selection of the appropriate rate structure follows.

Discussion of Approved Rate Structure

As we discussed earlier, during the test year two general service customers were unmetered and had not been billed for their water service. In September 2009, the Utility installed a meter for one of these unmetered customers. It is not clear when the other unmetered customer will receive a meter. Therefore, we will set a flat rate charge rate structure for the two unmetered general service customers. Based on information provided by the Utility, we find that the appropriate test year gallons for these general service customers are 156 kgal.

Camachee is located in the SJRWMD. Over the past few years, the District has requested whenever possible that an inclining block rate structure be implemented. Also, as indicated in its consumptive use permit (CUP), Condition No. 29 states that the Utility must maintain a water conserving rate structure.

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

consistent with our Memorandum of Understanding with the state's five Water Management Districts.

Based on the billing analysis, the customers' average consumption is 6.3 kgals per month and the customer base is mildly seasonal. This customer base is unique because the residents of Camachee Island consist of some full-time, some year round, some seasonal, and weekend residents. However, the billing data shows that there are customers using well above average consumption. Fourteen percent of the customers use twenty-five percent of the gallons at 12 kgals and above. This is abnormally high for a customer base that is somewhat seasonal.

At the January 26, 2010, Agenda Conference, in addition to our staff's recommended rate structure, we considered three alternative rate structures, as shown in Table RS-1, found at Attachment A to this Order. Each rate structure in Table RS-1 excludes a repression adjustment, which will be discussed further in this Order. For the reasons discussed below, we selected Alternative Three as the residential rate structure to implement on a forward-going basis. Following our discussion of our approved rate structure, we briefly discuss our staff's original recommendation as well as two alternatives that we declined to approve.

Alternative Three is based on a four-tiered inclining-block rate structure with usage blocks based on monthly consumption of: (1) 0-3 kgals (nondiscretionary consumption); (2) 3.001-6 kgals; (3) 6.001-12 kgals; and (4) all usage in excess of 12 kgals. The BFC cost allocation is reduced from our staff's BFC cost recovery of 44.76 percent to 35 percent, thereby providing a greater incentive for customers to conserve. This rate structure is the same as our staff's recommended rate structure, except that it adds an additional rate block for the 0 to 3 kgal consumption level that is priced at one-third of the rate for 3.001 kgals to 6 kgals.

There are three characteristics of our approved rate structure that make it more conservation oriented than the Utility's current rate structure. First, it eliminates the gallonage allotment in the BFC. Second, the BFC cost recovery allocation is reduced to 35 percent, providing a greater incentive to conserve. Third, it replaces a uniform gallonage charge rate structure with an inclining block rate structure. An inclining block rate structure is considered to be a more conservation-oriented rate structure because the price per thousand gallons increases as consumption increases. This sends a stronger price signal to consumers as their consumption rises, thereby promoting conservation. Therefore, based on the foregoing discussion, we are persuaded in this instance that Alternative three is the appropriate rate structure for the residential class. Furthermore, Alternative three creates a rate block for the 0-3 kgal nondiscretionary consumption level such that prices are reduced at those consumption levels.

Other Rate Structures Considered

Our staff's recommended rate structure consisted of a three-tiered inclining block rate structure, with usage blocks set: (1) at 0-6 kgals; (2) 6.001-12 kgals; and (3) for all usage in excess of 12 kgals, with usage block rate factors of 1.0, 1.50 and 2.0, respectively. This rate structure removes the 3 kgal allotment from the current rate structure, and would serve to replace the Utility's non-conservation oriented rate structure with a more conservation-oriented rate structure. Like our approved rate structure, the BFC cost allocation recovery is reduced to 35

percent, thereby providing a greater incentive for customers to conserve. However, this rate structure does not have a block of 0-3 kgal to represent nondiscretionary consumption. Therefore, in exercising our discretion, we declined to approve this rate structure in favor of Alternative Three for the reasons stated above.

The Alternative One rate structure was a three-tiered inclining block rate structure, but kept the kgal allotment in the BFC. However, had we approved this alternative, the rate structure would have violated our MOU with the Water Management Districts to implement rates that are more conservation oriented in nature. For that reason, we declined to approve this rate structure.

The Alternative Two rate structure was a three-tiered inclining block rate structure, but it eliminated the BFC entirely, and based a customer's bill solely on consumption. The BFC is designed to recognize that a utility has fixed costs that must be met and that it is required to provide each customer with service on demand.⁶ The BFC is a set charge on every bill that does not fluctuate with the amount of consumption. This charge is essential in ensuring the company has a fixed revenue stream.

By removing the BFC altogether, the fixed revenue stream is eliminated. The bills would then be strictly consumption based. Using this method, the customers would have a rate structure that provides proper price signals regarding the true cost of water that promotes water conservation.⁷ Although this rate structure is consistent with our MOU with the Water Management Districts because there are price signals for every kgal used, there may be months when it does not provide the company with the revenues, or the fixed revenue stream, it needs. Our approved revenue requirement is \$114,439, or approximately \$9,537 on an average monthly basis. However, the company would receive approximately \$8,984 during the lowest consumption month, representing a revenue shortfall for the month of approximately \$553. Therefore, because this alternative would not provide a sufficient fixed revenue stream during all months, we find a rate structure based solely on consumption to be imprudent.

Based on the foregoing discussion, we find that Alternative 3 is the appropriate rate structure for the residential class. The appropriate usage blocks shall be based upon monthly usage of: (1) 0-3 kgal; (2) 3.001-6 kgal; (3) 6.001-12 kgal; and (4) in excess of 12 kgal. The usage block rate factors shall be set at 0.3334, 1.0, 1.5 and 2.0, respectively. The BFC/uniform gallonage charge rate structure shall be applied to all other customer classes. We find that the BFC cost recovery shall be reduced to 35 percent.

REPRESSION

The Utility's billing data indicates that there are customers using well above average consumption. Fourteen percent of the customers use twenty-five percent of the gallons at 12 kgal and above. In a case such as this, we typically set a repression adjustment. It is our

⁶ See Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

⁷ See Order No. PSC-97-0280-FOF-WS, issued March 12, 1997, in Docket No. 960545-WS, In re: Investigation of utility rates of Aloha Utilities, Inc. in Pasco County.

opinion, however, that the customers in this service area are very affluent and may not respond as readily to changes in price. Therefore, we find that a repression adjustment is not warranted in this case. Nonetheless, we find that the Utility shall prepare monthly reports to monitor the effects resulting from changes in revenue to the water system. These reports shall be prepared by customer class and meter size. The reports shall be filed with our staff on a semi-annual basis for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility shall file a revised monthly report for that month within 30 days of any revision.

RATES

Excluding miscellaneous service revenues, the rates we approve for Camachee are designed to produce of revenue \$114,439 for the water system.

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

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

Based on the foregoing, the appropriate rates for monthly service for the water system are shown on Schedule 4.

FOUR YEAR RATE REFUND

Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return included in working capital, and the gross-up for RAFs, which is \$1,081 annually. Using the Utility's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

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

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

TEMPORARY RATES

By this Order we are approving an increase in water rates for Camachee. A timely protest of our Order might delay what appears to a justified rate increase, resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, we find that the rates we have approved may be implemented as temporary rates. The rates collected by the Utility pending resolution of a protest shall be subject to the refund provisions discussed below.

We authorize the Utility to collect the temporary rates upon our staff's approval of appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$46,303. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

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

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

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

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

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

- 1) No refunds in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;

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

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

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

UNIFORM SYSTEM OF ACCOUNTS

To ensure that Camachee adjusts its books in accordance with the our decision, it shall provide proof to our staff 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.

The docket shall remain open until a final order has been issued, staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once staff has verified all of the above actions are complete, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Camachee Cove Yacht Harbor Utility's application for increased rates and charges is hereby 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 are hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated herein by reference. It is further

ORDERED that Camachee Cove Yacht Harbor Utility is hereby authorized to charge the new rates and charges as set forth in Schedule No. 4 and as approved in the body of this Order. It is further

ORDERED that while no repression adjustment is warranted in this case the the Utility shall prepare monthly reports to monitor the effects resulting from changes in revenue to the water system. These reports shall reflect the number of bills rendered, the consumption billed, and the revenues billed. The reports shall be prepared by customer class and meter size. The reports shall be filed with our staff, on a semi-annual basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility shall file a revised monthly report for that month within 30 days of any revision. It is further

ORDERED that Camachee Cove Yacht Harbor Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. It is further

ORDERED that the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide our staff with proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notice is adequate. It is further

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

ORDERED that pursuant to Section 367.0816, Florida Statutes, the water rates shall be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period at the end of the four-year rate case expense amortization period as set forth in the body of this Order. It is further

ORDERED that the Utility shall file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in rates due to the amortized rate case expense. 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, Florida Statutes. It is further

ORDERED that prior to implementation of any temporary rates, the Utility shall provide appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$4,280. Alternatively, the Utility could establish an escrow agreement with an independent financial institution. It is further

ORDERED that irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. It is further

ORDERED that Camachee Cove Yacht Harbor Utility shall maintain a record of the amount of revenues that are subject to refund. In addition, after any temporary rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the Utility shall file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

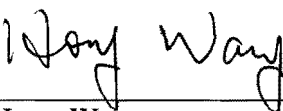
ORDERED that the Utility shall file tariff sheets, which are consistent with our vote. Our staff shall approve the revised tariff sheets upon staff's verification that the tariffs are consistent with our decision. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, 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, Florida Administrative Code, is received by 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" attached hereto. It is further

ORDERED that this docket shall remain open until a final order has been issued, staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided staff with proof that the adjustments for all of the applicable NARUC USOA primary accounts have been made. Once staff has verified that all of the above actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 3rd day of March, 2010.

ANN COLE
Commission Clerk

By: 

Hong Wang
Management Review Specialist

(S E A L)

MCB

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 four-year statutory rate reduction, and approval of temporary rates in the event of a protest, is 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 March 24, 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.

TABLE RS-1

<u>Consumption in Kgals</u>	<u>Current Bill</u>	<u>Our Staff's Recommended Rate Structure</u>		<u>Alternative 1</u>		<u>Alternative 2</u>		<u>Commission-Approved (Alternative 3)</u>	
		<u>Bill</u>	<u>% Change</u>	<u>Bill</u>	<u>% Change</u>	<u>Bill</u>	<u>% Change</u>	<u>Bill</u>	<u>% Change</u>
0	\$10.05	\$6.60	-34.3%	\$10.05	0.0%	\$0.00	-100.0%	\$5.52	-45.1%
1	\$10.05	\$9.56	-4.9%	\$10.05	0.0%	\$4.09	-59.3%	\$6.80	-32.4%
2	\$10.05	\$12.52	24.6%	\$10.05	0.0%	\$8.18	-18.6%	\$8.08	-19.6%
3	\$10.05	\$15.47	53.9%	\$10.05	0.0%	\$12.27	22.0%	\$9.36	-6.9%
4	\$13.96	\$18.44	32.1%	\$13.69	-1.9%	\$16.35	17.1%	\$13.56	-2.9%
5	\$17.87	\$21.39	19.7%	\$17.33	-3.0%	\$20.44	14.4%	\$17.75	-0.7%
10	\$37.42	\$42.08	12.5%	\$42.84	14.5%	\$49.06	31.1%	\$47.14	26.0%
15	\$54.77	\$68.70	25.4%	\$75.62	38.1%	\$85.86	56.8%	\$84.93	55.1%
20	\$72.12	\$98.27	36.3%	\$112.05	55.4%	\$126.74	75.7%	\$126.91	76.0%
25	\$88.87	\$127.84	43.9%	\$148.49	67.1%	\$167.63	88.6%	\$168.89	90.0%
30	\$105.62	\$157.41	49.0%	\$184.92	75.1%	\$208.51	97.4%	\$210.88	99.7%

Our Staff's Recommended Rate Structure: BFC with allotments removed; inclining blocks for residential class.

Alternative 1: BFC with inclining blocks for residential class; keep 3 kgal allotment in the BFC.

Alternative 2: No BFC and no allotments – rates based solely on consumption; inclining blocks for residential class.

Commission-Approved Rate Structure: BFC with no allotments; inclining blocks for residential class, 0-3 kgals is priced at one-third the rate for 3.001-6 kgals and at pre-repression levels.

CAMACHEE COVE YACHT HARBOR UTILITY		SCHEDULE NO. 1-A	
TEST YEAR ENDING 12/31/2008		DOCKET NO. 090230-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
1. UTILITY PLANT IN SERVICE	\$200,100	\$292,514	\$492,614
2. LAND & LAND RIGHTS	10,000	0	10,000
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	(60,393)	(60,393)
5. ACCUMULATED DEPRECIATION	(141,320)	(3,815)	(\$145,135)
6. AMORTIZATION OF CIAC	0	47,474	47,474
7. CONSTRUCTION WORK IN PROGRESS	201,107	(210,107)	0
8. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,675</u>	<u>7,675</u>
9. WATER RATE BASE	<u>\$269,887</u>	<u>\$82,348</u>	<u>\$352,235</u>

CAMACHEE COVE YACHT HARBOR UTILITY		SCHEDULE NO. 1-B
TEST YEAR ENDING 12/31/2008		DOCKET NO. 090230-WU
ADJUSTMENTS TO RATE BASE		
<u>UTILITY PLANT IN SERVICE</u>		<u>WATER</u>
1.	To reflect staff's plant per original cost study.	\$11,626
2.	To reflect pro forma WTP.	<u>280,888</u>
	Total	<u>\$292,514</u>
<u>CIAC</u>		
	To reflect appropriate CIAC.	<u>(\$60,393)</u>
<u>ACCUMULATED DEPRECIATION</u>		
1.	To reflect accumulated depreciation per rule.	\$1,266
2.	To reflect averaging adjustment.	3,039
3.	To reflect accumulated depreciation associated with pro forma WTP.	<u>(8,120)</u>
	Total	<u>(\$3,815)</u>
<u>AMORTIZATION OF CIAC</u>		
1.	To reflect appropriate accumulated amortization of CIAC.	\$48,162
2.	To reflect an averaging adjustment.	<u>(688)</u>
	Total	<u>\$47,474</u>
<u>CONSTRUCTION WORK IN PROGRESS</u>		
	To reflect CWIP reclassified to UPIS.	<u>(\$201,107)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
	To reflect 1/8 of test year O & M expenses.	<u>\$7,675</u>

CAMACHEE COVE YACHT HARBOR UTILITY
 TEST YEAR ENDING 12/31/2008
 SCHEDULE OF CAPITAL STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	\$0	\$0	\$0					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. COMMON EQUITY	<u>(131,877)</u>	<u>404,014</u>	<u>272,137</u>					
5. TOTAL COMMON EQUITY	<u>(\$131,877)</u>	<u>\$404,014</u>	<u>\$272,137</u>	<u>\$80,098</u>	<u>\$352,235</u>	<u>100.00%</u>	<u>9.67%</u>	<u>9.67%</u>
6. LONG TERM DEBT-Note	<u>\$404,014</u>	<u>(\$404,014)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
9. TOTAL	<u>\$272,137</u>	<u>\$0</u>	<u>\$272,137</u>	<u>\$80,098</u>	<u>\$352,235</u>	<u>100.00%</u>		<u>9.67%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>8.67%</u>	<u>10.67%</u>	
OVERALL RATE OF RETURN						<u>8.67%</u>	<u>10.67%</u>	

CAMACHEE COVE YACHT HARBOR UTILITY					SCHEDULE NO. 3-A	
TEST YEAR ENDING 12/31/2008					DOCKET NO. 090230-WU	
SCHEDULE OF WATER OPERATING INCOME						
	TEST YEAR PER UTILITY	ADJ PER UTILITY	COMM ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$43,224</u>	<u>\$1,853</u>	<u>\$45,077</u>	<u>\$69,362</u> 153.87%	<u>\$114,439</u>	
OPERATING EXPENSES:						
2. OPERATION & MAINTENANCE	\$70,600	(\$9,200)	\$61,400	\$0	\$61,400	
3. DEPRECIATION (NET)	9,242	3,639	12,881	0	12,881	
4. AMORTIZATION	0	0	0	0	0	
5. TAXES OTHER THAN INCOME	960	2,015	2,975	3,121	6,096	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$80,802</u>	<u>(\$3,546)</u>	<u>\$77,256</u>	<u>\$3,121</u>	<u>\$80,378</u>	
8. OPERATING INCOME/(LOSS)	<u>(\$37,578)</u>		<u>(\$32,179)</u>		<u>\$34,061</u>	
9. WATER RATE BASE	<u>\$269,887</u>		<u>\$352,235</u>		<u>\$352,235</u>	
10. RATE OF RETURN	<u>-13.92%</u>		<u>-9.14%</u>		<u>9.67%</u>	

CAMACHEE COVE YACHT HARBOR UTILITY		SCHEDULE NO. 3-B
TEST YEAR ENDING 12/31/2008		DOCKET NO. 090230-WU
ADJUSTMENTS TO OPERATING INCOME		<u>WATER</u>
OPERATING REVENUES		
	To reflect appropriate amount of revenues.	<u>\$1,853</u>
OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages - Employees (601) To reclassify salaries to Account 601.	<u>\$17,249</u>
2.	Salaries and Wages - Employees (603) To reclassify salaries to Account 603.	<u>\$3,673</u>
3.	Emp. Pensions & Benefits (604) To reclassify pensions and benefits to Acct 604.	<u>\$9,014</u>
4.	Fuel for Purchased Power (616) a. To reclassify fuel for purchased power to Account 616.	<u>\$203</u>
5.	Materials and Supplies (620) a. To reduce mat. and supp. reclassified to Account 616. b. To reclassify materials and supplies to Account 620.	(\$203) 480
	Subtotal	<u>\$277</u>
6.	Contractual Services - Professional (631) a. To remove regulatory commission expense b. To reflect appropriate accounting expenses c. To reflect one-time accounting expense (amortized over 5 years)	(\$601) (1,799) 200
	Subtotal	<u>(\$2,200)</u>
7.	Contractual Services - Testing (635) a. To reduce contractual services testing per audit. b. To include amortization of non-annual testing.	(\$60) 1,343
	Subtotal	<u>\$1,283</u>
8.	Contractual Services - Other (636) To reflect appropriate amount of contractual services	<u>(\$5,539)</u>
9.	Rent (640) To reclassify rent to Account 640.	<u>\$360</u>
10.	Transportation Expense (650) To reclassify transportation expense to Account 650.	<u>\$600</u>
11.	Regulatory Commission Expense (665) To reflect app. Amt. of Regulatory Commission Expense.	<u>\$1,020</u>
12.	Miscellaneous Expense To reduce misc. expenses reclassified to other accts.	<u>(\$35,140)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>(\$9,200)</u>
DEPRECIATION EXPENSE		
	To reflect net depreciation calculated per 25-30.140, F.A.C.	(\$4,481)
	To reflect depr. expense associated with pro forma WTP.	8,120
	Total	<u>\$3,639</u>
TAXES OTHER THAN INCOME		
1.	To increase RAFs per audit.	\$1,944
2.	To increase payroll taxes per audit.	71
	Total	<u>\$2,015</u>

CAMACHEE COVE YACHT HARBOR UTILITY		SCHEDULE NO. 3-C	
TEST YEAR ENDING 12/31/2008		DOCKET NO. 090230-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$17,249	\$17,249
(603) SALARIES AND WAGES - OFFICERS	0	3,673	3,673
(604) EMPLOYEE PENSION & BENEFITS	0	9,014	9,014
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	4,800	0	4,800
(616) FUEL FOR POWER PRODUCTION	299	203	502
(618) CHEMICALS	1,221	0	1,221
(620) MATERIALS AND SUPPLIES	1,444	277	1,721
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	4,900	(2,200)	2,700
(635) CONTRACTUAL SERVICES - TESTING	4,138	1,283	5,421
(636) CONTRACTUAL SERVICES - OTHER	17,322	(5,539)	11,783
(640) RENTS	0	360	360
(650) TRANSPORTATION EXPENSE	0	600	600
(655) INSURANCE EXPENSE	911	0	911
(665) REGULATORY COMMISSION EXPENSE	0	1,020	1,020
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>35,565</u>	<u>(35,140)</u>	<u>425</u>
	<u>\$70,600</u>	<u>(\$9,200)</u>	<u>\$61,400</u>

CAMACHEE COVE YACHT HARBOR UTILITY		SCHEDULE NO. 4	
TEST YEAR ENDING 12/31/2008		DOCKET NO. 090230-WU	
MONTHLY WATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
<u>General and Residential Service</u>			
First 3,000 gallons	\$15.41	\$0.00	\$0.00
<u>Base Facility Charge by Meter Size:</u>			
5/8"X3/4"	\$0.00	\$12.23	\$0.11
3/4"	\$0.00	\$18.35	\$0.17
1"	\$0.00	\$30.58	\$0.29
1-1/2"	\$0.00	\$61.15	\$0.57
2"	\$0.00	\$97.84	\$0.91
3"	\$0.00	\$195.68	\$1.83
4"	\$0.00	\$305.75	\$2.85
6"	\$0.00	\$611.50	\$5.71
<u>Residential Gallonage Charge</u>			
Per 1,000 gallons above 3,000 gallons	\$3.98	\$0.00	\$0.00
Per 1,000 gallons, 0-3,000 gallons	\$0.00	\$1.98	\$0.02
Per 1,000 gallons, 0-6,000 gallons	\$0.00	\$5.95	\$0.06
Per 1,000 gallons, 6,000-12,000 gallons	\$0.00	\$8.92	\$0.08
Per 1,000 gallons, above 12,000 gallons	\$0.00	\$11.89	\$0.11
<u>General Service Gallonage Charge</u>			
Per 1,000 gallons above 3,000 gallons	\$3.98	\$0.00	\$0.00
Per 1,000 gallons	\$0.00	\$7.96	\$0.07
<u>Flat Rate for unmetered GS customer</u>	\$0.00	\$62.86	\$0.59
<u>Private Fire Protection Service</u>			
2"	\$0.00	\$8.15	\$0.08
3"	\$0.00	\$16.31	\$0.15
4"	\$0.00	\$25.48	\$0.24
6"	\$0.00	\$50.96	\$0.48
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$15.41	\$18.18	
5,000 Gallons	\$23.37	\$30.08	
10,000 Gallons	\$43.27	\$71.71	