

State of Florida



Public Service Commission

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

DATE: October 25, 2011
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Ana Ortega, Staff Assistant, Division of Economic Regulation *AO*
RE: Application for staff-assisted rate case in Okeechobee County by Pine Ridge Management Corporation, Docket No. 110042-WS

Please included the attached documents into the docket file referenced above.

DOCUMENT NUMBER-DATE

07798 OCT 25 =

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

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

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

DATE: October 26, 2011

TO: Andrew Maurey, Bureau Chief, Bureau of Rate Filings

FROM: Avy Smith^{AS}, Regulatory Analyst II
Robert Simpson, Engineering Specialist II
Sonica Bruce, Regulatory Analyst II ✓

RE: Docket No. 110042-WS -- Application for staff-assisted rate case in Okeechobee County by Pine Ridge Management Corporation

– STAFF REPORT –

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

DOCUMENT NUMBER-DATE
07798 OCT 25 =
FPSC-COMMISSION CLERK

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Case Background

This Staff Report is a **preliminary** analysis of the Utility prepared by the Florida Public Service Commission (PSC) staff to give Utility customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed March 1, 2011, for the March 13, 2011, Commission Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

Pine Ridge Management Corporation (Pine Ridge or Utility) is a Class C water and wastewater facility located in Okeechobee County. Pine Ridge serves approximately 133 water customers and approximately 132 wastewater customers. The Utility was issued Grandfather Certificate Nos. 630-W and 539-S on November 7, 2005.¹ According to Pine Ridge's 2010 Annual Report, gross revenues were \$15,643 and \$55,813 for water and wastewater, respectively. The Utility's operating expenses were \$16,933 for water and \$47,311 for wastewater.

The instant docket is the Pine Ridge's first rate case. On January 26, 2011, the Commission received the Utility's application for a staff assisted rate case.

The Commission has the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

¹ See Order No. PSC-05-1116-PAA-WS, issued November 7, 2005, in Docket No. 050061-WS, In re: Application for grandfather certificates to operate water and wastewater facility in Okeechobee County by Pine Ridge Management Corporation.

Discussion of Issues

Issue 1: Is the quality of service provided by Pine Ridge satisfactory?

Preliminary Recommendation: The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the November 9, 2011 customer meeting. (Simpson)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service provided by a utility by evaluating three components of water and wastewater operations. These components are 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 and the Utility's compliance with the Florida Department of Environmental Protection (DEP) is also considered.

A field investigation of the Pine Ridge water and wastewater facilities was conducted on April 20, 2011. The facilities appeared to be operating normally. However, staff noted that the five general service customers were not metered. The Utility installed meters for those customers in July 2011, and has requested that the cost of installing those meters be included in this rate case. Staff's recommendation regarding inclusion of the general service customer meters in this rate case is discussed in Issue 3.

In a 2008 Sanitary Survey, DEP noted that the Utility's hydropneumatic tank should be evaluated for coating and structural integrity. In a follow-up communication in November 2010, DEP issued a notice of noncompliance letter to the Utility. In accordance with Rule 62-555.350(2), F.A.C., an inspection of the Utility's hydropneumatic tank was performed in 2010 under the supervision of a professional engineer who recommended that the tank be replaced. The Utility requested that the cost of replacing the hydropneumatic tank be included in this rate case. Staff's recommendation regarding inclusion of the cost of replacing of the hydropneumatic tank in this rate case is discussed in Issue 3.

In February 2011, DEP issued a warning letter to Pine Ridge indicating that an effluent flow meter for the wastewater plant has not been installed as required in the domestic operating permit. In addition, the warning letter noted that continuous daily rainfall totals and monitoring of the percolation pond level was not implemented on January 1, 2009, as required by the permit. The Utility was required to install an effluent flow meter, have the meter calibrated, and submit an engineering evaluation report determining the ability of the percolation pond to properly dispose of the plant effluent by September 20, 2011. In August 2011, the Utility submitted the report to DEP indicating that "rainfall and daily flow rates to the plant appear to be handled by the percolation capacity of the pond." Staff's recommendation regarding inclusion of the cost of installing the wastewater flow meter in this rate case is discussed in Issue 3.

A review of the Commission's Consumer Activity Complaint Tracking system found no customer complaints. The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the November 9, 2011 customer meeting.

Issue 2: What are the used and useful percentages for Pine Ridge?

Preliminary Recommendation: The water treatment plant, water distribution system, wastewater treatment plant, and wastewater collection system should be considered 100 percent used and useful (U&U). (Simpson)

Staff Analysis: The Utility's records for the test year ended December 31, 2010, were used in analyzing the used and usefulness of the water and wastewater facilities.

Water Treatment Plant

Pursuant to Rule 25-30.4325, F.A.C., the U&U calculation of a water treatment plant is determined by dividing the peak demand by the firm reliable capacity of the water treatment plant. Because the system has no storage facilities, the calculation is in gallons per minute (gpm). Consideration of growth, fire flow requirements, unaccounted for water, and other factors may also be included.

The water treatment plant has four wells rated at 50 gpm each. The raw water is injected with ammonia, aerated, chlorinated and channeled into the hydropneumatic tank and discharged into the distribution system. Pine Ridge previously used free chlorine for disinfection which reacts with organics in water to form disinfection-by-products (DBPs), such as trihalomethanes, which are suspected carcinogens. The Utility was unable to meet the DBPs rule and, in June 2007, converted to the use of chloramination, which is a combination of ammonia and chlorine for disinfection.

The firm reliable capacity of the Utility's wells is 150 gpm. Finished water information was available for April through December 2010 of the test year. However, the information for January through March 2010 was not recorded because of a malfunctioning well meter. Staff estimated the flows for January through March by using the average of the recorded nine months of finished water (549,759 gallons). Therefore, the finished water for the test year was estimated at 6,597,107 gallons.

Pine Ridge reads the residential customer meters every six months. As discussed further in Issue 6, it appears that the meters are under-registering and are not reliable. As a result, the amount of water sold was estimated at 90 percent of finished water or 5,937,396 gallons. The Utility's peak day of 31,500 gallons, or 22 gpm, occurred on November 18, 2010. It does not appear that a fire, line break, or other unusual occurrence occurred on that day. The Utility does not have fire hydrants in the service area, therefore, fire flow was not included in the U&U calculation. A review of the number of customers over the last five years indicates that there has been no growth in the service area. In addition, there are very few lots in the service territory available for development. Therefore, based on a peak day of 22 gpm and firm reliable capacity of 150 gpm, the water treatment plant is 15 percent U&U. However, because the service area is close to build out and there has been no growth or plans for expansion, staff recommends that the water treatment plant be considered 100 percent U&U.

Wastewater Treatment Plant

Pine Ridge wastewater plant is an extended aeration, activated sludge plant with one lift station. The collection system is composed of gravity mains. The plant is permitted by DEP to treat 20,000 gallons per day (gpd) based on the annual average daily flow (AADF). Liquid chlorine disinfection is applied prior to the treated wastewater effluent flowing into the percolation pond. Rule 25-30.432, F.A.C., provides that the U&U percentage for a wastewater plant should be calculated based on customer demand and the permitted capacity of the plant. The rule also provides that customer demand should be determined using the same basis as the permitted capacity. Consideration is given to growth, infiltration and inflow (I&I), conservation, and other factors.

The customer demand for the test year based on the AADF was 14,496 gpd. The service area has had no growth in the last five years and is close to build out. Therefore, the wastewater treatment plant is 72.5 percent U&U. However, because the system is close to build out and there has been no growth or plans for expansion, staff recommends that the wastewater treatment plant be considered 100 percent U&U.

Water Distribution and Wastewater Collection Systems

The U&U calculations for the water distribution and the wastewater collection systems are based on the number of customers connected to the systems divided by the capacity of the systems. Consideration is given to growth. Because the Pine Ridge service area is close to build out, there has been no growth in the past five years, and there are no plans for service area expansion, staff recommends that the water distribution and collection systems be considered 100 percent U&U.

Docket No. 110042-WS

Date: October 26, 2011

Issue 3: What is the appropriate average test year rate base for Pine Ridge?

Preliminary Recommendation: The appropriate average test year rate base for Pine Ridge is \$21,345 for water and \$22,302 for wastewater. (Smith)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Plant, depreciation, and CIAC balances have not been established since this is the Utility's first rate case. Additionally, Pine Ridge has not maintained a general ledger. Accordingly, staff auditors utilized invoices to determine appropriate balances. Staff selected a test year ended December 31, 2010 for this case. A summary of each component is listed below.

Utility Plant in Service: As stated in the case background, Pine Ridge was issued grandfather certificates in 2005. However, rate base was not established at that time. The instant docket is the Utility's first rate case. An original cost study was not performed because of lack of system documentation. Further, the systems have been in existence for over 30 years. Thus, the systems are more than likely fully depreciated. Staff has obtained invoices from the audit workpapers to determine adjustments to UPIS.

In a 2008 Sanitary Survey, DEP noted that the hydropneumatic tank should be evaluated for coating and structural integrity. An inspection of the Utility's hydropneumatic tank was performed under the supervision of a professional engineer who recommended that the tank be replaced. In addition, DEP indicated that the effluent flow meter for the wastewater plant should be installed no later than September 20, 2011. Staff believes that these pro forma plant items are reasonable and prudent because it would allow the Utility to improve its quality of service.

Therefore, staff has increased UPIS to reflect the pro forma plant additions. The Utility should be required to submit a copy of the final invoices and cancelled checks for the pro forma hydropneumatic tank and wastewater flow meter. Pine Ridge should be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items within 30 days of the completion date of the pro forma items.

Table 3-1 reflects a summary of staff's adjustments:

Table 3-1

<u>Adjustment Description</u>	<u>Water</u>	<u>Wastewater</u>
1. To replace High Service pump. (Acct No. 311)	\$998	\$0
2. To reflect retirements to Acct No. 311.	(749)	0
3. Electronic alternator controls installed. (Acct No. 311)	516	0
4. Rebuilt High Service Pump and installed 5 hp motor. (Acct No. 311)	1,580	0
5. Installed High Service Pump with new motor in 2006. (Acct No. 311)	1,358	0
6. Installed new pump in 2007. (Acct No. 311)	2,266	0
7. Replaced gate valves. (Acct No. 309)	975	0
8. To reflect gate valve retirement. (Acct No. 309)	(731)	0
9. Installed ammonia station. (Account No. 320)	5,000	0
10. Replace c12 pump. (Acct No. 311)	250	0
11. To reflect retirement of c12 pump. (Acct No. 311)	(188)	0
12. To reflect pro forma cost of hydro tank replacement. (Acct 330)	6,500	0
13. Rebuilt 2" meter. (Acct No. 334)	310	0
14. Installed 5 water meters. (Acct No. 334)	784	0
15. Installed lift station starter kits. (Acct No. 360)	0	633
16. To reflect pro forma cost of flow meter installation. (Acct No. 364)	0	3,000
17. Installed chlorine pump at WWTP. (Acct No. 370)	0	456
18. Installed new blower motor & set up timers. (Acct No. 370)	0	2,385
19. To reflect new blower motor. (Acct No. 370)	0	1,500
20. Install lift station pump, panel & floats. (Acct No. 370)	0	7,700
21. Blower replacement. (Acct No. 380)	0	3,300
22. To reflect retirement of blower replacement. (Acct No. 380)	0	(2,475)
23. Installed lift station pump. (Acct No. 370)	0	850
24. Installed lift station pump and breakers. (Acct No. 370)	0	750
25. Averaging adjustment.	(155)	(800)
Total	<u>\$18,715</u>	<u>\$17,299</u>

Staff's net adjustments to UPIS are an increase of \$18,715 for water and \$17,299 for wastewater. Staff recommends UPIS balances of \$18,715 for water and \$17,299 for wastewater.

Non-Used and Useful Plant: As discussed in Issue 2 of this recommendation, Pine Ridge's water distribution system, wastewater treatment plant, and the wastewater collection system are 100 percent U&U. Therefore, a non-U&U adjustment is not necessary.

Contribution in Aid of Construction: The Utility recorded no CIAC on its books at the end of the test year. Rule 25-30.570, F.A.C, states:

If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the

facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

Staff is not recommending CIAC for this Utility. Pine Ridge did not have adequate books to provide CIAC balances, and an original cost study was not performed. However, due to the age of the system, staff believes any CIAC collected at the onset would be fully amortized. Staff recommends CIAC balances of \$0 for both water and wastewater.

Accumulated Depreciation: Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff has increased this account by \$2,740 for water and \$1,846 for wastewater to reflect depreciation calculated by staff. Staff has decreased this account by \$86 for water and increased this account by \$306 for wastewater to reflect averaging adjustments for water and wastewater, respectively. The aforementioned adjustments result in average accumulated depreciation of \$2,654 for water and \$2,152 for wastewater.

Amortization of CIAC: As previously stated, staff believes any CIAC collected at the onset would be fully amortized. Therefore, no adjustment has been made to this account.

Working Capital Allowance: Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), F.A.C., staff recommends that the one-eighth of the O&M expense formula approach be used for calculating working capital allowance. Applying this formula, staff recommends a working capital allowance of \$5,285 (based on water O&M of \$42,276) and \$7,155 (based on wastewater O&M of \$57,239) for water and wastewater, respectively. Thus, working capital has been increased by \$5,285 for water and \$7,155 for wastewater to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate test year average rate base is \$21,345 for water and \$22,302 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B, and staff's adjustments are shown on Schedule No. 1-C.

Docket No. 110042-WS

Date: October 26, 2011

Issue 4: What is the appropriate rate of return on equity and overall rate of return for Pine Ridge?

Preliminary Recommendation: The appropriate return on equity (ROE) is 9.21 percent with a range of 8.21 percent to 10.21 percent. The appropriate overall rate of return is 8.71 percent. (Smith)

Staff Analysis: The Utility's capital structure consists of common equity of \$241,852, and debt of \$70,710. Pine Ridge's \$70,710 debt is the balance on a \$100,000 loan secured by a mobile home park owned by a related party. The appropriate rate of return on equity is 9.21 percent using the most recent Commission-approved leverage formula.² Staff is not recommending the rate base methodology for calculating rates as addressed in Issue 7. However, staff believes that the ROE should be determined in this proceeding to be used in future cases. Staff recommends an ROE of 9.21 with a range of 8.21 percent to 10.21 percent. The ROE and overall rate of return are shown on Schedule No. 2.

² See Order No. PSC-11-0287-PAA-WS, issued July 5, 2011, in Docket No. 110006-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), F.S.

Docket No. 110042-WS

Date: October 26, 2011

Issue 5: What is the appropriate amount of test year revenue in this case?

Preliminary Recommendation: The appropriate test year revenue for Pine Ridge is \$16,550 for water and \$56,852 for wastewater. (Smith, Bruce)

Staff Analysis: Based on staff's review of the test year billing units, staff has determined test year revenue to be \$16,550 for water and \$56,852 for wastewater. Test year revenue is shown on Schedule Nos. 3-A and 3-B.

Issue 6: What is the appropriate amount of operating expense?

Preliminary Recommendation: The appropriate amount of operating expense for Pine Ridge is \$46,551 for water and \$62,742 for wastewater. (Smith)

Staff Analysis: As stated in Issue 3, Pine Ridge did not maintain a general ledger. The Utility's balances for O&M were \$0 for all accounts. The test year O&M expenses have been determined by invoices, canceled checks, and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Sludge Removal Expense (711) – Staff has increased this account by \$13,919 to reflect invoices for sludge removal during the test year. Staff recommends sludge removal expense of \$13,919.

Purchased Power (615/715) – The Utility presented monthly electric bills totaling \$1,738 and \$2,078 for water and wastewater respectively. Staff recommends purchased power of \$1,738 for water and \$2,078 for wastewater.

Chemicals (618/718) – Staff has increased this account by \$3,695 for water and \$5,891 for wastewater. These amounts are representative of invoices for chemicals used to treat Pine Ridge's water and wastewater. Staff recommends chemicals expense of \$3,695 for water and \$5,891 for wastewater.

Materials and Supplies (620/720) – The Utility had several invoices for materials and supplies totaling \$915 for both water and wastewater. The invoices were not distinguishable between the water system, wastewater system, or the related party's mobile home park. As such, the total for the invoices were divided by three. Therefore, staff has increased this account by \$305 for both water and wastewater. The invoices specifically identifiable to the water system totaled \$227 and the invoices specifically identifiable to the wastewater system totaled \$120. Staff has increased this account by \$227 for water and \$120 for wastewater. Staff recommends materials and supplies expense of \$532 for water and \$425 for wastewater.

Contractual Services – Professional (631/731) – The total cost of preparing the Utility's tax return was \$375. Staff auditors divided the total bill between water, wastewater and the related party mobile home park. Accordingly, staff has increased this account by \$125 for both water and wastewater. Pine Ridge paid \$500 to Dale Poston for engineering work completed for the Utility. Staff does not believe this cost is a recurring expense. Thus, staff has amortized this expense over 5 years and increased this account by \$100 for water. Staff recommends contractual services – professional expense of \$225 (\$125 + \$100) for water and \$125 for wastewater.

Contractual Services – Testing (635/735) – The Utility has testing samples completed monthly for \$156 for water and \$330 for wastewater. Staff has increased this account \$1,872 for water and \$3,960 for wastewater to reflect annual testing expense. Pine Ridge also incurred \$60 for an additional testing sample of nitrates and nitrites. Accordingly, staff has increased this account by \$60 for water. Also, staff has increased this account by \$325 for wastewater to reflect required sludge testing. Staff recommends contractual services – testing expense of \$1,932 (\$1,872 + \$60) for water and \$4,285 (\$3,960 + \$325) for wastewater.

Contractual Services – Other (636/736) – For contractual services – other the National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) provides that:

“This account shall include the cost of operation and maintenance work not performed by utility employees.”

Pine Ridge does not have any employees. Staff has calculated management fees for this Utility based on services provided by the Utility owner, Virginia Gadsden, of \$16,483 for both water and wastewater. The Utility owner’s son, James Gadsden, also assists in the day-to-day operations of the Utility. For his services, staff has determined a fee of \$7,480 for both water and wastewater. Staff has increased this account by \$270 for water to reflect drilling services performed during the test year. Pine Ridge’s hydropneumatic tank was cleaned and inspected by R.C. Ludwig, Inc. for \$1,000. This expense is non-recurring. Therefore, staff has amortized this amount over five years, and increased this account by \$200 for water.

The monthly operating services for Pine Ridge are performed by J.C. Witteck Utility Services. The fee is \$225 per month each for water and wastewater. Staff has increased this account by \$2,700 for both water and wastewater to reflect the cost of annual operating services. Tim McCord and Bill Brown also performed maintenance work for the Utility totaling \$750 for water and \$850 for wastewater. These costs are non-recurring; therefore, staff has amortized these costs over 5 years and increased this account by \$150 for water and \$170 for wastewater.

As explained in Issue 2, Pine Ridge’s meters are under-registering. In light of the fact that staff is recommending the operating ratio, staff recommends expensing, rather than capitalizing, the cost of the meters. The Utility submitted an estimate of \$157 for each meter. Staff believes this amount is reasonable. Consistent with Order No. PSC-99-0243-FOF-WU,³ staff is recommending a meter change out program. Staff recommends \$2,041 for the meter change out program (13 meters per year). Staff recommends contractual services – other expense of \$29,324 (\$16,483 + \$7,480 + \$270 + \$200 + \$150 + \$2,700 + \$2,041) for water and \$26,733 (\$16,383 + \$7,480 + \$170 + \$2,700) for wastewater.

Rent Expense (740) – The Utility submitted an invoice of \$255 for a backhoe rental. Staff has increased this account for wastewater by \$255. Staff recommends rent expense of \$255 for wastewater.

Transportation Expenses (650) – The Utility’s records substantiated a transportation expense of \$1,067 for both water and wastewater. Staff recommends transportation expense of \$1,067 for both water and wastewater.

Insurance Expenses (655/755) – Pine Ridge has a business owner’s insurance policy with Sagamore Insurance Company with an annual premium of \$1,666. This insurance policy covers both the water plant and the wastewater plant. Staff had divided the total premium between the

³ See Order No. PSC-99-0243-FOF-WU, issued February 9, 1999, in Docket No. 980726-WU, In re: Application for staff-assisted rate case by Dixie Groves Estates, Inc.

water and wastewater accounts and increased this account by \$833, for both water and wastewater. Staff recommends insurance expense of \$833 for water and \$833 for wastewater.

Regulatory Commission Expense (665/765) – By Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated \$224 for postage expense, \$204 for printing expense, and \$26 for envelopes. This results in \$454 for noticing. The Utility paid a \$1,000 rate case filing fee. Total rate case expense is \$1,454 ($\$1,000 + \454). Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period which is \$364 ($\$1,454/4$). Staff recommends regulatory commission expense of \$182 for both water and wastewater.

Miscellaneous Expense (675/775) – Staff has annualized the total for phone, internet and long distance for the Utility and increased this account by \$1,286 for both water and wastewater. Pine Ridge's records support post office expenses of \$110 for water and \$110 for wastewater. Therefore, staff has increased this account by \$110 for both water and wastewater. The Utility incurs annual membership dues to the Florida Rural Water Association, DEP for annual drinking water license, and DEP for annual membership dues of \$653, respectively. Staff has increased this account by \$153, \$100 and \$400 for water to reflect annual membership dues. Staff has increased this account by \$650 to include the cost of the annual Consumer Confidence Reports. The Utility also incurs a filing fee to the Florida Division of Corporation for a total of \$100. Accordingly, staff has increased this account by \$50 for water and \$50 for wastewater. Staff recommends miscellaneous expense of \$2,749 ($\$1,286 + \$110 + \$153 + \$100 + \$400 + \$650 + \50) for water and \$1,445 ($\$1,286 + \$110 + \50) for wastewater.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense result in an increase of \$42,276 for water and an increase of \$57,239 for wastewater. Staff's recommended O&M expense is \$42,276 for water and \$57,239 for wastewater. O&M expenses are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Related Amortization of CIAC) – Staff has calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff's calculated test year depreciation is \$918 and \$1,220 for water and wastewater, respectively. Thus, staff recommends depreciation expense of \$918 for water and \$1,220 for wastewater.

Taxes Other Than Income (TOTI) – Staff reviewed the Okeechobee County non-ad valorem and ad valorem tax assessment notices, and the appropriate amount of property taxes is \$1,072 for water and \$1,202 for wastewater. Therefore, staff increased this account by \$1,072 for water and \$1,202 for wastewater. Based on staff's recommended test year revenues, the Utility's RAFs should be \$745 for water and \$2,558 for wastewater. Therefore, staff has increased this account by \$745 and \$2,558 for water and wastewater, respectively, to reflect the appropriate RAFs. As discussed in Issue 7, revenues have been increased by \$34,229 for water and \$11,614 for wastewater to reflect the change in revenue required to cover expenses and afford the Utility an opportunity to earn the recommended operating margin. As a result, TOTI should be increased by \$1,540 for water and \$523 for wastewater to reflect RAFs of 4.5 percent on the recommended incremental change in revenues. Staff recommends TOTI of \$3,357 ($\$1,072 + \$745 + \$1,540$) for water and \$4,283 ($\$1,202 + \$2,558 + \523) for wastewater.

Docket No. 110042-WS

Date: October 26, 2011

Income Tax – The Utility did not have any income tax expense for the test year. Pine Ridge is an S Corporation. The tax liability is passed on to the owners' personal tax returns. Therefore, staff did not make an adjustment to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to Pine Ridge's recorded test year operating expenses result in staff's recommended operating expenses of \$46,551 for water and \$62,742 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

Issue 7: Should the Commission, on its own motion, utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Pine Ridge, and if so, what is the appropriate margin?

Recommendation: Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculation of the revenue requirement for the Utility. The margin should be 10 percent of O&M expenses. (Smith)

Staff Analysis: Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a) and (3), F.S. Rule 25-30.456, F.A.C., provides, in part, an alternative to a staff assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities whose total gross annual operating revenues are \$250,000 or less per system may petition the Commission for staff assistance in alternative rate setting.

Although Pine Ridge did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology as an alternative means to set rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of Pine Ridge's O&M expenses. This methodology has been applied in cases where the traditional calculation of revenue requirements would not provide sufficient revenues to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU,⁴ the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also discussed criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of operation and maintenance expense.

In addition, by Order No. PSC-97-0130-FOF-SU,⁵ the Commission utilized the operating ratio methodology for setting rates. The same criteria and 10 percent margin of O&M expense was approved as in the above-mentioned Order. Most recently, the Commission approved the operating ratio methodology for setting rates in Order Nos. PSC-11-0436-PAA-WS and PSC-11-0444-PAA-SU.⁶

In Order No. PSC-96-0357-FOF-WU, the Commission discussed criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The following discusses the qualifying criteria set forth in Order No. PSC-96-0357-FOF-WU, and how they apply to the Utility.

⁴ See Order No. PSC-96-0357-FOF-WU, issued March 13, 1996, in Docket No. 950641-WU, In Re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.

⁵ See Order No. PSC-97-0130-FOF-SU, issued February 10, 1997, in Docket No. 960561-SU, In Re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.

⁶ See Order Nos. PSC-11-0436-PAA-WS, issued September 29, 2011, in Docket No. 100472-WS, In Re: Application for staff-assisted rate case in Manatee County by Heather Hills Estates Utilities, LLC., and PSC-11-0444-PAA-SU, issued October 7, 2011, in Docket No. 100471-SU, In re: Application for staff-assisted rate case in Marion County by S & L Utilities, Inc.

- 1) Whether utility's O&M expenses exceed rate base. In the instant case, the rate base is lower than the level of O&M expense. Based on the staff audit, the adjusted rate base for the test year is \$21,345 for water and \$22,302 for wastewater, while adjusted O&M expenses are \$42,276 for water and \$57,239 for wastewater.
- 2) Whether the utility is expected to become a Class B in the foreseeable future. According to Chapter 367.0814(9), F.S., the alternative forms of regulation being considered in this case only apply to small utilities. Pine Ridge is a Class C utility and the recommended revenue requirements of \$50,779 and \$68,466 for water and wastewater, respectively, are substantially below the threshold level for Class B status (\$200,000 per system). The Utility's service area has not had any growth in the last five years and is essentially built out. Therefore, the Utility will not become a Class B utility in the foreseeable future.
- 3) Quality of service and condition of plant. The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the November 9, 2011 customer meeting.
- 4) Whether the utility is developer-owned. The current utility owner is not a developer. The service territory is not in the early stages of growth, and there has not been any customer growth in the last five years.
- 5) Whether the utility operates treatment facilities or is simply a distribution and/or collection system. Pine Ridge operates a water treatment plant and a wastewater treatment plant.

By Order Nos. PSC-96-0357-FOF-WS and PSC-97-0130-FOF-WU, the Commission determined that a margin of 10 percent shall be used unless unique circumstances justify the use of a greater or lesser margin. The important question was not what the return percentage should be, but what level of operating margin will allow the utility to provide safe and reliable service and remain a viable entity. The answer to this question requires a great deal of judgment based upon the particular circumstances of the utility.

Several factors must be considered in determining the reasonableness of a margin. First, the margin must provide sufficient revenues for the utility to cover its interest expense. Pine Ridge's capital structure is over 75 percent equity and has interest expense of approximately \$2,375 for both water and wastewater. However, due to the considerably low rate base, the Utility's return on rate base results in a relatively low operating income.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the Utility resides in operating cost rather than in capital cost of the plant. The fair return on a small rate base may not adequately compensate the Utility owner for incurring the risk associated with covering the much larger operating cost. Therefore, the margin should adequately compensate the Utility owner for that risk. Under the rate base method, the return to Pine Ridge amounts to only \$1,859 for water and \$1,943 for wastewater, which is enough to

cover only a 4 percent variance for water and a 3 percent variance for wastewater in O&M expenses. Given this Utility's circumstances, staff believes \$1,859 for water and \$1,943 for wastewater is too little of a cushion.

Third, if the return on rate base method was applied, a normal return would generate such a small level of revenues that in the event revenues or expenses vary from staff's estimates, Pine Ridge could be left with insufficient funds to cover operating expenses. Therefore, the margin should provide adequate revenues to protect against potential variability in revenues and expenses. The return on rate base method would provide Pine Ridge only \$1,859 for water and \$1,943 for wastewater in operating income to cover revenue and expense variances. Consequently, the Utility would not be able to cover its share of interest expense of \$2,375 for both water and wastewater. If the Utility's operating expenses increase, Pine Ridge would not have the funds required for day to day operations.

Staff believes the above factors show that the Utility needs a higher margin of revenues over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide Pine Ridge with adequate cash flow to satisfy environmental requirements and to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10 percent of operation and maintenance expenses.

Issue 8: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is \$50,779 for water and \$68,466 for wastewater. (Smith)

Staff Analysis: Pine Ridge should be allowed an annual increase of \$34,229 (206.82 percent) for water and an annual increase of \$11,614 (20.43 percent) for wastewater. This will allow the Utility the opportunity to recover its expenses and earn a 10 percent margin over its O&M expenses. The calculations are as follows:

Table 8-1

	<u>Water</u>	<u>Wastewater</u>
O&M Expenses	\$42,276	\$57,239
Operating Margin	x 10.00	x 10.00
Operating Margin	\$4,228	\$5,724
Adjusted O&M expense	42,276	57,239
Depreciation expense (Net)	918	1,220
Amortization	0	0
Taxes Other Than Income	3,357	4,283
Income Taxes	0	0
Revenue Requirement	\$50,779	\$68,466
Less Adjusted Test Year Revenues	16,550	56,852
Annual Increase	\$34,229	\$11,614
Percent Increase/(Decrease)	206.82%	20.43%

Issue 9: What is the appropriate rate structure for Pine Ridge?

Preliminary Recommendation: The appropriate rate structure for the Utility's residential water class is a continuation of the base facility charge (BFC)/gallage charge rate structure. Staff recommends a BFC/gallage charge rate structure for the Utility's non-residential class. The water system's BFC cost recovery percentage should be set at 50 percent. Staff recommends a BFC/gallage charge rate structure for the wastewater residential and non-residential classes. The wastewater system's non-residential gallage charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent. (Bruce)

Staff Analysis: Pine Ridge serves 135 residential customers and three non-residential customers. The Utility's current rate structure for the residential class consists of a monthly BFC/gallage charge rate structure. However, the non-residential class consists of a monthly flat rate structure. This rate structure was approved by the Commission in Order No. PSC-05-1116-PAA-WS,⁷ when the Utility applied for grandfather certificates to operate a water and wastewater facility in Okeechobee County. The non-residential customers were unmetered. However, in August 2011, the Utility installed meters for the non-residential customers. Therefore, on a going-forward basis, staff recommends a BFC/gallage charge rate structure for these customers.

Water use in the area is under the jurisdiction of the South Florida Water Management District (SFWMD or District). Over the past few years, the District has required whenever possible that an inclining block rate structure be implemented. However, according to the Utility's consumptive use permit (CUP), the District is not requiring any limiting conditions regarding rate structure.

Currently, the Utility reads its meters for its customers semi-annually. This is not typical for a Utility to read its meters semi-annually. However, the Utility owner, Ms. Virginia Gadsden, has indicated to staff that she is unable to pay someone to read the meters on a monthly or quarterly basis. Furthermore, as discussed in Issue 2, the meters appear to be under registering and are not reliable. Ms. Gadsden has also indicated to staff that she has replaced some meters, but does not have the resources at this time to replace all the meters. For this reason, as discussed in Issue 6, staff recommends that the Utility replace the meters through a meter change out program.

Based on the above, staff believes it is appropriate to adjust the number of gallons sold during the test year to reflect the fact that the meters are not accurately measuring consumption. It is Commission practice to allow 10 percent of the total water treated as an acceptable amount of unaccounted for water in order to allow for a reasonable amount of non-revenue producing water caused by faulty meters, in flushing, etc.⁸ Staff estimated that the total finished water

⁷ See Order No. PSC-05-1116-PAA-WS, issued November 7, 2005, in Docket No. 050061-WS, In re: Application for grandfather certificates to operate water and wastewater facility in Okeechobee County by Pine Ridge Management Corporation, p. 3.

⁸ See Order Nos. 12272, issued July 19, 1983, in Docket No. 820067-WS, In re: Application of Ferncrest Utilities for increased water and sewer rates in Broward County; and PSC-11-0436-PAA-WS, issued September 29, 2011, in

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during the test year was 6,597,107 gallons. Therefore, for rate setting purposes, staff recommends that the number of gallons sold be set at 5,937,396 gallons (6,597,107 gallons x 90 percent).

The service area is comprised of single family homes and a mobile home park that consists of families and retirees. Staff's analysis indicates that the overall average consumption for this customer base is 3,800 gallons per month. According to the Utility owner, Ms. Gadsden, the customer base is also 50 percent seasonal. Due to the fact that staff is lacking billing data coupled with the low overall consumption, staff recommends a continuation of the monthly BFC/gallonage charge rate structure. This rate structure is considered a conservation-oriented rates structure because customers' bills increase as their consumption increases.

Staff's recommended rate design for the water system is shown on Table 9-1 on the following page. Staff also presents two alternate rate structures to illustrate other recovery methodologies. The current rate structure and Alternates 1 and 2 results in price increases at all consumption levels.

Table 9-1

PINE RIDGE MANAGEMENT CORP, INC. STAFF'S RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly BFC/ uniform kgal charge BFC =53%		Monthly BFC/ uniform kgal charge BFC = 50%	
BFC	\$5.41	BFC	\$15.37
All kgals	\$2.71	All kgals	\$4.26
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$5.41	0	\$15.37
1	\$8.12	1	\$19.63
3	\$13.54	3	\$28.15
5	\$18.96	5	\$36.67
10	\$32.51	10	\$57.97
20	\$59.61	20	\$100.57
Alternative 1		Alternative 2	
Monthly BFC/ uniform kgal charge BFC = 60%		Monthly BFC/ uniform kgal charge BFC =70%	
BFC	\$18.48	BFC	\$21.58
All kgals	\$3.40	All kgals	\$2.53
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$18.48	0	\$21.58
1	\$21.88	1	\$24.11
3	\$28.68	3	\$29.17
5	\$35.48	5	\$34.23
10	\$52.48	10	\$46.88
20	\$86.48	20	\$72.18

Currently, the Utilities fixed cost is 53 percent of the total revenue requirement. The Commission typically sets the BFC cost recovery percentage no greater than 40 percent. However, in recent cases when a customer base is seasonal, the Commission has set the BFC

cost recovery percentage greater than 40 percent.⁹ In this case, staff recommends that the BFC allocation be set at 50 percent. This allows the Utility sufficient cash flow to cover fixed costs and minimize the rate impact while the seasonal customers are out of residence.

Based on the foregoing, staff recommends a continuation of the base facility charge (BFC)/gallage charge rate structure for the residential class. Furthermore, staff recommends a BFC/gallage charge rate structure for the Utility's non-residential class. The water system's BFC cost recovery percentage should be set at 50 percent.

Wastewater: The Utility's current rate structure for the wastewater system's residential and non-residential classes consists of a monthly flat rate structure. The residential customers pay a flat rate of \$42.89 per month while the non-residential customers pay a monthly flat rate ranging from \$23.59 to \$48.25 per month. As mentioned earlier, this rate structure was approved by the Commission when the Utility applied for grandfather certificates to operate water and wastewater facility in Okeechobee County. Since the Utility recently installed meters for the general service customers, staff recommends a BFC/gallage charge rate structure for the wastewater system's residential and non-residential customers.

As mentioned earlier, for the water system, staff recommends that the number of gallons sold be set at 5,937,396 gallons for rate setting purposes. It is Commission practice to set the wastewater gallage cap based on 80 percent of the total number of residential water gallons sold.¹⁰ Therefore, for the wastewater system, staff recommends that 4,749,917 gallons (5,937,396 gallons x 80 percent) be set for rate setting purposes.

Staff recommends a 20 percent differential in the wastewater gallage charge between the Utility's residential and general service customers. This is done in an effort to recognize that 80 percent of all water sold to residential customers is returned to the wastewater system, with the remaining 20 percent being used for outdoor purposes like irrigation.

Furthermore, staff recommends that the wastewater BFC cost recovery percentage for the residential class be set at least 50 percent. This falls within the Commission guidelines of setting the BFC allocation to at 50 percent due to the capital intensive nature of wastewater plants.

Staff's recommended rate design for the wastewater system is shown on Table 9-2 on the following page. Staff also presents two alternate rate structures to illustrate other recovery methodologies. The current rate structure and Alternates 1 and 2 results in price increases at all consumption levels.

⁹ See Order Nos. PSC-11-0015-PAA-WS, issued January 5, 2011, in Docket No. 090531-WS, In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.; and PSC-11-0436-PAA-WS, issued September 29, 2011, in Docket No. 100472-WS, In re: Application for staff-assisted rate case in Manatee County by Heather Hills Estates Utilities, LLC.

¹⁰ See Order Nos. 12350, issued August 10, 1983, in Docket No. 820073-WS, In re: Application of Seacoast Utilities, Inc. for an increase in water and sewer service rates to its customers in Palm Beach County, Florida; and PSC-11-0015-PAA-WS, issued January 5, 2011, in Docket No. 090531-WS, In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

Table 9-2

PINE RIDGE MANAGEMENT CORP, INC. STAFF'S RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Monthly Flat Rate Structure		Monthly BFC/ uniform kgal charge BFC = 50%	
BFC	\$42.89	BFC	\$20.59
All kgals	\$0.00	All kgals	\$7.18
Typical Monthly Bills (1)		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$42.89	0	\$20.59
1	\$42.89	1	\$27.77
3	\$42.89	3	\$42.13
5	\$42.89	5	\$56.49
10	\$42.89	10	\$92.39
20	\$42.89	20	\$164.19
Alternative 1		Alternative 2	
Monthly BFC/ uniform kgal charge BFC = 60%		Monthly BFC/ uniform kgal charge BFC = 70%	
BFC	\$24.65	BFC	\$28.58
All kgals	\$5.76	All kgals	\$4.38
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$24.65	0	\$28.58
1	\$30.41	1	\$32.96
3	\$41.93	3	\$41.72
5	\$53.45	5	\$50.48
10	\$82.25	10	\$72.38
20	\$139.85	20	\$116.18

Based on the foregoing, staff recommends that the appropriate rates structure for the wastewater's system's residential and non-residential class be changed to a BFC/gallonge charge rate structure for the wastewater residential and non-residential classes. The wastewater system's non-residential gallonge charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent.

Issue 10: What are the appropriate rates for Pine Ridge?

Preliminary Recommendation: The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively. The recommended rates should be designed to produce revenue \$50,779 for water and \$68,466 for wastewater, excluding miscellaneous service charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: The recommended revenue requirement is \$50,779 for the water system and \$68,466 for the wastewater system. There are no miscellaneous service charges for the water and wastewater system.

The approved rates should be effective for service rendered on or after stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of 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 and wastewater systems are shown on Schedule Nos. 4-A and 4-B.

Issue 11: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Preliminary Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Pine Ridge should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Smith)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. The total reduction is \$210 for water and \$210 for wastewater. Using Pine Ridge's current revenues, expenses, capital structure and customer base, the reduction in revenues will result in the rate decreases as shown on Schedule Nos. 4-A and 4-B.

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

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

Issue 12: Should the recommended rates be approved for Pine Ridge on a temporary basis, subject to refund, in the event of protest filed by a party other than Pine Ridge?

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Pine Ridge should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Smith)

Staff Analysis: This recommendation proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. Pine Ridge should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

Pine Ridge should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$31,060. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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

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

If Pine Ridge chooses a letter of credit as a security, it should contain the following conditions:

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

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

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

Pine Ridge should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total

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amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

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Issue 13: Should Pine Ridge be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission approved adjustments?

Preliminary Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Pine Ridge should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. (Smith)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, Pine Ridge should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

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PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 1-A	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$0	\$18,715	\$18,715
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	0	0
5. ACCUMULATED DEPRECIATION	0	(2,654)	(2,654)
6. AMORTIZATION OF CIAC	0	0	0
7. WORKING CAPITAL ALLOWANCE	0	<u>5,285</u>	<u>5,285</u>
8. WATER RATE BASE	<u>\$0</u>	<u>\$21,345</u>	<u>\$21,345</u>

PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 1-B	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$0	\$17,299	\$17,299
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	0	0	0
5. ACCUMULATED DEPRECIATION	0	(2,152)	(2,152)
6. AMORTIZATION OF CIAC	0	0	0
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,155</u>	<u>7,155</u>
8. WASTEWATER RATE BASE	<u>\$0</u>	<u>\$22,302</u>	<u>\$22,302</u>

PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 1-C	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
ADJUSTMENTS TO RATE BASE		PAGE 1 OF 2	
<u>UTILITY PLANT IN SERVICE</u>	<u>WATER</u>	<u>WASTEWATER</u>	
1. To replace High Service pump. (Acct No. 311)	\$998	\$0	
2. To reflect retirements to Acct No. 311.	(749)	0	
3. Electronic alternator controls installed. (Acct No. 311)	516	0	
4. Rebuilt High Service Pump and installed 5 hp motor. (Acct No. 311)	1,580	0	
5. Installed High Service Pump with new motor in 2006. (Acct No. 311)	1,358	0	
6. Installed new pump in 2007. (Acct No. 311)	2,266	0	
7. Replaced gate valves. (Acct No. 309)	975	0	
8. To reflect gate valve retirement. (Acct No. 309)	(731)	0	
9. Installed ammonia station. (Acct No. 320)	5,000	0	
10. Replace c12 pump. (Acct No. 311)	250	0	
11. To reflect retirement of c12 pump. (Acct No. 311)	(188)	0	
12. To reflect pro forma cost of hydro pneumatic tank replacement. (Acct 330)	6,500	0	
13. Rebuilt 2" meter. (Acct No. 334)	310	0	
14. Installed 5 water meters. (Acct No. 334)	784	0	
15. Installed lift station starter kits. (Acct No. 360)	0	633	
16. To reflect pro forma cost of flow meter installation. (Acct No. 364)	0	3,000	
17. Installed chlorine pump at WWTP. (Acct No. 370)	0	456	
18. Installed new blower motor & set up timers. (Acct No. 370)	0	2,385	
19. To reflect new blower motor. (Acct No. 370)	0	1,500	
20. Install lift station pump, panel, & floats. (Acct No. 370)	0	7,700	
21. Blower replacement. (Acct No. 380)	0	3,300	
22. To reflect retirement of blower replacement. (Acct No. 380)	0	(2,475)	
23. Installed lift station pump. (Acct No. 370)	0	850	
24. Installed lift station pump and breakers. (Acct No. 370)	0	750	
25. Averaging adjustment.	(155)	(800)	
Total	<u>\$18,715</u>	<u>\$17,299</u>	

PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 1-C	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
ADJUSTMENTS TO RATE BASE		PAGE 2 OF 2	
<u>ACCUMULATED DEPRECIATION</u>		<u>WATER</u>	<u>WASTEWATER</u>
1. Depreciation Adjustment Per Rule 25-30.140 F.A.C.		(\$2,740)	(\$1,846)
2. Averaging Adjustment.		86	(306)
Total		<u>(\$2,654)</u>	<u>(\$2,152)</u>
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O&M expenses.		<u>\$5,285</u>	<u>\$7,155</u>

PINE RIDGE MANAGEMENT CORPORATION						SCHEDULE NO. 2		
TEST YEAR ENDED 12/31/10						DOCKET NO. 110042-WS		
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE	PRO RATA	BALANCE	PERCENT	COST	WEIGHTED COST
			BEFORE PRO RATA ADJUSTMENTS	ADJUSTMENTS	PER STAFF	OF TOTAL		
1. COMMON STOCK	\$0	\$1,000	\$1,000					
2. RETAINED EARNINGS	0	240,852	240,852					
3. PAID IN CAPITAL	0	0	0					
4. TREASURY STOCK	0	0	0					
5. TOTAL COMMON EQUITY	<u>\$0</u>	<u>\$241,852</u>	<u>\$241,852</u>	<u>(\$208,079)</u>	<u>\$33,773</u>	<u>77.38%</u>	<u>9.21%</u>	<u>7.13%</u>
6. REAL ESTATE MORTGAGE	\$0	\$70,710	\$70,710	(\$60,836)	\$9,874	22.62%	7.00%	1.58%
7. OTHER LONG-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
8. TOTAL LONG-TERM DEBT	<u>\$0</u>	<u>\$70,710</u>	<u>\$70,710</u>	<u>(\$60,836)</u>	<u>\$9,874</u>	<u>22.62%</u>		
9. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
10. TOTAL	<u>\$0</u>	<u>\$312,562</u>	<u>\$312,562</u>	<u>(\$268,915)</u>	<u>\$43,647</u>	<u>100.00%</u>		<u>8.71%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>8.21%</u>	<u>10.21%</u>	
OVERALL RATE OF RETURN						<u>7.94%</u>	<u>9.48%</u>	

PINE RIDGE MANAGEMENT CORPORATION			SCHEDULE NO. 3-A		
TEST YEAR ENDED 12/31/10			DOCKET NO. 110042-WS		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	\$0	\$16,550	\$16,550	\$34,229 206.82%	\$50,779
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$0	\$42,276	\$42,276	\$0	\$42,276
3. DEPRECIATION (NET)	0	918	918	0	918
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	0	1,817	1,817	1,540	3,357
6. INCOME TAXES	\$0	\$0	\$0	\$0	\$0
7. TOTAL OPERATING EXPENSES	\$0	\$45,011	\$45,011	\$1,540	\$46,551
8. OPERATING INCOME/(LOSS)	\$0		(\$28,461)		\$4,228
9. WATER RATE BASE	\$0		\$21,345		\$21,345
10. OPERATING MARGIN	0.00%		(133.34%)		10.00%

PINE RIDGE MANAGEMENT CORPORATION			SCHEDULE NO. 3-B		
TEST YEAR ENDED 12/31/10			DOCKET NO. 110042-WS		
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$0</u>	<u>\$56,852</u>	<u>\$56,852</u>	<u>\$11,614</u> 20.43%	<u>\$68,466</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	<u>\$0</u>	<u>\$57,239</u>	<u>\$57,239</u>	<u>\$0</u>	<u>\$57,239</u>
3. DEPRECIATION (NET)	<u>0</u>	<u>1,220</u>	<u>1,220</u>	<u>0</u>	<u>1,220</u>
4. AMORTIZATION	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
5. TAXES OTHER THAN INCOME	<u>0</u>	<u>3,760</u>	<u>3,760</u>	<u>523</u>	<u>4,283</u>
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$0</u>	<u>\$62,219</u>	<u>\$62,219</u>	<u>\$523</u>	<u>\$62,742</u>
8. OPERATING INCOME/(LOSS)	<u>\$0</u>		<u>(\$5,367)</u>		<u>\$5,724</u>
9. WASTEWATER RATE BASE	<u>\$0</u>		<u>\$22,302</u>		<u>\$22,302</u>
10. OPERATING MARGIN	<u>0.00%</u>		<u>(24.07%)</u>		<u>10.00%</u>

PINE RIDGE MANAGEMENT CORPORATION
TEST YEAR ENDED 12/31/10
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-C
DOCKET NO. 110042-WS
PAGE 1 OF 2

	<u>WATER</u>	<u>WASTEWATER</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Sludge Removal Expense (711)		
To reflect sludge removal expenses.	<u>\$0</u>	<u>\$13,919</u>
2. Purchased Power (615/715)		
To reflect test year purchased power expense.	<u>\$1,738</u>	<u>\$2,078</u>
3. Chemicals (618/718)		
To reflect chemical treatment.	<u>\$3,695</u>	<u>\$5,891</u>
4. Materials & Supplies (620/720)		
a. To reflect 3-way split between water, wastewater & mobile home park.	\$305	\$305
b. To reflect materials and supplies invoices for water.	227	0
c. To reflect materials and supplies invoices for wastewater.	<u>0</u>	<u>120</u>
Subtotal	<u>\$532</u>	<u>\$425</u>
5. Contractual Services - Professional (631/731)		
a. To reflect tax preparation fees.	\$125	\$125
b. Engineering fees to Dale Poston.	<u>100</u>	<u>0</u>
Subtotal	<u>\$225</u>	<u>\$125</u>
6. Contractual Services - Testing (635/735)		
a. To reflect testing samples.	\$1,872	\$3,960
b. To reflect NO2 NO3 sample.	60	0
c. To reflect required testing.	<u>0</u>	<u>325</u>
Subtotal	<u>\$1,932</u>	<u>\$4,285</u>
7. Contractual Services - Other (636/736)		
a. To reflect management fees.	\$16,483	\$16,383
b. To reflect operations and maintenance fees.	7,480	7,480
c. To reflect American Drilling expenses.	270	0
d. To reflect cost to clean and inspect hydrotank.	200	0
e. Amortize nonrecurring expenses.	150	170
f. To reflect operating services.	2,700	2,700
g. To reflect meter change out program.	<u>2,041</u>	<u>0</u>
Subtotal	<u>\$29,324</u>	<u>\$26,733</u>

(O&M EXPENSES CONTINUED ON NEXT PAGE)

PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 2	
(O&M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>	
8. Rents (640/740)			
To reflect backhoe rental.	<u>\$0</u>	<u>\$255</u>	
9. Transportation Expense (650/ 750)			
To reflect gasoline charges used for Utility purposes.	<u>\$1,067</u>	<u>\$1,067</u>	
10. Insurance Expenses (655/ 755)			
To reflect insurance expense.	<u>\$833</u>	<u>\$833</u>	
11. Regulatory Expense (665/ 765)			
Amortize rate case expense over 4 years.	<u>\$182</u>	<u>\$182</u>	
12. Miscellaneous Expense (675/ 775)			
a. Annualize phone, internet and long distance.	\$1,286	\$1,286	
b. To reflect post office expenses.	110	110	
c. Membership dues to FL Rural Water Association.	153	0	
d. To reflect DEP fee for annual drinking water license.	100	0	
e. To reflect DEP annual membership dues.	400	0	
f. To reflect annual CCR reports.	650	0	
g. To reflect filing fee for FL Division of Corporations.	<u>50</u>	<u>50</u>	
Subtotal	<u>\$2,749</u>	<u>\$1,445</u>	
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$42,276</u>	<u>\$57,239</u>	
DEPRECIATION EXPENSE			
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	\$918	\$1,220	
2. To reflect test year CIAC amortization calculated by staff.	<u>0</u>	<u>0</u>	
Total	<u>\$918</u>	<u>\$1,220</u>	
TAXES OTHER THAN INCOME			
1. To reflect Property Tax.	\$1,072	\$1,202	
2. To reflect the appropriate RAFs.	<u>745</u>	<u>2,558</u>	
Total	<u>\$1,817</u>	<u>\$3,760</u>	

PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 3-D	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	0	1,738	1,738
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	3,695	3,695
(620) MATERIALS AND SUPPLIES	0	532	532
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	225	225
(635) CONTRACTUAL SERVICES - TESTING	0	1,932	1,932
(636) CONTRACTUAL SERVICES - OTHER	0	29,324	29,324
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	1,067	1,067
(655) INSURANCE EXPENSE	0	833	833
(665) REGULATORY COMMISSION EXPENSE	0	182	182
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	0	2,749	2,749
	<u>\$0</u>	<u>\$42,276</u>	<u>\$42,276</u>

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PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 3-E	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	13,919	13,919
(715) PURCHASED POWER	0	2,078	2,078
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	0	5,891	5,891
(720) MATERIALS AND SUPPLIES	0	425	425
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	0	125	125
(735) CONTRACTUAL SERVICES - TESTING	0	4,285	4,285
(736) CONTRACTUAL SERVICES - OTHER	0	26,733	26,733
(740) RENTS	0	255	255
(750) TRANSPORTATION EXPENSE	0	1,067	1,067
(755) INSURANCE EXPENSE	0	833	833
(765) REGULATORY COMMISSION EXPENSES	0	182	182
(770) BAD DEBT EXPENSE	0	0	0
(775) MISCELLANEOUS EXPENSES	0	1,445	1,445
	<u>\$0</u>	<u>\$57,239</u>	<u>\$57,239</u>

PINE RIDGE MANAGEMENT CORPORATION
TEST YEAR ENDED 12/31/10
MONTHLY WATER RATES

SCHEDULE NO. 4-A
DOCKET NO. 110042-WS

	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
<u>Residential Service</u>			
Flat Rate	\$5.41	N/A	N/A
5/8"	\$0.00	\$15.37	\$0.06
3/4"	\$0.00	\$23.06	\$0.09
1"	\$0.00	\$38.43	\$0.14
1 1/2"	\$0.00	\$76.85	\$0.29
2"	\$0.00	\$122.96	\$0.46
3"	\$0.00	\$245.92	\$0.92
4"	\$0.00	\$384.25	\$1.44
6"	\$0.00	\$768.50	\$2.88
<u>Residential Service Gallonage Charge</u>			
Per 1,000 Gallons	\$2.71	\$4.26	\$0.02
<u>General Service</u>			
<u>Base Facility Charge (Flat Rate):</u>			
Bill's Mini-Mart	\$16.24	N/A	N/A
Church	\$8.12	N/A	N/A
Caldwell's TV	\$8.12	N/A	N/A
Tattoo's (Vacant)	\$8.12	N/A	N/A
Thrift Store	\$5.41	N/A	N/A
5/8"	\$0.00	\$15.37	\$0.06
3/4"	\$0.00	\$23.06	\$0.09
1"	\$0.00	\$38.43	\$0.14
1 1/2"	\$0.00	\$76.85	\$0.29
2"	\$0.00	\$122.96	\$0.46
3"	\$0.00	\$245.92	\$0.92
4"	\$0.00	\$384.25	\$1.44
6"	\$0.00	\$768.50	\$2.88
<u>General Service Gallonage Charge</u>			
Per 1,000 Gallons	\$0.00	\$4.26	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$13.54	\$28.15	
5,000 Gallons	\$18.96	\$36.67	
10,000 Gallons	\$32.51	\$57.97	

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Date: October 26, 2011

PINE RIDGE MANAGEMENT CORPORATION		SCHEDULE NO. 4-B	
TEST YEAR ENDED 12/31/10		DOCKET NO. 110042-WS	
MONTHLY WASTEWATER RATES			
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	MONTHLY RATE REDUCTION
<u>Residential Service</u>			
Flat Rate	\$42.89	\$20.59	\$0.06
<u>Gallonge Charge</u>			
Per 1,000 Gallons	\$0.00	\$7.18	\$0.02
<u>General Service</u>			
<u>Base Facility Charge (Flat Rate):</u>			
Bill's Mini-Mart	\$48.25	N/A	N/A
Church	\$24.12	N/A	N/A
Caldwell's TV	\$24.12	N/A	N/A
Tattoo's (Vacant)	\$24.12	N/A	N/A
Thrift Store	\$23.59	N/A	N/A
5/8"	\$0.00	\$20.59	\$0.06
3/4"	\$0.00	\$30.89	\$0.09
1"	\$0.00	\$51.48	\$0.14
1 1/2"	\$0.00	\$102.95	\$0.29
2"	\$0.00	\$164.72	\$0.46
3"	\$0.00	\$329.44	\$0.92
4"	\$0.00	\$514.75	\$1.43
6"	\$0.00	\$1,029.50	\$2.86
Gallonge Charge per 1,000 gallons	\$0.00	\$8.62	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$42.89	\$42.13	
5,000 Gallons	\$42.89	\$56.49	
10,000 Gallons	\$42.89	\$92.39	