

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in  
Polk County by Alturas Utilities, L.L.C.

DOCKET NO. 090477-WU  
ORDER NO. PSC-10-0380-PAA-WU  
ISSUED: June 15, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman  
LISA POLAK EDGAR  
NATHAN A. SKOP

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, except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), the action discussed herein 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.).

I. Background

Alturas Utilities, L.L.C. (Alturas or Utility) is a Class C water utility serving approximately 62 water customers in Polk County. Alturas is located in the Southwest Florida Water Management District (SWFWMD). The Utility reported 2008 operating revenues of \$19,488 and an operating loss of \$16,535.

Alturas has been under Commission jurisdiction since March 21, 2005,<sup>1</sup> when it was granted a transfer of a portion of Keen Sales, Rentals and Utilities territory and was issued certificate No. 628-W. On December 12, 2009, Alturas applied for a staff-assisted rate case (SARC). The Utility's rate base was last established in 2005.

<sup>1</sup> See Order No. PSC-05-0309-PAA-WU, issued March 21, 2005, in Docket No. 040160-WU, In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Alturas Utilities, L.L.C., in Polk County. (Transfer Order)

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Our staff audited the Utility's records for compliance with our rules and orders, and examined all components necessary for rate setting. A staff engineer also conducted a field investigation, which included a visual inspection of the water facilities along with the service area. Alturas' operating expenses, maps, files, and rate application were also reviewed to determine the reasonableness of maintenance expenses, regulatory compliance, plant in service, and quality of service. In processing this staff-assisted rate case, our staff selected a historical test year ended October 31, 2009, and conducted a customer meeting.

We have the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

## II. 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 components 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. Comments or complaints received by the Commission from customers are reviewed. The Utility's current compliance with the Polk County Health Department (PCHD) is also considered.

The PCHD conducted a sanitary survey of Alturas on June 8, 2009. Several deficiencies were identified and subsequently corrected by the Utility. The PCHD indicated that the chemical and bacteriological analyses and the quality of the drinking water delivered to the customers is satisfactory.

The PCHD issued two consent orders for Alturas in 2008, both of which have been closed. The first consent order addressed the Utility's failure to provide a sampling plan for lead and copper and failure to submit results for nitrate and nitrite testing. The second consent order required the Utility to provide an adequate means of protection of the water system from vandalism. The Utility also received three warning letters in 2010. The first warning letter addressed the Utility's failure to pay an annual operating fee, which has been closed. The second warning letter, which is still open, required the Utility to replace or repair the master-flow meter at the well. The third warning letter is a follow up letter addressing the master-flow meter.

A staff field investigation of the Utility's service area was conducted on January 5, 2010. Although the plant appeared to be operating normally, a physical inspection of the water system and a review of the maintenance records indicate that additional repairs are needed. In addition, a review of flow data indicates that the system may have excessive unaccounted for water. The Utility has requested that several pro forma items be considered during this rate case, including the cost to install a new master-flow meter to comply with the PCHD, replace some galvanized piping and valves around the hydropneumatic tank, install a shed for the protection of the well and electrical panel system, and begin a customer meter replacement program. The cost of these plant improvements and repairs are addressed below.

A customer meeting was held on April 14, 2010, in Bartow, Florida. A representative of the Utility was present. Two customers attended and both spoke at the meeting. The customers complained about outages that occurred in 2007. Although the outages were resolved, the customers were concerned about the Utility's failure to respond to the Commission on a timely basis. The water outages occurred on October 1, 2007, for a duration of two hours, and on October 4, 2007, for a duration of approximately seven hours. The Utility failed to respond to this Commission within 15 days as required by Rule 25-22.032(6)(b), F.A.C. In its response, the Utility indicated that it had electrical problems at the well site on both days. The Utility made the necessary repairs and made some changes in the emergency phone system to improve service reliability. The Utility subsequently hired a new manager in December 2008. The customers commended the new manager for improving service reliability and indicated that they did not mind a rate increase for improved service.

In summary, Alturas is current in all of the required chemical and bacteriological analyses and appears to address complaints in a timely and efficient manner. Although the Utility has outstanding warning letters with the PCHD regarding the master-flow meter, the Utility expects to have the meter replaced soon. Therefore, we find that the Utility's overall quality of service is satisfactory.

### III. Rate Base

#### A. Used-and-Useful Plant

Alturas' water system has a 6-inch diameter well rated at 75 gallons per minute (gpm). The raw water is injected with liquid chlorine prior to entering the 3,000-gallon hydropneumatic tank, and it is then pumped into the water distribution system. The Utility's peak day of 44,000 gallons occurred on June 22, 2009. It does not appear that there was a line break or other unusual occurrence on that day. The Utility has no fire-flow requirements. There was no growth in the service area during the last five years. Pursuant to Rule 25-30.4325(4), F.A.C., a water system served by a single well should be considered 100 percent used and useful. Therefore, we find that the Alturas water treatment plant and distribution system is 100 percent used and useful.

The Utility's flow data indicates that the system may have excessive unaccounted for water (EUW); however, because the master-flow meter is not working properly, the amount of EUW cannot be accurately determined. Because the Utility is working to address the problem with the flow meter and possible leaks in the distribution system, we find that an adjustment for EUW shall not be made at this time.

#### B. Pro Forma Plant

The Utility requested several pro forma plant additions be included in the rate case. Set out below is a chart summarizing the pro forma plant, the cost, and the approved treatment.

	<u>Pro forma Plant</u>	<u>Commission Approved</u>
1.	Master-flow meter	\$875
2.	Shed	2,900
3.	Pipes and valves at the hydropneumatic tank	5,500
4.	Meters, boxes and ¾" curb stops	8,800
	Total	<u>\$18,075</u>

As set out above, the Utility was required by the PCHD to replace or repair the malfunctioning master-flow meter at its well. In addition, the Utility proposed installing a shed to protect the well and electrical panel, replacing some old corroded galvanized pipes and valves around the hydropneumatic tank, and replacing 48 customer meters (eight meters a month for six months). We believe the pro forma additions are reasonable and prudent because they will help extend the life of the plant and facilities and address several other deferred maintenance issues. The Utility shall complete all the pro forma upgrades within twelve months of the issuance date of the Consummating Order. Should the Utility find that it is unable to complete these additions within the specified 12-month period, it shall promptly notify our staff of any delays and the cause of any delay. If the Utility fails to complete the above plant additions within the specified 12-month period or fails to promptly report any unforeseen delays for these additions, our staff shall file a subsequent recommendation to lower the Utility's rates. Based on the above amounts, utility-plant-in-service (UPIS) shall be increased by \$18,075. Accordingly, the respective amounts of accumulated depreciation and depreciation expense shall be increased by \$844.

### C. Average Test Year Rate Base

Based on the test year ending October 31, 2009, rate base components have been updated through October 31, 2009, using information obtained from staff's audit report. A summary of each component and the adjustments follow.

1. UPIS: The Utility recorded \$48,034 for UPIS. Pursuant to the Transfer Order, UPIS for Alturas was \$54,948 as of February 10, 2004, when the company was sold and transferred to the current owners. Staff auditors reviewed the Utility's annual reports, general ledgers, and other documentation for the period February 11, 2004, through October 31, 2009, to verify additions or retirements to UPIS. The staff auditors determined that the Utility neither recorded any additions nor did it use the prescribed balances for UPIS in the Transfer Order. Based on staff's audit, we find that UPIS shall be increased by \$6,914 to reflect corrections to the Utility's balances established in the 2005 Transfer Order and to increase UPIS by \$1,246 to reflect test-year additions. Additionally, as discussed above, the Utility has several pro forma plant items. Based on the approved pro forma amounts, UPIS shall be increased by \$18,075. Therefore, the balance for UPIS for this Utility is \$74,269 (\$48,034 + \$6,914 + \$1,246 + \$18,075).

2. Land & Land Rights: The Utility's records reflect a balance of \$0 in Acct No. 303 – Land and Land Rights. By the Transfer Order, we established a land balance of \$500 as of

February 10, 2004. Therefore, Alturas' balance for Acct No. 303 – Land and Land Rights is \$500 as of October 31, 2009.

3. Non-Used and Useful Plant: As discussed above, the Utility's water treatment plant is 100 percent used and useful. Therefore, a used and useful adjustment is unnecessary.

4. Contributions in Aid of Construction (CIAC): Alturas recorded a CIAC balance of \$0. Pursuant to the 2005 Transfer Order, we established a CIAC balance of \$18,637. Therefore, the correct balance for CIAC is \$18,637 as of October 31, 2009.

5. Accumulated Depreciation: Alturas recorded a balance for accumulated depreciation of \$47,171. By the Transfer Order, we established an accumulated depreciation balance of \$25,574 as of February 10, 2004. Staff auditors reviewed the Utility's annual reports, general ledgers and other documentation for the period February 11, 2004, through October 31, 2009, to test the Utility's depreciation accruals. The staff auditors determined that the Utility did not use the proper service lives as prescribed by our rule to depreciate its UPIS assets. Using the depreciation rates prescribed by Rule 25-30.140(1), F.A.C., and compiling accumulated depreciation accruals since the 2005 transfer docket, our staff calculated the Utility's accumulated depreciation balance as of October 31, 2009. Based on staff's audit, accumulated depreciation shall be decreased by \$15,404 to reflect corrections to the Utility's balances established in the Transfer Order and by \$332 to reflect the appropriate test year accruals. Additionally, as discussed above, the Utility has several pro forma plant items. Accordingly, we have increased accumulated depreciation by \$844. Therefore, the correct balance for accumulated depreciation is \$32,279 ( $\$47,171 - \$15,404 - \$332 + \$844$ ).

6. Accumulated Amortization of CIAC: Alturas recorded an accumulated amortization of CIAC balance of \$0. Pursuant to the Transfer Order, we established an accumulated amortization of CIAC balance of \$18,637 as of February 10, 2004. Although there is a net zero effect of having balances of \$18,637 for CIAC and accumulated amortization of CIAC, these balances shall still be maintained for accounting purposes. These balances represent contributions towards plant assets by the Utility's customers. When those plant assets are replaced and retired, a corresponding retirement to CIAC and accumulated amortization of CIAC will be required. Therefore, the correct balance for accumulated amortization of CIAC is \$18,637 as of October 31, 2009.

7. 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 Rule 25-30.433(2), F.A.C., the one-eighth of the Operation & Maintenance (O&M) expense formula approach for calculating working capital allowance shall be used. Applying this formula, we calculate the working capital allowance to be \$2,957 based on O&M expenses of \$23,659, and we have increased working capital by this amount.

8. Rate Base Summary: Based on the forgoing, we calculate that the appropriate test year average water rate base is \$45,447. Our calculation of rate base is shown on Schedule No. 1-A, and our adjustments are shown on Schedule No. 1-B.

#### IV. Rate of Return

According to our staff's audit, Alturas recorded the following items in its capital structure: common equity of \$23,257; retained earnings of \$0; paid-in-capital of \$0; long-term debt of \$0; and customer deposits of \$325. We have reconciled Alturas' capital structure with our approved rate base. Using the current Commission leverage formula,<sup>2</sup> we calculate a return on equity (ROE) of 9.67 percent, with a range of 8.67 percent to 10.67 percent, and an overall rate of return of 9.64 percent. Our calculations of the ROE and overall rate of return are shown on Schedule No. 2.

#### V. Test Year Revenues

Alturas reported test year revenues of \$19,488. A revenue test was performed by staff auditors to confirm the revenues reported by the Utility. Our staff auditors calculated revenues of \$20,656 for the 12-month period ended October 31, 2009, using the customer consumption information from the Utility's monthly billing registers and its authorized tariff. Therefore, test year revenues shall be increased by \$1,168 (\$20,656 - \$19,488). Based on the foregoing, the appropriate amount of test year revenues in this case is \$20,656.

#### VI. Operating Expenses

Alturas recorded operating expenses of \$42,944 during the test year ended October 31, 2009. The test year O&M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. We find several adjustments to the Utility's operating expenses are necessary, and these adjustments are summarized below:

##### A. O&M Expenses

1. Salaries and Wages – Officers – (603) – Alturas recorded a balance of \$10,844 in Account No. 603. Pursuant to Audit Finding No. 6, this amount represents the cash disbursements to the Utility's owner for managing and running Utility operations during the 12-month test year ended October 31, 2009. No supporting documentation was provided for the auditors to review. Therefore, the entire amount shall be removed, and the Salaries and Wages - Officers expense shall be \$0.

2. Purchased Power – (615) – Alturas recorded a balance of \$2,276 in Account No. 615 for the test year. Pursuant to Audit Finding No. 6, purchased power shall be decreased by \$65 in order to restate the purchased power balance based on the actual purchased power invoices and to remove some late payment charges which shall be recorded below-the-line for rate setting purposes.<sup>3</sup> Therefore, the Purchased Power expense shall be \$2,211 (\$2,276 - \$65) for Account No. 615.

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

<sup>3</sup> See Order Nos. PSC-09-0647-PAA-WS, issued September 24, 2009, in Docket No. 080714-WS, In re: Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities; and PSC-96-

3. Chemicals – (618) – Alturas recorded a balance of \$1,137 in Account No. 618 for the test year. Pursuant to Audit Finding No. 6, the Chemicals expense shall be decreased by \$541 in order to restate the Chemicals balance based on the actual purchased chemical invoices and to remove some late payment charges which shall be recorded below-the-line for rate setting purposes. Therefore, the correct Chemicals expense is \$596 (\$1,137 - \$541) for Account No. 618.

4. Materials & Supplies – (620) – The Utility recorded a balance of \$698 in Account No. 620. Pursuant to Audit Finding No. 6, no supporting documentation was provided for the auditors to review. As such, the entire amount shall be removed, and the correct Materials & Supplies expense is \$0 for Account No. 620.

5. Contractual Services – Billing – (630) – Alturas recorded a balance of \$2,900 in Account No. 630. Pursuant to Audit Finding No. 6, this amount represents the service fees charged by the Utility's manager to manage and operate Alturas for its owner. The contract includes services for operations management, billing, customer service, accounts payable, accounts receivable, and regulatory reporting and compliance. These services, previously performed by the Utility's owner, were turned over to the current manager. Therefore, we removed the owner's charges of \$10,844 for this service from Account No. 603 above. The current contract with the manager is \$7,200 (\$600 x 12 months). Because the Utility has a recorded balance of \$2,900, the Contractual Services – Billing expense (630) shall be increased by \$4,300, for a correct balance of \$7,200.

In evaluating the appropriateness of the contract manager's compensation of \$7,200, we compared 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 compensation levels.<sup>4</sup> The chart below shows our calculation of the manager's compensation:

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1083-FOF-SU, issued August 22, 1996, in Docket No. 951591-SU, In re: Application for staff-assisted rate case in Brevard County by Colony Park Utilities, Inc.

<sup>4</sup> See Order Nos. PSC-10-0126-PAA-WU, issued March 3, 2010, in Docket No. 090230-WU, 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; 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; 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; and 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.

<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
Bookkeeping	\$49,448	\$23.77	52	\$1,236
Customer Service	\$61,267	\$29.46	52	\$1,532
Meter Reading	\$33,843	\$16.27	48	\$781
			Total	\$7,222

Based on the above chart, we find that the contract manager’s compensation of \$7,200 is consistent with the water industry and is appropriate.

6. Contractual Services – Professional – (631) – Alturas recorded \$5,288 in Account No. 631. Pursuant to Audit Finding No. 6, the Utility pays for a state certified operator to perform the required water testing and monitoring of the water plant and its operation. In July 2009, the fee increased from \$265 per month to \$375 per month for the monthly monitoring and the bacteriological testing of the systems water supply. All other required water testing is billed separately as well as any repairs that are made at the water plant by the operator. We have made adjustments to include and annualize six monthly service fees for \$2,250 ( $\$375 \times 6$  months), to annualize two monthly service fees already included for \$220 [ $(\$375 - \$265) \times 2$  months], to remove the November 2009 monthly service fee for \$375 that was included by the Utility but was outside the test year, and to remove \$87 of unsupported costs. Based on these adjustments, we calculated Contractual Services – Professional to be \$7,295 ( $\$5,288 + \$2,250 + \$220 - \$375 - \$87$ ).

We then compared the operators compensation of \$7,295 with the appropriate average salary levels found in the 2008 WUCS. The chart below shows this calculation:

<u>Work Performed</u>	<u>2008 AWWA Compensation Survey</u>	<u>Hourly Cost</u>	<u>Hours per year</u>	<u>Cost per year</u>
Water Plant Operations	\$43,657	\$20.99	365	\$7,661

Based on the above chart, we find that the state licensed operator's compensation of \$7,295 is consistent with the water industry and is appropriate.

7. Contractual Services - Other – (636) – Alturas recorded \$4,476 in Account No. 636. Pursuant to Audit Finding No. 6, this account represents the fees paid to a third-party contractor to perform routine maintenance and major repairs to the water plant equipment and distribution system. We have made adjustments to reclassify \$1,214 to Account No. 311 for the replacement of the main electrical panel at the water plant, and to reclassify \$162 to Account No. 334 for the replacement of 10 customer meters. The \$162 was the final installment paid on an invoice totaling \$1,712 for the water meters replaced. We have removed \$162 from this account but reclassified \$1,712 to Account No. 334. The difference of \$1,550 was not included in the Utility's O&M schedule above or as a UPIS addition because it was paid by the Utility's owner from a related party checking account. We also made an adjustment to remove \$1,108 of costs because no supporting documentation was provided. Based on these adjustments, we calculate the Contractual Services – Other expense to be \$1,992 ( $\$4,476 - \$1,214 - \$162 - \$1,108$ ) for Account No. 636.

8. Rents– (640) – Alturas recorded \$375 in Account No. 640. Pursuant to Audit Finding No. 6, we have removed this \$375 expense because no support documentation was provided. Therefore, the Rents expense is \$0.

9. Regulatory Commission Expense – (665) – Alturas recorded \$0 in Account No. 665. We have made adjustments to include the costs associated with this rate case in Account No. 665. These costs included the filing fee of \$200, as well as a consulting fee of \$1,200 which results in an increase of \$350 ( $\$1,400/4$  years). Additionally, we have included the costs associated with the notices for this rate case which result in an increase of \$24 ( $\$98/4$ ) to Account No. 665. These adjustments result in a total increase of \$374 ( $\$350 + \$24$ ) to Account No. 665.

10. Miscellaneous Expense – (675) – The Utility recorded \$6,546 in Account No. 675. Pursuant to Audit Finding No. 6, we have made adjustments to reduce water meter reading and lawn maintenance costs by \$45 to reflect the annualized amount that was supported by Utility information, and to remove bank service fees of \$67 that were for late payment penalties and fees for deposits and non-sufficient funds. In addition, we made adjustments to: (1) reduce license and permit fees by \$298 because no support documentation was provided; (2) remove taxes of \$2,516 that were misclassified to miscellaneous expenses; and (3) remove \$950 in repair and maintenance costs because no support documentation was provided. Based on these adjustments, the correct Miscellaneous Expense is \$2,670 ( $\$6,546 - \$45 - \$67 - \$298 - \$2,516 - \$950$ ).

11. O&M Expense Summary – Based on the above adjustments, O&M expenses shall be decreased by \$12,201, as shown on Schedule No. 3-B, and O&M expenses shall be \$23,659 as shown on Schedule No. 3-C.

B. Depreciation Expense (Net of Amortization of CIAC)

Alturas recorded \$4,568 for depreciation expense. Using the rates prescribed in Rule 25-30.140, F.A.C., we calculate test year net depreciation expense to be \$1,349. Thus, we have decreased depreciation expense by \$3,219. Additionally, as discussed above, the Utility has pro forma plant items. Based on the pro forma plant, we shall increase depreciation expense by \$844. Based on these adjustments, we calculate net depreciation expense to be \$2,193 (\$4,568 - \$3,219 + \$844).

C. Taxes Other Than Income (TOTI) – (408)

The Utility's records reflect a balance of \$2,516 for TOTI for the test year, which represented real estate and personal property taxes and regulatory assessment fees. Pursuant to Audit Finding No. 7, the following adjustments shall be made: (1) the tangible property tax amount shall be reduced by \$15 to maximize the discount for the early payment of tangible property taxes;<sup>5</sup> (2) the real estate taxes shall be increased by \$107 to reflect taxes paid in 2008 for the real property associated with the water plant; (3) the \$928 Polk County utility tax shall be removed because no support documentation was provided; and (4) regulatory assessment fees (RAFs) shall be reduced by \$299 to reflect RAFs based on the approved test year revenue amount. However, based on the approved revenue increase, RAFs shall be increased by \$516, for a TOTI of \$1,897 (\$2,516 - \$15 + \$107 - \$928 - \$299 + \$516).

D. Income Tax

Alturas recorded income tax of \$0. The tax liability is passed on to the owner's tax returns. Therefore, no adjustment to this account is required.

E. Operating Expenses Summary

The application of our adjustments to the audited test year operating expenses results in operating expenses of \$27,749. Our calculation of operating expenses is shown on Schedule No. 3-A, with the related adjustments shown on Schedule No. 3-B.

VII. Revenue Requirement

The Utility shall be allowed an annual increase of \$11,474 (55.55 percent). This will allow Alturas the opportunity to recover its expenses and earn a 9.64 percent return on its investment. Our calculation is as follows:

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<sup>5</sup> See Order Nos. PSC-09-0628-PAA-SU, issued September 17, 2009, in Docket No. 080668-SU, In re: Application for staff-assisted rate case in Highlands County by Fairmount Utilities, The 2nd Inc.; PSC-07-0077-PAA-SU, issued January 29, 2007, in Docket No. 060406-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company; and 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.

	<u>Water</u>
Adjusted Rate Base	\$45,447
Rate of Return	<u>x .0964</u>
Return on Rate Base	\$4,381
Adjusted O&M expense	\$23,659
Depreciation expense (Net)	\$2,193
Amortization	\$0
Taxes Other Than Income	\$1,897
Income Taxes	<u>\$0</u>
Revenue Requirement	\$32,130
Less Test Year Revenues	<u>\$20,656</u>
Annual Increase	<u>\$11,474</u>
Percent Increase/(Decrease)	<u>55.55%</u>

#### VIII. Rate Structure

The Utility currently has a base facility charge (BFC) uniform/gallonge charge rate structure for the water systems' residential and non-residential class. The BFC is \$11 per month and the monthly usage charge is \$3.25 per one thousand gallons (kgal). In Order No. PSC-05-0309-PAA-WU, we ordered the Utility to continue its current rates until authorized to change by us in a subsequent proceeding.

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; 3) set the BFC between 25 percent and 40 percent whenever possible; and 4) implement, where appropriate, water conservation rate structures consistent with the Commission's Memorandum of Understanding (MOU) with the state's five Water Management Districts.

Alturas is located in Polk County in the SWFWMD within the Southern Water Use Caution Area (SWUCA). Over the past few years, the Water Management Districts have requested, whenever possible, that an inclining block rate structure be implemented.

In considering the appropriate rate structure, it appears that the consumption data is unreliable. The Utility's monthly operating reports (MORs) indicate total gallons sold during the

test year were approximately 10,000 kgals while the billing data provided by the Utility indicate total gallons sold during the test year was approximately 3,500 kgals. After a thorough investigation, the staff engineer discovered that the meters were not working properly. As discussed earlier, we believe that a meter replacement is necessary and have approved pro forma additions to replace 48 meters and the hydropneumatic tank.

The Utility's manager, Mike Smallridge, told our staff that several of the residential meters have been replaced recently. Also, he said that several of the general service meters had been replaced last year and was confident that the 414 kgals presented in the billing data for general service is correct. However, at this time, we are still unable to rely on the billing data provided by the Utility for its residential customers.

In the Utility's last rate case, in Order No. PSC-01-0323-PAA-WU,<sup>6</sup> we found that the overall average consumption per customer was 6.406 kgals. This figure was used to set rates on a going forward basis. Multiplying this number by the total number of customers (622), we find that the total number of gallons used to set rates for the residential customers is 3,984.53 kgals. Therefore, the total residential and non-residential gallons for ratesetting purposes is approximately 4,392 kgals.

Due to the fact that the billing data is flawed, we find that an inclining block rate structure is not appropriate at this time. Therefore, the monthly BFC/gallage charge rate structure shall be continued. This rate structure is considered a conservation-oriented rate structure because customers' bills increase as their consumption increases.

Our approved rate design for the water system is shown on the table below.

<b>ALTURAS UTILITIES, INC. – COMMISSION APPROVED WATER RATE STRUCTURE AND RATES</b>			
<b>Prior Rate Structure and Rates</b>		<b>Approved Rate Structure and Rates</b>	
Monthly BFC/uniform gallage charge BFC = 41.9%		Monthly BFC/uniform gallage charge BFC = 30%	
BFC	\$11.00	BFC	\$11.34
All kgals	\$3.25	All kgals	\$5.12
<b>Typical Monthly Bills (1)</b>		<b>Typical Monthly Bills</b>	
<b>Cons (kgals)</b>		<b>Cons (kgals)</b>	
0	\$11.00	0	\$11.34
1	\$14.25	1	\$16.46
3	\$20.75	3	\$26.70
5	\$27.25	5	\$36.94
10	\$43.50	10	\$62.54
20	\$76.00	20	\$113.74

<sup>6</sup> Issued February 5, 2001, in Docket No. 000580-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works).

Pursuant to this rate structure, the initial BFC cost recovery of 41.86 percent is reduced to 30 percent. We believe this BFC allocation is appropriate because it sends the appropriate pricing signals, and will enable customers at nondiscretionary levels of consumption to pay a lower price for their water consumption. As stated earlier, we have an MOU with the five Water Management Districts to set the BFC such that the utilities recover no more than 40 percent of the revenues to be generated from monthly service.

Based on the foregoing, we find that the Utility's current residential and non-residential water systems' rate structure which consists of a monthly BFC/uniform gallonage charge rate structure shall remain unchanged, with the new allocation factor being set at 30 percent.

#### IX. Repression Adjustment

As previously discussed, the billing data provided by the Utility was flawed due to faulty meters. Because detailed billing data is needed to calculate a repression adjustment that differentiates between non-discretionary and discretionary usage, we can not reliably calculate a repression adjustment in this case. Therefore, we find that a repression adjustment is not appropriate at this time.

#### X. Rates

The approved rates are designed to produce revenues of \$32,130 for the water system. There are no miscellaneous service revenues for the water system.

As stated above, the Utility's current residential water system rate structure shall remain unchanged, except that the BFC allocation shall be set at 30 percent. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates 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 are shown on Schedule No. 4.

#### XI. Statutory Four-Year Rate Reduction

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. In this instance, this cost is \$396 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 also shall 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 shall 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.

## XII. Temporary Rates in the Event of Protest

This Order proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, the proposed rates shall be approved as temporary rates, with any increased revenues collected by the Utility being subject to the refund provisions discussed below.

The Utility shall be authorized to collect the temporary rates upon our staff's approval of an 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 \$7,660. Alternatively, the Utility could 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 monies 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;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 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.

### XIII. PROOF OF ADJUSTMENT OF BOOKS FOR ALL THE APPLICABLE NARUC USOA PRIMARY ACCOUNTS

To ensure that the Utility adjusts its books in accordance with our decisions in this Order, Alturas shall provide proof, within 90 days of the final order issued in this docket, that the

appropriate adjustments for all the applicable National Association of Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Alturas Utilities, L.L.C.'s application for a staff assisted rate case 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 Alturas Utilities, L.L.C. shall file revised tariff sheets and the proposed customer notices to reflect the approved rates as shown on Schedule No. 4. 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. It is further

ORDERED that the Utility shall provide proof of the date notice was given no less than 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), F.A.C. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notices are adequate. It is further

ORDERED that the Utility shall complete all the pro forma upgrades within twelve months of the issuance date of the Consummating Order. Should the Utility find that it is unable to complete these additions within the specified 12-month period, it shall promptly notify our staff of any delays and the cause of any delay. It is further

ORDERED that if the Utility fails to complete the above plant additions within the specified 12-month period or fails to promptly report any unforeseen delays for these additions, our staff shall file a subsequent recommendation to lower the Utility's rates. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period to remove rate case expense grossed-up for RAFs and amortized over a four-year period as set forth in the body of this Order and Schedule No. 4. 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. 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 pursuant to Section 367.0814(7), F.S., the rates approved herein shall be approved for the Utility on a temporary basis, subject to the refund provisions set forth in the body of this Order, in the event of a protest filed by a party other than the Utility. It is further

ORDERED that prior to implementation of any temporary rates, Alturas Utilities, L.L.C. shall provide the proposed customer notices and appropriate security for the potential refund. Security shall be in the form of a bond or letter of credit in the amount of \$7,660. Alternatively, the Utility may 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), F.A.C. It is further

ORDERED that after the increased rates are in effect on a temporary basis, pursuant to Rule 25-30.360(6), F.A.C., Alturas Utilities, L.L.C. 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. It is further

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

ORDERED that, except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the NARUC USOA which are final agency action, 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, F.A.C., is received by the Office of 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 for twelve months after the Consummating Order for staff's verification that the revised tariff sheets and customer notices have been filed by the Utility and approved by staff, the Utility has sent the notices to its customers, our staff has received proof that the customers have received notice within 10 days after the date of the notice,

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the Utility has provided our staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made, and that the pro forma items have been completed. It is further

ORDERED that once our staff has verified all of the above actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 15th day of June, 2010.



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ANN COLE  
Commission Clerk

( S E A L )

RRJ

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.

Except for the granting of temporary rates, subject to refund, in the event of a protest, reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the NARUC USOA, which are final agency action, our actions identified in the body of this order 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 July 6, 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

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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.

ALTURAS UTILITIES, L.L.C. TEST YEAR ENDED 10/31/2009 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 090477-WU	
DESCRIPTION	BALANCE PER UTILITY	COMM'N ADJUST. TO UTIL. BAL.	BALANCE PER COMM'N
1. UTILITY PLANT IN SERVICE	\$48,034	\$26,235	\$74,269
2. LAND & LAND RIGHTS	0	500	500
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	(18,637)	(18,637)
5. ACCUMULATED DEPRECIATION	(47,171)	14,892	(32,279)
6. AMORTIZATION OF CIAC	0	18,637	18,637
7. CONSTRUCTION WORK IN PROGRESS	0	0	0
8. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>2,957</u>	<u>2,957</u>
9. WATER RATE BASE	<u>\$863</u>	<u>\$44,584</u>	<u>\$45,447</u>

<b>ALTURAS UTILITIES, L.L.C.</b>		<b>SCHEDULE NO. 1-B</b>
<b>TEST YEAR ENDED 10/31/2009</b>		<b>DOCKET NO. 090477-WU</b>
<b>ADJUSTMENTS TO RATE BASE</b>		
		<b><u>WATER</u></b>
	<b><u>UTILITY PLANT IN SERVICE</u></b>	\$6,914
1.	To reflect appropriate UPIS per audit.	1,246
2.	To reflect test year additions.	<u>18,075</u>
3.	To reflect pro forma additions.	<u>\$26,235</u>
	Total	
	<b><u>LAND AND LAND RIGHTS</u></b>	
	To reflect the appropriate land balance.	<u>\$500</u>
	<b><u>CIAC</u></b>	
	To reflect appropriate CIAC.	<u>(\$18,637)</u>
	<b><u>ACCUMULATED DEPRECIATION</u></b>	
1.	To reflect accumulated depreciation per audit.	\$15,404
2.	To reflect test year accruals.	332
3.	To reflect pro forma accumulated depreciation.	<u>(844)</u>
	Total	<u>\$14,892</u>
	<b><u>AMORTIZATION OF CIAC</u></b>	
	To reflect appropriate accumulated amortization of CIAC.	<u>\$18,637</u>
	<b><u>WORKING CAPITAL ALLOWANCE</u></b>	
	To reflect 1/8 of test year O & M expenses.	<u>\$2,957</u>

ALTURAS UTILITIES, L.L.C.							SCHEDULE NO. 2		
TEST YEAR ENDED 10/31/2009							DOCKET NO. 090477-WU		
SCHEDULE OF CAPITAL STRUCTURE									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMM'N	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>23,257</u>	<u>0</u>	<u>23,257</u>						
5. TOTAL COMMON EQUITY	\$23,257	\$0	\$23,257	\$21,865	\$45,122	99.15%	9.67%	9.59%	
6. LONG TERM DEBT-Note	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
TOTAL LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
8. CUSTOMER DEPOSITS	<u>\$325</u>	<u>\$0</u>	<u>\$325</u>	<u>\$0</u>	<u>\$325</u>	<u>0.85%</u>	6.00%	<u>0.05%</u>	
9. TOTAL	<u>\$23,582</u>	<u>\$0</u>	<u>\$23,582</u>	<u>\$21,865</u>	<u>\$45,447</u>	<u>100.00%</u>		<u>9.64%</u>	
<b>RANGE OF REASONABLENESS</b>						<b><u>LOW</u></b>	<b><u>HIGH</u></b>		
RETURN ON EQUITY						<u>8.67%</u>	<u>10.67%</u>		
OVERALL RATE OF RETURN						<u>8.64%</u>	<u>10.63%</u>		

<b>ALTURAS UTILITIES, L.L.C.</b>		<b>SCHEDULE NO. 3-A</b>			
<b>TEST YEAR ENDED 10/31/2009</b>		<b>DOCKET NO. 090477-</b>			
<b>SCHEDULE OF WATER OPERATING INCOME</b>		<b>WU</b>			
	TEST YEAR PER UTILITY	COMMN ADJ	COMMN ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. <b>OPERATING REVENUES</b>	<u>\$19,488</u>	<u>\$1,168</u>	<u>\$20,656</u>	<u>\$11,474</u> 55.55%	<u>\$32,130</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	35,860	(12,201)	23,659	0	23,659
3. DEPRECIATION (NET)	4,568	(2,375)	2,193	0	2,193
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	2,516	(1,135)	1,381	516	1,897
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. <b>TOTAL OPERATING EXPENSES</b>	<u>\$42,944</u>	<u>(\$15,711)</u>	<u>\$27,233</u>	<u>\$516</u>	<u>\$27,749</u>
8. <b>OPERATING INCOME/(LOSS)</b>	<u>(\$23,456)</u>		<u>(\$6,577)</u>		<u>\$4,381</u>
9. <b>WATER RATE BASE</b>	<u>\$863</u>		<u>\$45,447</u>		<u>\$45,447</u>
10. <b>RATE OF RETURN</b>	<u>-2,717.96%</u>		<u>-14.47%</u>		<u>9.64%</u>

ALTURAS UTILITIES, L.L.C.		SCHEDULE NO. 3-B
TEST YEAR ENDED 10/31/2009		DOCKET NO. 090477-WU
ADJUSTMENTS TO OPERATING INCOME		
		<b><u>WATER</u></b>
<b>OPERATING REVENUES</b>		
	To reflect appropriate Test Year Revenues.	<u>\$1,168</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1.	Salaries and Wages - Officers (603) To remove Officer salary per audit.	<u>(\$10,844)</u>
2.	Purchased Power (615) To reflect appropriate purchased power.	<u>(\$65)</u>
3.	Chemicals (618) To reflect appropriate chemical expense.	<u>(\$541)</u>
4.	Materials and Supplies (620) To remove unsupported materials and supplies.	<u>\$698</u>
5.	Contractual Services – Billing and Management (630) To reflect appropriate billing and management fees.	<u>\$4,300</u>
6.	Contractual Services - Operator (631) To reflect appropriate amount of operator expenses.	<u>\$2,008</u>
7.	Contractual Services - Other (636)	
	a. To reclassify plant to Acct. No. 311.	<u>(\$1,214)</u>
	b. To reclassify plant to Acct. No. 334.	<u>(162)</u>
	c. To remove unsupported contractual services.	<u>(1,108)</u>
	Subtotal	<u>(\$2,484)</u>
8.	Rent Expense (640) To remove unsupported rent.	<u>(\$375)</u>
9.	Regulatory Commission Expense (665) To reflect App. Amt. of Regulatory Commission Expense.	<u>\$374</u>
10.	Miscellaneous Expense (675)	
	a. To reflect appropriate lawn maintenance.	<u>(\$45)</u>
	b. To remove bank service fees.	<u>(67)</u>
	c. To remove unsupported license and permit fees.	<u>(298)</u>
	d. To remove taxes.	<u>(2,516)</u>
	e. To remove unsupported repair and maintenance fees.	<u>(950)</u>
	Subtotal	<u>(\$3,876)</u>
	<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<b><u>(\$12,201)</u></b>
<b>DEPRECIATION EXPENSE</b>		
1.	To reflect net depreciation calculated per 25-30.140, F.A.C.	<u>(\$3,219)</u>
2.	To reflect pro forma depreciation expense.	<u>844</u>
	Total	<u>(\$2,375)</u>
<b>TAXES OTHER THAN INCOME</b>		
1.	To reflect appropriate property taxes.	<u>\$92</u>
2.	To remove Polk County Utility tax.	<u>(928)</u>
3.	To reduce RAFs based on audit calculations.	<u>(299)</u>
	Total	<u>(\$1,135)</u>

**ALTURAS UTILITIES, L.L.C.**  
**TEST YEAR ENDED 10/31/2009**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 090477-WU**

**ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE**

	TOTAL PER UTILITY	COMMISSION ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES – EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES – OFFICERS	10,844	(10,844)	0
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	2,276	(65)	2,211
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,137	(541)	596
(620) MATERIALS AND SUPPLIES	698	(698)	0
(630) CONTRACTUAL SERVICES – BILLING	2,900	4,300	7,200
(631) CONTRACTUAL SERVICES - PROFESSIONAL	5,288	2,008	7,296
(632) CONTRACTUAL SERVICES - ACCOUNTING	1,320	0	1,320
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	4,476	(2,484)	1,992
(640) RENTS	375	(375)	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	0	0
(665) REGULATORY COMMISSION EXPENSE	0	374	374
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	<u>6,546</u>	<u>(3,876)</u>	<u>2,670</u>
	<u>\$35,860</u>	<u>(\$12,201)</u>	<u>\$23,659</u>

ALTURAS UTILITIES, L.L.C.  
 TEST YEAR ENDED 10/31/2009  
 MONTHLY WATER RATES

SCHEDULE NO. 4  
 DOCKET NO. 090477-WU

	UTILITY'S EXISTING RATES	COMMISSION APPROVED RATES	4-YEAR RATE REDUCTION
<b><u>Residential and General Service</u></b>			
<b><u>Base Facility Charge by Meter Size:</u></b>			
5/8"X3/4"	\$11.00	\$11.34	\$0.14
3/4"	\$16.50	\$17.01	\$0.21
1"	\$27.50	\$28.35	\$0.35
1-1/2"	\$55.00	\$56.70	\$0.69
2"	\$88.00	\$90.72	\$1.11
3"	\$176.00	\$181.44	\$2.21
4"	\$275.00	\$283.50	\$3.46
6"	\$550.00	\$567.00	\$6.91
<b><u>Residential Gallonage Charge</u></b>			
Per 1,000 gallons	\$3.25	\$5.12	\$0.06
<b><u>General Service Gallonage Charge</u></b>			
Per 1,000 gallons	\$3.25	\$5.12	\$0.06
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
3,000 Gallons	\$20.75	\$26.70	
5,000 Gallons	\$27.25	\$36.94	
10,000 Gallons	\$43.50	\$62.54	