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

DATE: February 11, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Fletcher, Billingslea, Bruce, Bulecza-Banks, Crawford, Daniel, Deason, Hudson, Koff, Lingo, Maurey, Mouring, Redemann, Rieger, Roberts, Springer, Walden, Wright) *Bo VB OH CRB Tgt*
Office of the General Counsel (Jaeger, Fleming, Klancke, Sayler) *AC SPK JLD JH M RKR*

RE: Docket No. 080121-WS – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

AGENDA: 02/24/09 – Special Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: 8-Month Effective Date Waived through 3/17/09

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080121.RCM.DOC

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Case Background

Aqua Utilities Florida, Inc. (AUF or Utility) is a wholly-owned subsidiary of Aqua America, Inc. (AAI). AUF provides water and wastewater service in 82 certificated service areas (57 water and 25 wastewater systems) in 16 counties. As a result of a 2004 corporate reorganization, AUF became the sole shareholder of the 82 Florida Commission-regulated water and wastewater systems that are the subject of this rate case application. In 2007, the Utility recorded total regulated operating revenues of \$5,456,559 and \$3,093,735 for water and wastewater, respectively. AUF reported regulated net operating losses for 2007 of \$304,033 for water and \$502,259 for wastewater. In 2007, AUF had 16,964 and 6,653 respective water and wastewater customers for its regulated systems.

With the exception of the Utility's Village Water and Rosalie Oaks water and wastewater systems in Polk County, the Commission has established rate base for AUF's water and wastewater systems. On April 20, 2004, AUF entered into an asset purchase agreement with Florida Water Services Corporation (FWSC). The closing took place on June 30, 2004, with the parties acknowledging that the sale was subject to Commission approval. On August 24, 2004, FWSC and AUF filed a joint application for transfer of FWSC's land, facilities, and certificates to AUF. By Order No. PSC-05-1242-PAA-WS, issued December 20, 2005, the Commission approved the transfer.¹ The following tables reflect the respective orders by which the Commission established rate base for AUF's other water and wastewater systems.

System	Commission Order No.	Issuance Date
Jasmine Lakes	PSC-93-1675-FOF-WS ²	November 18, 1993
Arredondo Estates/Farms	PSC-96-0728-FOF-WS ³	May 30, 1996
Ravenswood	PSC-96-1409-FOF-WU ⁴	November 20, 1996
The Woods	PSC-97-0312-FOF-WS ⁵	March 24, 1997
Haines Creek	PSC-97-0375-FOF-WU ⁶	April 7, 1997
Lake Osborne Estates	PSC-97-1149-FOF-WU ⁷	September 30, 1997
South Seas	PSC-99-1910-PAA-SU ⁸	September 27, 1999
Ocala Oaks	PSC-99-1925-PAA-WU ⁹	September 28, 1999

¹ In Docket No. 040951-WS, In re: Joint application for approval of sale of Florida Water Services Corporation's land, facilities, and certificates in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, a portion of Seminole, Volusia, and Washington counties to Aqua Utilities Florida, Inc.; and 040952-WS, In re: Joint application for approval of sale of Florida Water Services Corporation's land, facilities, and certificates for Chuluota systems in Seminole County to Aqua Utilities Florida, Inc.

² In Docket No. 920148-WS, In re: Application for a rate increase in Pasco County by Jasmine Lakes Utilities Corporation.

³ In Docket No. 951234-WS, In re: Application of Arredondo Utility Corporation, Inc. for a staff-assisted rate case in Alachua County.

⁴ In Docket No. 960716-WU, In re: Application for transfer of Certificate No. 123-W in Lake County from Theodore S. Jansen d/b/a Ravenswood Water System to Crystal River Utilities, Inc.

⁵ In Docket No. 960643-WS, In re: Application for transfer of Certificates Nos. 507-W and 441-S in Sumter County from Sumter Water Company, Inc. to Crystal River Utilities, Inc.

⁶ In Docket No. 960793-WU, In re: Application for transfer of Certificate No. 130-W in Lake County from Haines Creek Mobile Homesites Waterworks to Crystal River Utilities, Inc.

⁷ In Docket No. 961535-WU, In re: Application for transfer of Certificate No. 53-W in Palm Beach County from Lake Osborne Utilities Company, Inc. to Crystal River Utilities, Inc.

⁸ In Docket No. 982017-SU, In re: Application for authority to transfer facilities of South Seas Utility Company and Certificate No. 268-S in Lee County to AquaSource Utility, Inc.

System	Commission Order No.	Issuance Date
J. Swiderski - 48 estates	PSC-99-2115-PAA-WS ¹⁰	October 25, 1999
J. Swiderski - Kings Cove	PSC-99-2115-PAA-WS	October 25, 1999
J. Swiderski - Summit Chase	PSC-99-2115-PAA-WS	October 25, 1999
Lake Josephine	PSC-00-1389-PAA-WU ¹¹	July 31, 2000
Sebring Lakes	PSC-02-0651-PAA-WU ¹²	May 13, 2002

On September 25, 2006, AAI's six regulated Florida subsidiaries filed a joint application for acknowledgement of corporate reorganization and approval of name change. The purpose of the reorganization was to consolidate and segregate all AAI's Commission-regulated water and wastewater assets in Florida under the ownership and name of its Florida Corporation, Aqua Utilities Florida, Inc. By Order No. PSC-06-0973-FOF-WS, issued November 22, 2006,¹³ the Commission approved the corporate reorganization and request for name change, effective the date of the order.

On December 1, 2006, AUF filed an application for approval of interim and final water and wastewater rate increases. That case was assigned Docket No. 060368-WS. On July 31, 2007, the Office of Public Counsel (OPC) and the Attorney General (AG) filed a Joint Motion to Dismiss the rate case.¹⁴ AUF timely filed its Response in opposition on August 10, 2007. On August 16, 2007, the Commission staff filed a recommendation to grant the Joint Motion to

⁹ In Docket Nos. 981030-WU, In re: Application for transfer of portion of Certificate No. 380-W in Marion County from A.P. Utilities, Inc. to Ocala Oaks Utilities, Inc., holder of Certificate No. 346-W, and amendment of certificates; and 981029-WU, In re: Application by Ocala Oaks Utilities, Inc. for limited proceeding to impose current water rates, charges, classifications, rules, regulations, and service availability policies on Hawks Point and 49th Street Village customers that are currently served by A.P. Utilities, Inc. in Marion County.

¹⁰ In Docket No. 981779-WS, In re: Application for authority to transfer facilities of J. Swiderski Utilities, Inc. and Certificates Nos. 371-S and 441-W in Lake County to AquaSource Utility, Inc.

¹¹ In Docket No. 991001-WU, In re: Application for transfer of facilities and Certificate No. 424-W in Highlands County from Lake Josephine Water to AquaSource Utility, Inc.

¹² In Docket No. 011401-WU, In re: Application for authority to transfer facilities of Heartland Utilities, Inc., holder of Certificate No. 420-W in highlands county, to AquaSource Utility, Inc., holder of Certificate No. 424-W, and for cancellation of Certificate No. 420-W.

¹³ In Docket No. 060643-WS, In re: Joint application for acknowledgement of corporate reorganization and request for approval of name change on Certificate 268-S in Lee County from AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.; Certificates 479-S and 549-W in Alachua County from Arrendondo Utility Company, Inc. d/b/a Aqua Utilities, Inc.; Certificates 053-W, 441-S, and 507-W in Palm Beach and Sumter Counties from Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.; and Certificate 346-W in Marion County from Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.; for cancellation of Certificates 424-W, 371-S, 441-W, 503-S, and 585-W in Highlands, Lake, and Polk Counties held AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.; Certificates 123-W, 510-S, and 594-W in Lake and Polk Counties held by Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.; and Certificates 083-S and 110-W in Pasco County held by Jasmine Lakes Utilities Corporation d/b/a Aqua Utilities Florida, Inc.; and for amendment of Certificates 422-W, 120-S, 106-W, 154-S, 209-W, 506-S, and 587-W in Highlands, Lake, Pasco, and Polk Counties held by Aqua Utilities Florida, Inc.

¹⁴ OPC and AG argued that AUF's MFRs regarding its operating expenses were irreparably flawed; that the Utility failed to provide sufficient or timely supporting documentation in response to discovery and audit requests to support its rate request; and failed to fully comply with two orders compelling discovery responses by dates certain.

Dismiss for the reasons stated therein and for additional reasons warranting the dismissal of AUF's request for an increase in water and wastewater rates.¹⁵

On August 27, 2007, AUF filed a Notice of Voluntary Dismissal of the rate case without prejudice, including its application for interim and final rates, its request for increased service availability charges, and its request for approval of Allowance for Funds Prudently Invested (AFPI) charges. On that same date, AUF filed an agreement between AUF, OPC, and the AG (collectively referred to as "Parties") on the proposed resolution and disposition of the issues contained in the staff recommendation. By Order No. PSC-07-0773-FOF-WS, the Commission acknowledged AUF's notice of voluntary dismissal resulting in a return to the rates and charges in effect prior to the implementation of interim rates and in the refund of interim rates with interest. The Commission also approved the Parties' agreement for the Utility's proposed resolution and disposition of the remaining other issues contained in staff's recommendation.¹⁶

On March 11, 2008, OPC filed its Notice of Intervention in this proceeding, pursuant to Section 350.0611, Florida Statutes (F.S).

On May 22, 2008, AUF filed an application for approval of interim and final water and wastewater rate increases. By letter dated June 20, 2008, the Commission staff advised AUF that its Minimum Filing Requirements (MFRs) had several deficiencies. To resolve the deficiencies, AUF filed additional information on July 21, 2008. Based on this data, the MFRs were still determined to be deficient. On August 28, 2008, AUF supplied additional data. The supplemental data filed on August 28, 2008, satisfied the deficiencies and August 28, 2008, was established as the official filing date.

The Utility's application for increased final water and wastewater rates is based on the historical 12-month period ended December 31, 2007, with requested adjustments for pro forma plant and operating expenses. In its filing, the Utility states that the rate increase is necessary because the Utility did not earn a fair and reasonable rate of return on its investment. AUF's requested final rate increase would result in additional operating revenues of \$4,518,358 for water and \$3,856,180 for wastewater.

AUF's interim request was based on a historical test year ended December 31, 2007. The Utility-requested interim rates would produce additional revenues of \$2,946,615 for water operations and \$2,983,934 for wastewater operations. For interim rate purposes, AUF requested that the interim rate increase be capped at approximately the level of the final rates for the requested consolidated rate structure. For those systems that are capped and for which the Utility would actually collect less in interim rates than it was entitled, AUF requested that the difference over the term of the interim rates be recognized as a regulatory asset to be recovered over a

¹⁵ Staff recommended that, in addition to the reasons set forth in the Joint Motion to Dismiss, AUF's rate case should be dismissed because the MFRs were irreparably flawed with respect to projected plant additions and engineering data; because AUF failed to provide sufficient documentation regarding the historical number of bills rendered or the number of gallons sold during either the 2005 test year or during 2006; its 2005 and 2006 gallons data was irreparably flawed; and AUF failed to support its 2006 and 2007 billing determinants projections.

¹⁶ See Order No. PSC-07-0773-FOF-WS, issued September 24, 2007, in Docket No. 060368-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

period of two years once final rates are determined. The Utility states that it would neither seek to recover interest on this deferred recovery, nor have this amount included in the calculation of working capital.

By Order No. PSC-08-0343-PCO-WS, issued May 28, 2008, the Commission acknowledged OPC's Notice of Intervention in this proceeding.

On June 10, 2008, Lake Suzy Utility, Inc. d/b/a Aqua Utilities Florida, Inc. (Lake Suzy) filed a Petition for Leave to Intervene in the instant case. On the same day, Lake Suzy and AUF filed a joint application for acknowledgement of a corporate reorganization and approval of name change on Certificate Nos. 599-W and 514-S in DeSoto and Charlotte Counties from Lake Suzy to AUF. By Order No. PSC-08-0443-FOF-WS, issued July 10, 2008, the Commission approved Lake Suzy and AUF's joint application for a corporate reorganization and approval of name change on Certificate Nos. 599-W and 514-S in DeSoto and Charlotte Counties from Lake Suzy to AUF.¹⁷ Because Lake Suzy is now included in AUF, staff believes that the Petition for Leave to Intervene is moot.

By petition, filed July 25, 2008, Bill McCollum, Attorney General, State of Florida, requested permission to intervene in this rate proceeding.

On July 28, 2008, AUF filed its motion to withdraw its Chuluota System from its request for interim rate relief.

By Order No. PSC-08-0497-PCO-WS, issued August 5, 2008, the Commission acknowledged the AG's petition to intervene in this proceeding.

By Order No. PSC-08-0534-FOF-WS, issued August 18, 2008, the Commission also approved the motion to withdraw the interim request for the Chuluota system, and approved interim rates for other AUF systems. The Commission approved interim increases of \$7,681,942 and \$5,464,764, for other AUF water and wastewater systems, respectively. The Commission also approved AUF's proposal to cap the interim increase to the approximate level of the final rates based on a consolidated rate structure.

The original 8-month statutory deadline for the Commission to address the Utility's requested final rates was January 22, 2009. However, by letter dated May 22, 2008, and February 6, 2008, AUF agreed to extend the statutory timeframe by which the Commission is required to address the Utility's final requested rates. This recommendation addresses the Utility's requested final rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

¹⁷ In Docket No. 080311-WS, In re: Joint application for acknowledgement of corporate reorganization and request for approval of name change on Certificate 599-W and 514-S in DeSoto and Charlotte Counties from Lake Suzy Utilities, Inc. d/b/a Aqua Utilities Florida, Inc. to Aqua Utilities Florida, Inc.

Approved Stipulations

The Commission has previously approved several stipulated issues, stipulated adjustments, and partially stipulated issues. The stipulated issues are reflected later in the recommendation as "Stipulated" in sequential order of the approved numbering of the issues, pursuant to the Prehearing Order No. PSC-08-0807-PHO-WS, issued December 4, 2008, and subsequent decisions by the Commission at the Technical Hearing held on December 8-11, 2008. Also, a consolidated list of all stipulations is attached as Appendix I.

Abbreviations and Technical Terms

The following is a list of acronyms and technical terms which have been used in the recommendation.

COMPANY AND PARTY NAMES

AAI	Aqua America, Inc.
ACO	Aqua Customer Operations
AG	Attorney General
ASI	Aqua Services, Inc.
AUF	Aqua Utilities Florida, Inc.
OPC	Office of Public Counsel

TECHNICAL TERMS

3MADF	3 Month Average Daily Flow
ADIT	Accumulated Deferred Income Taxes
AFPI	Allowance for Funds Prudently Invested
BFC	Base Facility Charge
BR	Brief
BSP	Bates Stamp Page
CAPM	Capital Asset Pricing Model
CIAC	Contributions in Aid of Construction
CWIP	Construction Work in Progress
DCF	Discounted Cash Flow
DEP	Department of Environmental Protection
ERCs	Equivalent Residential Connections
EXH	Exhibit
F.A.C.	Florida Administrative Code
F.S.	Florida Statutes
FWSC	Florida Water Service Corporation
GPD	Gallons per Day
GPM	Gallons per Minute
HAA5	Haloacetic Acid 5
I&I	Infiltration and Inflow
IT	Information Technology
MCLs	Maximum Contaminant Levels
MFRs	Minimum Filing Requirements
MGD	Millions of Gallons Per Day
O&M	Operations and Maintenance
POD	Production of Documents
PWRCA	Priority Water Resource Caution Areas
RF	Radio Frequency
ROE	Return on Equity
SCADA	Supervisory Control and Data Acquisition
SEC	Securities and Exchange Commission

TECHNICAL TERMS CONTINUED

SJRWMD	St. Johns River Water Management District
SWFWMD	Southwest Florida Water Management District
TTHMS	Trihalomethanes
TR	Transcript
UPIS	Utility Plant in Service
U&U	Use and Useful
WAW	Water and Wastewater
WCI	Water Conservation Initiative
WMD	Water Management District
WTP	Water Treatment Plant
WUCA	Water Use Caution Areas
WWTP	Wastewater Treatment Plant

Docket No. 080121-WS
Date: February 11, 2009

ISSUE A: Should the Commission acknowledge Bates Stamped pages 3202-7905 as a part of Exhibit 65, Tab 19?

Recommendation: Yes, it is clear from the description of the exhibit that the Bates Stamped pages were intended to be included, but were omitted due to a clerical error. (Jaeger)

Staff Analysis: With Exhibit 65 (Staff's Composite Exhibit), in Tab 19, staff had intended to include all documents produced in response to Production of Document (POD) requests 23 through 31. However, the Bates Stamp pages (BSP) listed only contained documents pertaining to PODs 26, 27, 28, and 31, and inadvertently omitted the documents for POD Nos. 23, 24, 25, 29, and 30. To correct this error, staff believes the BSP listed for Exhibit 65, Tab 19, should be acknowledged to include BSP 3202-7905 (the BSP for PODs 23, 24, 25, 29, and 30).

Staff has contacted all parties, and all parties have stated that they have no objection to these pages being included. Therefore, staff recommends that the Commission acknowledge that Exhibit 65, Tab 19, includes BSP 3202-7905.

Discussion of Issues

Issue 1: Is the quality of service provided by the Utility satisfactory, and, if not, what action should be taken by the Commission?

Recommendation: The overall quality of service is marginal. Quality of the product is satisfactory, except at the Chuluota and The Woods water systems, where the product is marginal. For all systems, operational conditions are satisfactory, and customer satisfaction is marginal. As a result of the water quality at Chuluota and The Woods, a 25-basis point reduction on return on equity should be applied to each of these water systems. This 25-basis point reduction should remain in effect for each system until the Department of Environmental Protection closes the Consent Order for that system. Upon DEP advising that the Consent Orders are satisfied, staff should be given administrative authority to approve the increase on the return on equity and approve increased rates upon the Utility filing the appropriate tariffs and notice. Due to the marginal rating in the area of overall customer satisfaction, and specifically for its failure to timely resolve billing errors and the handling of customers that contact its Call Center, staff recommends that an additional 50-basis point reduction on return on equity be applied to all systems. Staff further recommends that if, at the end of two years, the Utility can demonstrate that it has corrected the above-noted problems, then, upon verification by the Commission, the reduction in ROE for each problem corrected may be removed and rates adjusted accordingly. (Walden, Simpson, Daniel, Bulecza-Banks)

Position of the Parties

AUF: Yes. The quality of service provided by AUF is satisfactory and no further action should be taken by the Commission.

OPC: The company's quality of service is unsatisfactory. The Commission should reduce the company's return on equity by 1.50 percent for its failure to provide satisfactory customer service, accurate bills, and satisfactory water quality to its customers. In addition, the Commission should disallow a portion of executive salaries.

AG: Customers are unable to drink, shower, or wash clothes in AUF water. Customer service is unacceptable and there are billing errors.

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 the utility by evaluating 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. The utility's compliance history with the Department of Environmental Protection (DEP) and comments or complaints received from customers is also considered.

AUF believes that the quality of service as defined by the Commission is satisfactory. To support this statement, the Utility explains that it is in general compliance with DEP and Water Management District (WMD) standards, and has a strategy to maintain compliance. Further, the Utility is committed to customer service and is improving that service where needed. (AUF BR 2)

OPC asserted that the customers in this case testified at service hearings and provided written communications to the Commission demonstrating that the customers are extremely dissatisfied with the water quality, customer service to include customer account representatives, and billing. Customers of Chuluota were especially vocal. (OPC BR 1-2; TR 625; EXH 86; EXH 193)

AG argues that water quality issues are primarily noted in the Chuluota service area and water quality should be improved before any rate increase is granted. AG also notes that Customer complaints to the Utility's Call Center are not properly handled and billing errors have not been corrected. (AG BR 1-3)

QUALITY OF THE PRODUCT/OPERATIONAL CONDITIONS

OPC witness Dismukes cited the testimony of numerous customers who attended customer service hearings and complained about the water quality and customer service. (Gainesville TR 22, 50, 55, 61, 62; Palatka TR 19, 25, 51; Sebring TR 19, 22, 28, 35; Lakeland TR 23, 24, 38, 62, 88, 89, 99, 106; Mt. Dora TR 62, 66, 71; Oviedo II TR 26, 29, 42, 46, 61, 69, 71, 80, 83, 88, 90, 94, 97, 102, 106, 114, 119, 132, 147, 160, 171) She noted that customers complained of low pressure, odor, sediment, unpleasant taste, and DEP water quality reports showing excessive amounts of various chemicals. She also noted, especially in the Chuluota system, that customers cited health concerns, corrosion of pipes, and appliance failures. A number of customers said they did not drink the water and had been told not to bathe children in the water. She testified that Chuluota customers perceive that their water is unsafe. (TR 649-657, 765-766)

OPC witness Poucher testified that 98 percent of the customer input in the Commission's correspondence file in this docket showed opposition and dissatisfaction to the Utility's rate request and customer service, including water quality. More than 60 percent of the customers were opposed to the rate increase and a significant number were concerned about water quality. (TR 466-467)

Chuluota Water Quality

AUF witness Franklin testified that Chuluota water quality has caused a significant amount of frustration for many customers, and the Utility recognizes that. More than \$700,000 has been spent in converting the disinfection process to chloramines. Since violating the maximum contaminant levels (MCL) for trihalomethanes (TTHMs), and going to quarterly testing, three quarterly tests have shown that the water is meeting standards for total (TTHMs). In addition, the Utility has retained Dr. James Taylor to assist with water quality issues. Interconnected with the problem the Utility is having with TTHMs is the Utility's problem with sulfur and hydrogen sulfide. (TR 482-484, 1108-1117, 1087, 1138) Initially it was thought that water quality, specifically TTHMs, could be controlled with chemical feed and flushing. That turned out to be unsuccessful. (TR 563-564) During the period that AUF has owned this system, while the system was on free chlorine, there were no incidents of black water. Because it was exceeding the allowed levels for TTHMs, the Utility converted to a chloramine system in April 2008. However, in the summer of 2008, AUF discovered that the water quality analyzers had

malfunctioned and there was a black water occurrence. Therefore, AUF went back on free chlorine, and although this resolved the black water problem, the Utility again exceeded the allowed TTHM levels. In September 2008, AUF went back to using chloramines, and Dr. Taylor continues to provide direction in balancing the water treatment. (TR 568-569, 583-584)

Other steps being taken to improve water quality include the looping of water lines and increased flushing. Some line replacements are being made, especially in conjunction with road projects. (TR 567-568, 572-575)

One customer, a day care center, is provided bottled water paid for by AUF. This day care center is located at the end of a dead-end line, and the Utility determined it was less expensive to provide bottled water to this customer instead of using manpower to flush the distribution system line frequently since the day care is closed on weekends and water becomes stagnant. Once the line looping is completed, the purchase of bottled water will cease. (TR 578-581; EXH 190) The cost of this bottled water is not included in the rate case. (TR 607)

A customer expressed concern that water flushed from the system is being introduced to wetlands. (TR 35, 61) AUF witness Lihvarcik testified that water flushed from the system is introduced to retention areas or going into the woods, and he was not aware of it going into any wetlands. (TR 587-588)

AUF witness Franklin testified that improvements to water quality will continue to be made. The primary concern is to get the TTHMs under control. Beyond that, the Utility needs to do what it can to provide water that the customers can drink confidently. A long-term goal is to meet not only water quality standards, but to also achieve customer satisfaction. (TR 517-518)

The Utility has offered the system for sale at rate base to the City of Oviedo; however, the city has not expressed much interest in purchase. (TR 480-481) Other discussions include purchased water from the city, but that discussion is still in progress. CHP Engineers has been retained by AUF to review the option of purchased water. (TR 509-511)

Witness Franklin acknowledged that the aesthetic quality of the water is related to customer service, would be an issue that needs to be addressed, and stated that aesthetics is a priority. While meeting state and federal standards for water quality remains paramount, aesthetics is the next tier. (TR 498-499)

Many Chuluota customers testified at the service hearings that they were not happy with the water quality. Customers testified that Chuluota water stains plumbing fixtures and causes clothes to smell terrible. (Oviedo I TR 76-77, Oviedo II TR 30, 71, 90, 114-115, 119, 121, 159, 170-171)

Questions about Water Test Results, Hydrogen Sulfide, and Harmful Effects of Corrosive Water

During the Oviedo Service Hearings and the Technical Hearing, the Commission made several requests of DEP or staff concerning the quality of water provided by the Chuluota water system. Each of the requests is discussed below.

The first request involved the comprehensive testing of Chuluota's water, and specifically, the testing of the water at the Walker Elementary School (and whether the parents of the students were advised of any problems). The record indicates that water samples taken from the Walker Elementary School cafeteria were gathered on August 4, 2008, and test results showed that TTHMs were detected at 140 micrograms per liter (ug/l), above the regulatory limit of 80 ug/l. No other contaminant exceeded the regulatory limit. Concerning TTHM notices sent to the school by the Utility, DEP contacted the Seminole County School Board and determined that these notices are posted at the school and sent to parents. On August 5, 2008, water samples were collected from six locations throughout the distribution system. There was no detection of nitrite, nitrate, e. coli, or total coliform. Heterotrophic plate counts contained no growth. (EXH 205, p. 1) In semi-quantitative tests that AUF conducted, Witness Luitweiler testified the Utility looked for a broad range of inorganic chemicals and organic compounds. The only thing that showed up was hydrogen sulfide. (TR 1087, 1138)

The next area of concern was about test results of the annual and three-year tests for water samples. DEP Rule 62-550, F.A.C., contains a table which shows the chemicals that are tested and the maximum contaminant levels (MCLs). The water from Chuluota's wells is analyzed for nitrites, nitrates, e. coli, total coliform, heterotrophic plate counts (non-coliform bacteria), and volatile organic compounds. All tests are satisfactory except for the violation of the MCL for TTHMs. (EXH 205, p. 1)

The next question was about harmful effects of corrosive water. The customers had testified that the water was corrosive, and did not know if the corrosive water could affect their health. DEP stated that some byproducts of corrosive water such as lead and copper can have health effects. Sampling at consumer taps and the tests of those samples have shown that the water is in compliance with the lead and copper limits. Regarding pitted faucets, DEP stated that based on the evidence that the raw water contains high levels of hydrogen sulfide, it is reasonable to believe that this condition contributes to pitting. (EXH 205, p. 2)

The next question was whether the Utility had a hydrogen sulfide problem in the raw water. Hydrogen sulfide can cause the water to be corrosive and can produce an odor. DEP states that the results of water quality testing performed by Dr. James Taylor confirm that levels of sulfide in the raw water at Chuluota are high. A rotten egg odor is characteristic of hydrogen sulfide presence. (EXH 205, p. 2) The levels of hydrogen sulfide (2.5 to 5 mg/l) are higher in Chuluota than at any of AUF's other systems. (TR 1125)

The Commission requested that a Q-tip with a black residue provided by a Chuluota customer be tested. DEP stated that proper sample preservation and chain of custody are two essential requirements for obtaining valid analytical results. Without knowledge or assurance on how the sample was taken, how it was maintained, or its age, DEP concluded that the analysis of

the Q-tip would not provide any valid information regarding the quality of the community's water or the compliance status of the Utility. Therefore, DEP declined to have the Q-tip tested, and it was not tested at the time of the hearing. (EXH 205, p. 2) Subsequent to the hearing, the Q-tip was tested by EMSL Laboratories, and test results showed the residue on the swab from the master bath sink drain was 88 percent mold, 10 percent quartz [sand], 1 percent organics, and 1 percent inorganics. (EXH 205, supplemental, p. 4)

There was an inquiry made into why water samples were gathered for testing at 390 Lake Lenelle and 803 Mazurka in the Chuluota system. DEP stated that these locations represent maximum retention times where water is in the distribution system because these physical locations are the furthest points in the distribution system from the water treatment plant. (EXH 205, p. 2)

Open Consent Orders

The Utility currently has open consent orders for each of the following systems: the Chuluota water system, The Woods water system, the Zephyr Shores water system, the Village wastewater system, and the South Seas wastewater system. Each consent order is discussed below.

For the Chuluota water system, AUF witness Luitweiler testified that in December 2006, while DEP was drafting the consent order requiring AUF to implement chloramination, the Utility retained an engineering firm to prepare the design. (TR 1102-1103). Staff witness Dodson testified that AUF signed a consent order for Chuluota on January 4, 2007, addressing the TTHM MCL violations. (EXH 109) DEP issued permits to modify the disinfection treatment processes at Chuluota's water treatment plants on March 12, 2007. AUF's modification went into service on April 7, 2008, changing from free chlorine disinfection to chloramine disinfection. TTHM results for sampling conducted on April 10, 2008, were below the MCL; however, TTHM results for sampling conducted on April 22, 2008, were above the MCL. On July 3, 2008, AUF temporarily reverted back to free chlorine disinfection. The cause for the MCL exceedance was malfunctioning equipment. New equipment was obtained and AUF returned to chloramine disinfection on September 3, 2008. The results of TTHM compliance sampling for the third quarter 2008 conducted on September 17, 2008, showed compliance with the MCL. (TR 1031-1032) Results of TTHM sampling conducted by AUF on November 11, 2008, were below the MCL. (EXH 206)

For The Woods, staff witness Greenwell testified that a consent order for this water system in Sumter County was executed on April 26, 2007, with a compliance schedule to address the TTHM and Haloacetic Acid 5 (HAA5) exceedences. The permit application to address the exceedences, issued on December 18, 2007, identified the installation of pressure filters and a static mixer which was completed in May 2008. DEP requires a minimum of four quarters of sampling demonstrating compliance with the MCL before closing the consent order. Test results from the first two quarters are favorable and compliance is expected by the fourth quarter. (TR 1279-1280)

For Zephyr Shores, staff witness Greenwell testified that this water system in Pasco County had an approximate population of 490 and in accordance with Rule 62-555.315(2), F.A.C., all community water systems serving a population of 350 or more require a second well. In addition, Rule 62-555.320(14), F.A.C., requires that the auxiliary power requirements should also be met. AUF witness Lihvarcik stated that the Zephyr Shores system formerly had an interconnect with the city, but the city changed its disinfection to chloramines because of its TTHM problems. AUF chose not to convert to chloramines and the valve between the city and the system had to be closed. Therefore, the system was left without the required reliability pursuant to the rules listed. A consent order was signed on June 18, 2007, to address the well construction and power requirements. This work was completed in April 2008, and the well was placed in service. (TR 1280) The consent order remains open as DEP evaluates the effectiveness of existing treatment to address total sulfide concerns. On October 9, 2008, DEP requested AUF to conduct additional testing. (TR 1280) Witness Lihvarcik testified that the well and generator were required by DEP and that the new well and generator were installed. (TR 1205, 1209-1210)

For Village Water, witness Greenwell testified that a consent order for this wastewater system in Polk County, issued on August 21, 2007, and amended with an effective date of June 27, 2008 (EXH 104), addressed, among other things, the long-term effluent disposal capacity of the percolation ponds and the acquisition of a domestic wastewater permit to authorize operation of the facility. The existing wastewater permit issued on January 23, 2001, expired on January 22, 2006. The permit was administratively continued by the timely submittal of an application to renew the permit; however, the system had been operating without a permit since October 4, 2006, after the permit renewal was denied on September 15, 2006. Reasonable assurance has not been provided to DEP regarding the adequacy of the disposal system, and, therefore, no permit was issued. (TR 1281) In his rebuttal testimony, AUF witness Lihvarcik contends that the disposal ponds are operating as the system was designed and permitted. (TR 1209-1210) Therefore, there appears to be a difference of opinion between AUF and DEP which has yet to be resolved.

For South Seas, staff witness Kleinmann testified that a consent order was issued to this wastewater system in Lee County in August 2007, as a result of a discharge to two golf course ponds that were not authorized discharge sites under the current permit. On March 20, 2008, AUF proposed a pollution prevention project implementation plan, in lieu of paying a fine. (EXH 99) The project, which proposes to replace the diffusers in two aeration tanks, is expected to be completed by December 2008, with a final report to DEP in January 2009. (TR 1252-1253) The discharge is sent to a 0.450 mgd holding tank and then used for irrigation on a 32-acre golf course. (EXH 180, Volume 5, South Seas, Book 2)

Outstanding Warning Letters

For Pomona Park, staff witness Davis testified that DEP reviewed enforcement issues related to the use of a replacement well in Putnam County. Because requirements for notification and clearance did not appear to have been met, a warning letter was issued on May 23, 2008. (EXH 103) AUF did not provide the information required and DEP is considering whether to issue a notice of violation. (TR 1276-1277) The rebuttal testimony of AUF witness Lihvarcik stated that the company is currently working on providing the requested data for the

new well. (TR 1212) A new well is expected to be constructed, and a clearance request will be submitted to DEP to place the new well in service. (EXH 210)

For Jasmine Lakes, witness Greenwell testified that DEP issued a warning letter on March 8, 2007, to AUF for this wastewater treatment facility in Pasco County for exceeding the ground water standards for sodium, chloride, and total dissolved solids, and for improper operation of the four percolation ponds such that it impacted the ground water. (EXH 106) AUF was asked to either modify the effluent disposal system or interconnect with the Pasco County Regional Collection System. (TR 1283) Rebuttal testimony of witness Lihvarcik contends that it is unclear if DEP has the authority to require ponds constructed prior to April 1989 to be rested and rotated. AUF has entered into a contract to address the improper operation of the wastewater ponds. (TR 1210)

For Palm Terrace, witness Greenwell also testified that DEP issued a warning letter to that wastewater system in Pasco County regarding the improper operation of two percolation ponds, slow-rate restricted public access sprayfield systems, and its impact on effluent quality and groundwater. (EXH 105) The effluent disposal system also exceeded the ground water standards for nitrates, total dissolved solids, and fecal coliforms. (TR 1282) In his rebuttal testimony, AUF witness Lihvarcik contends that this system is another system in which it is unclear if DEP has the authority to require ponds that were constructed prior to April 1989 to be rested and rotated. This issue has not been resolved. (TR 1212)

For Arredondo Farms, staff witness Gerard testified that DEP issued a warning letter on June 12, 2008, regarding this wastewater system in Alachua County, addressing effluent violations for: (1) five-day carbonaceous biological oxygen demand for January, February, and March, 2008; (2) AUF's failure to report these effluent violations as abnormal events; and, 3) AUF's failure to calculate some annual averages correctly. AUF responded on June 27, 2008. Arredondo Farms was found to be out of compliance during the inspection that was performed in August 2008. A noncompliance letter was sent to AUF on October 6, 2008, indicating that there were sampling, facility cite, flow measurement, and residual/sludge issues, and requiring a response 30 days from the date of the letter. This issue has not been resolved. (TR 1273)

Outstanding Noncompliance Letters

AUF has six outstanding noncompliance letters. Witness Gerard testified that the Silver Lake Oaks wastewater system in Putnam County has effluent violations relating to total dissolved solids, nitrates, and fecal coliforms. The witness also testified that the Arredondo Farms wastewater system had violations in the areas of sampling, facility cite, flow measurement, and residual/sludge issues. (EXH 101) A response from AUF is expected. (TR 1273) Staff witness Miller testified that the Florida Central Commerce Park wastewater system in Seminole County failed to submit pathogen (Giardia and Cryptosporidium) monitoring results every five years. AUF is to submit test results from samples to DEP as the next step. (TR 1287) The Valencia Terrace wastewater system in Lake County is required to install a new bar screen and splitter box, and this equipment is expected to be completed by December 31, 2008. (TR 1287) The Morningview wastewater plant in Lake County is not meeting the minimum chlorine contact time of 15 minutes and two reporting deficiencies were noted. (TR 1287) Staff witness

Kleinmann testified that the South Seas wastewater system had effluent violations for total suspended solids for the months of March, April, May, and August 2008, as well as a fecal coliform violation in July. (TR 1254) AUF responded that these issues will be corrected. (TR 1287-1288)

Other Violations

Staff witness Miller testified that the Discharge Monitoring Reports of the Chuluota wastewater system showed that the annual average daily flow to the facility has been exceeding its permitted capacity. The operating permit expired on March 10, 2008, and the permit was administratively extended as the Utility had applied for a permit renewal. DEP requested additional information from AUF regarding the permit application that was filed on December 6, 2007, and is awaiting a response. (EXH 108; TR 1287)

AUF witness Lihvarcik testified that AUF provides an excellent product and excellent service to its customers. (TR 547) The Utility's corporate office in Leesburg ensures that systems are operated in compliance with environmental regulations, with corporate policies, and that customers are provided a high level of services. Systems are operated in conformance with applicable environmental rules. Capital improvements are planned to comply with state and federal regulations so that safe and reliable service to the customers can be provided. (TR 548, 550-551)

According to the Utility, it places a big priority on compliance with health standards and regulations regarding water quality. AUF admitted that while there have been five consent orders, the Utility is now in compliance with four of those, and soon will be in compliance with the fifth one, which is Chuluota. (AUF BR 2) Witness Luitweiler testified that 3 quarterly tests have been conducted on the water at Chuluota; all 3 tests showed compliance with standards. (TR 1086, 1093) Additional testimony was provided explaining the raw water quality, the efforts made by the Utility involving chlorine, chloramines, and retention of a consultant to help improve Chuluota's water quality. (TR 1082-1090) Witness Luitweiler further testified that for The Woods, after removing former equipment for iron removal treatment and installing a green sand filter, the level of TTHMs is in compliance with standards. (TR 1090-1091) Witness Lihvarcik testified that The Woods has had three quarters of compliance now, will be tested in December 2008 for the fourth quarter, and is expected to achieve compliance. (TR 1238)

The DEP witness testified about minor issues at a number of treatment plants, and indicated that the plants have come into compliance with DEP's requirements. Therefore, it appears that the overall water and wastewater quality for the AUF's systems, other than Chuluota water and The Woods water, is satisfactory. (TR 1252-1334)

CUSTOMER SATISFACTION

Service Hearings

Ten customer service hearings were held around the state in nine locations between July 2, 2008, and September 26, 2008. Approximately 390 customers attended these noticed hearings. Although there were quality of service concerns brought up at these hearings, staff believes that the most recurring theme at these hearings was the time it took for AUF to resolve complaints, and the treatment customers received when they called the Utility's Call Center. Also, the customers repeatedly expressed concern over the justification for the proposed rate increases and the personal hardship such rate increases would impose. AUF representatives were available at each meeting with computers linked to their main database to assist customers with service and billing issues. At the beginning of each meeting, the Chairman announced that AUF had representatives available to address particular billing or service issues.

DATE	LOCATION OF SERVICE HEARING	CUSTOMERS IN ATTENDANCE	CUSTOMER SPEAKERS
July 2, 2008	Gainesville	11	9
July 7, 2008	Sebring	15	9
July 8, 2008	Lakeland	29	14
July 16, 2008	Mount Dora	28	10
July 17, 2008	Oviedo – AM (I)	60	17
July 17, 2008	Oviedo – PM (II)	85	24
July 22, 2008	Palatka	15	8
July 30, 2008	Chipley	17	7
Aug. 7, 2008	Green Acres	30	12
Sept. 26, 2008	New Port Richey	100	59
	Total	390	169

Most of the 169 customers who spoke had quality of water concerns, billing concerns, or both. Forty-eight percent of all concerns raised were water quality issues including taste, sediment, odor, color, and pressure. The remaining 52 percent were billing-related concerns involving meter reading problems, incorrect charges, and high rates.

In her testimony, staff witness Hicks noted that the Florida Public Service Commission Complaint Tracking System was reviewed for complaints filed against AUF under Rule 25-22.032, F.A.C. (TR 1299). A total of 326 complaints were received from January 1, 2007, through September 30, 2008. An analysis of these complaints revealed 68 percent concerned billing issues, and the remaining 32 percent dealt with quality of service issues. (TR 1300)

Customer Service

Witness Franklin stated that there has been a review of every complaint that was generated at the customer service hearings, including an individualized response sent to each of those customers. (TR 427, 431-432, 444) Witness Franklin further claimed that the Utility has made efforts to improve communication with its customers. One method has been to initiate a new program, AUF Connects, where senior management meets with customers to provide

information about the company and allows customers to discuss issues and concerns with those Utility representatives. AUF requested the cost of this program be included as a pro forma adjustment. (TR 399-406)

Twelve meetings are planned for 2009, including one planned for the last Friday in January 2009 at Tomoka View/Twin Rivers. (TR 500-501, 589-590) The Utility has held meetings already and attendance was less than expected. By holding a meeting in conjunction with a homeowners meeting, witness Franklin said the attendance improved. A goal is to communicate more with AUF's customers, making it more of an educational opportunity, and use company executives who are salaried rather than hourly employees. (TR 500-501)

The Utility has hired several new management staff, including two former DEP employees to aid the company in furthering its goal and commitment of environmental compliance. Additionally, the Utility has hired a new chief operating manager and an area manager, both of whom have prior experience in water and wastewater operations. Another new employee is an in-state Florida customer service representative who has the ability to handle billing, metering reading, and general customer service issues. (TR 428-429) He was sent to AUF's customer service center in Texas for training and received additional training in Bryn Mawr. (TR 508-509)

Witness Franklin summed up his comments by saying that overall he believes that the average customer receives very good customer service from the Call Centers and billing group. He further testified that he thought the service provided by AUF has continually improved over the last several quarters and the intent is to continue to improve. (TR 532-534)

A strong commitment to customer service is one of the tenets of the AUF organization, according to witness Lihvarcik. He explained how the customer service field supervisor in Florida interfaces with the Call Center, billing, and customer service section. He also noted that the Call Center in Cary, North Carolina, can automatically route calls to two other centers in Pennsylvania and Illinois when necessary. (TR 555-556)

As stated earlier, OPC witnesses Poucher and Dismukes noted that many customers were dissatisfied with the service they received. In addition to the quality of water product, the customers seemed to be especially upset about the delay and difficulty in correcting billing errors, and the treatment they received from the Utility's service representatives at the Call Center.

Witness Poucher contacted customers who had testified at the customer service hearings about service problems, and who subsequently received letters from AUF addressing the complaints made. The customers provided AUF's responses to OPC witness Poucher and expressed their displeasure with AUF's response. The customers disputed the conclusions reached in the letters sent to them from AUF. (TR 868-895) Further, the customers did not believe that AUF in many cases actually addressed their complaint, and that AUF's responses were nothing more than form letters. A review of the letters sent by AUF shows that some of the letters were identical, which was admitted by AUF witness Franklin. (TR 466-467)

Witness Poucher acknowledged that AUF's employees, including witness Lihvarcik, spent time at customer service hearings attempting to resolve customer problems. While this is something that he would expect to occur, he complimented the Utility for coming to the service hearings ready to resolve customer issues. (TR 900) Witness Poucher recommended that: (1) the Commission penalize the Utility; (2) print the toll free number for the Commission on the front of customers' bills; (3) require a monthly report from AUF of complaints received from Florida customers, including a summary of the complaints by category, and the resolution and steps taken to prevent recurrence; (4) require Commission staff to visit AUF's Call Centers to see those operations; (5) place a moratorium on expansion of AUF facilities; (6) require Commission staff to review the data provided at the end of year one and year two, noting the progress made by the Utility; and (7) at the end of year three, require the Utility to demonstrate the service problems have been resolved, removing the penalty imposed three years before. (TR 903-905)

Billing

The Utility implemented a new billing system at the end of 2006. (TR 450) To improve the billing process, AUF is replacing all manually-read meters with remote telemetry meters. Fewer estimated bills and more accurate readings are expected. As of September 2008, 14,597 meters have been changed out, with 2,413 additional meters budgeted for replacement. (TR 427, 556; EXH 142)

Witness Franklin acknowledged billing issues involving the remote telemetry meters that have been installed. These meters were installed by outside contractors, and many times it took a long time for the contractor to supply the Utility with details of new meter installations. The Utility's billing system was showing the former meter and not the new installation. This resulted in estimated bills. (TR 471-474, 491-492) The number of estimated bills has greatly diminished since the new remote telemetry meters have been installed. Issues related to billing and corrections needed have been accomplished, including removing contractors from doing meter reading and re-sequencing readings for greater efficiency. (TR 506) Witness Lihvarcik testified that the new meters have lessened the need for estimated bills. (TR 598-599)

Witness Lihvarcik was aware that customers voiced billing issues at the customer service hearings. He also knew that some customers had complained to the OPC and the AG. (TR 591-592)

Witness Franklin explained the review conducted by the Utility in response to a customer billing inquiry from Scottish Highlands (Silver Lake Estates system in Lake County), and acknowledged that it took a long time to resolve due to the complexity of the issues. The customer told OPC that countless phone calls had been made to resolve a billing irregularity, and the last contact made with AUF was on October 14, 2008. The inquiry, dated November 10, 2008, was sent to the OPC and as of a week later, no one from AUF had yet contacted the customer. Witness Franklin testified that the customer should have been called back during that interim period after the complaint was received and the Utility performed the necessary field work to resolve the billing inquiry. (EXH 189; TR 451-455)

Witness Dismukes testified that the majority of complaints to the Commission involved billing issues, citing specific incidents where billing to the customer was not correct. (TR 626, 632-633, 637-643, 667-669, 765-766) It was also noted that billing issues were brought to the Commission's attention at the customer service hearings. (Gainesville TR 22, 26, 68, 82; Palatka TR 21, 22, 31; Lakeland TR 25, 69, 106; Mt. Dora TR 27; Oviedo II TR 61, 75, 85, 96, 154, 170)

The Call Center

The Utility is able to track answered calls at its Call Center and the customer service representative makes a record on the customer's account of the date, the discussion, and the representative's initials. (TR 512-513) Witness Franklin testified that Call Center records do not track transferred or disconnected calls, or if a message is left. (TR 464-465, 469, 512-513) The Call Center handles about 4,500 calls per day each week. (TR 475) Customers complained at the service hearings about one particular employee being unhelpful. An internal review of this employee's performance was conducted, and the Utility determined the employee was dealing with difficult issues and that the employee was effective in doing so. Training is provided to Call Center employees, and an incentive program is in place based upon performance. The Utility has made efforts to evaluate the effectiveness of the customer service representatives and compare those ratings to industry standards. Witness Franklin stated that the scores from those evaluations compared favorably to industry standards and in some areas were better than standard. (TR 475-479, 483-487) Witness Franklin explained the method of Call Center training and customer service representative evaluation, the length of time that recorded training sessions are retained, and detailed the internal procedure followed by AUF. (TR 502-505)

Some customers had complained that when contacting the Call Center, they could not be passed to a supervisor, or that a supervisor did not call the customer back. A system is in place that requires supervisors to call a customer back within 24 hours. These call-backs are documented. This is a system that can be and has been accessed by witness Franklin for follow-up. (TR 492-493)

The Call Center has ten new employees since the third quarter of 2007, as well as a full time training team. The Utility claims performance metrics in the Center have improved dramatically. (TR 428)

OPC witness Dismukes testified about the Call Center. She noted the targets (call wait times, abandoned calls, speed to answer calls, and average call handling time) that AUF has set, and stated that the utility rarely meets its targets. (TR 627-631) The majority of the questions from customers involved billing, water quality, and complaints that telephone calls were disconnected. If a return call was promised, many times no return call was made. (TR 632-635) Witness Dismukes acknowledges that while AUF has made improvements in its Call Center processes that should improve customer service, the level of service remains unacceptable. (TR 647-648)

STAFF ANALYSIS

Quality of Product

While AUF is making strides to improve the water quality for those systems where problems exist, there is still more work to be accomplished. Chuluota and The Woods continue to have water quality issues even after the conversion to chloramines to reduce the TTHMs. However, it appears that both systems may attain acceptable TTHM levels in the near term. Because of the customer complaints focusing on unacceptable water quality at Chuluota, as well as outstanding consent orders and compliance not yet achieved at Chuluota and The Woods, staff has significant concerns about the water quality at these two systems.

When there are water quality issues, Commission practice has been to look carefully at the situation, and focus on the efforts being made by the utility to improve the quality of the product. In this case, it is clear that AUF is making efforts to elevate the water quality, with the goal of achieving the standards set forth by DEP. Testimony shows there have been setbacks due to equipment failure, especially in Chuluota, as well as a difference in perspective on rule interpretation at two Pasco County wastewater systems. Regardless, it appears to staff that AUF is continuing to make strides in improving water quality and reliability, although at Chuluota, and to a lesser extent The Woods, the water quality remains marginal. The Utility has made improvements to enhance the quality of its product. Nonetheless, other systems have issues with taste, odor, sediment, and color – similar to other water utilities' systems in Florida. Staff suggests that AUF continue to work on improving the water product quality. For the reasons stated, staff is recommending that the quality of the water and wastewater product for AUF's systems be determined by the Commission as satisfactory, except at Chuluota and The Woods, where the water quality is marginal.

Operational Conditions

There is little indication that operational conditions are deficient at any of the systems. As stated by the staff witnesses, attaining applicable DEP standards has been an issue. In most instances, the Utility has achieved compliance in correcting conditions at its treatment plants as directed by DEP. The 57 water systems owned and managed by AUF had three outstanding consent orders and a warning letter in the last three years. In addition, there were 13 closed violations. The outstanding consent orders relate to the Chuluota, Zephyr Shores, and The Woods water systems. Zephyr Shores and The Woods and Chuluota are expected to be in compliance after the next quarterly sampling. (TR 1086, 1093) AUF's measures to address the water quality issues including the installation of analyzers at the treatment plants, use of auto flashers, the use of loops in dead-end lines in the network, control of hydrogen sulfide, and the retention of consultant Dr. James Taylor in dealing with water quality issues should further improve the water quality at Chuluota. Staff therefore recommends that operational conditions be found to be satisfactory.

Customer Satisfaction

Water quality, in the opinion of many customers, remains unacceptable. Numerous instances were cited by customers and the OPC where service issues are taking a long time to resolve. Billing corrections are not expeditious. While improvements are being made at the Call Center as explained by AUF witness Franklin, the Call Center has failed to return calls to many customers. Supervisors have not been available to take calls from customers when the customer service representative was unable to resolve a complaint to the satisfaction of a customer. There were numerous instances where customers complained of disconnected customer calls by the Call Center. The follow-up by OPC witness Poucher shows that even when AUF made the effort to send letters to many of the customers who attended the customer service hearings, those customers remain dissatisfied with the handling of their complaints filed with AUF. From a review of the testimony, staff believes that customer satisfaction falls short of what is expected, and should be considered marginal.

CONCLUSION

Quality of Service

As noted above, concerning the 57 water and 25 wastewater systems owned by AUF, there are currently five consent orders, four warning letters, and six noncompliance letters issued by DEP. Having reviewed the customer testimony and the consent order for Chuluota, staff believes that the water quality at Chuluota needs improvement. After the Utility reinstated its chloramine system in Chuluota in September 2008, the test results for TTHMs for the next two quarters were below the MCL. Further, the Utility indicates that improvements are being made. However, at the time of the hearing, Chuluota did not have four quarters of satisfactory testing as required by DEP. A consent order from DEP signed in January 2007 apparently was needed to provide the incentive required for AUF to implement treatment to reduce TTHM levels at Chuluota. Similarly, a consent order was required at The Woods to implement treatment to reduce TTHM and HAA5 levels at that water system. These consent orders remain outstanding. For these reasons, staff recommends that the Commission find the water quality to be marginal at these two water systems. As a result of the marginal water quality at the Chuluota and The Woods water systems, staff recommends a 25-basis point reduction on return on equity (ROE) should be applied to each of these water systems for less than fully satisfactory service, as discussed in greater detail below.

While other water systems have some issues with water quality and consent orders, the issues in those orders have been substantially resolved. For this reason, staff recommends that the water product at the other water systems be determined to be satisfactory.

Regarding wastewater quality, there have been consent orders for the wastewater systems at Village Water and South Seas. Testimony indicates that the work has been completed to resolve the issues cited in those orders. Staff therefore recommends that wastewater quality of the product be determined to be satisfactory.

Based upon the record, operational conditions are adequate and improvements are being made to enhance the water quality. No operational issues were noted for the wastewater systems. Therefore, staff recommends that the Commission conclude that both the water and wastewater operational conditions are satisfactory.

While the Utility is taking steps to improve customer service, staff recommends the Commission find customer satisfaction to be marginal. This determination is based on customer testimony at the service hearings, as well as OPC's witnesses Dismukes and Poucher's testimony. Based primarily on the customers' problems with having their billing complaints timely resolved, and with their treatment at the Call Center, staff recommends that the overall quality of service be considered marginal.

Reduction to ROE for Marginal Quality of Service

In staff's opinion, in some cases, AUF has failed to timely rectify billing issues and improperly handled those customer complaints at the Utility's Call Center. With respect to billing, staff believes that AUF's ROE should be reduced to incent AUF to actively strive to timely correct billing issues. In staff's view, most billing issues arising in one billing cycle should be resolved by the next billing cycle. Staff notes that it took the company eight months to correct billing errors resulting from the integration of AUF's newly installed remote telemetry meters and AUF's billing system. (New Port Richey TR 58; Oviedo I TR 70; Palatka TR 22-23) While staff acknowledges that the billing errors resulting from the integration were inadvertent, staff sees no reason why it took several months to correct the customer's bills.

Customers also testified about frustration with AUF's delay in correcting bills for meter reading errors, incorrect meter assignment, and months of estimated billings. (Chipley TR 23; Gainesville TR 75; Lakeland TR 26, 70; Mt. Dora TR 62; New Port Richey TR 34-36, 44, 89, 129; Oviedo I TR 161; Oviedo II TR 83; Palatka TR 22; Sebring TR 57).

Staff acknowledges that AUF's billing should improve once it has completed its conversion to remote telemetry meters. However, this conversion will not eliminate all billing issues. Based on the record, AUF has not responded expeditiously to resolve customer billing issues. As a result, staff recommends that a 25-basis point reduction to AUF's ROE be made for AUF's failure to timely resolve some customers' billing issues.

In addition to AUF's billing issues, another area of concern regarding customer satisfaction relates to AUF's lack of responsiveness to customers and its handling of customer complaints to the Utility's Call Center. Customers testified that some representatives at the Call Center were rude, and lacked professionalism and customer skills. Customers also testified that they failed to receive a return call as promised by AUF. (Palatka TR 21, 23; Lakeland TR 110; Oviedo II TR 31, 86; Gainesville TR 25; New Port Richey TR 141) At least one customer testified that they were placed on hold and a representative never came back on the line. (Lakeland TR 27) In staff's opinion, customers who are promised a return call should receive a return call. The failure to return calls does not appear to be an isolated incident and reflects an apparent indifference towards the needs of AUF's customers.

From the record, it is clear that some customers have received marginal service. An example of AUF's apparent indifference to customers' concerns with water quality is demonstrated by the following quote from customer witness Fuston:

I called, spoke with customer service, and was told that if I was concerned that I could purchase bottled water.

(Oviedo II TR 158) The above quote is but one illustrative example of the customer service provided by AUF; the quote exemplifies the treatment some AUF's customers have experienced.

As a result of AUF's handling of calls at its Call Center and its demonstrated lack of quality customer service, staff recommends that an additional 25-basis point reduction be made to AUF's ROE. The 25-basis point reduction is in addition to staff's recommended 25-basis point reduction related to billing issues. In addition to these two reductions, the ROE for Chuluota and The Woods' water systems should be reduced by 25-basis points, for a total reduction on equity of 75-basis points for these two systems.

Pursuant to Section 367.081(2)(a)1., F.S., the Commission shall fix rates which are just, reasonable, compensatory, and not unfairly discriminatory, such that they give the utility a chance to earn a fair rate of return on its investment used and useful in the public service. Also, Section 367.111(2), F.S., states in pertinent part:

If the Commission finds that a utility has failed to provide its customers with water or wastewater service that meets the standards promulgated by the Department of Environmental Protection or the water management districts, the Commission may reduce the utility's return on equity until the standards are met.

The Courts have approved reductions to ROE for poor quality of service or mismanagement, as long as the reductions kept the Utility's rate of return within the fair rate of return range.¹⁸

The Commission has previously reduced the ROE of utilities that have provided marginal quality customer service. In Order No. PSC-96-1320-FOF-WS (Southern States Utilities (SSU) Order), issued October 30, 1996, in Docket No. 950495-WS,¹⁹ the Commission imposed a 25-basis point reduction for marginal quality of service. See also, Order No. 17760, issued June 29, 1987, in Docket No. 850646-SU, In Re: Application of Ocean Reef Club, Inc. for increased rates

¹⁸ See Gulf Power Company v. Wilson, 597 So. 2d 270, 271 (Fla. 1992), where Commission's reduction of utility's ROE by 50-basis points for corrupt practices was approved by the Supreme Court of Florida. See also Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc. The Order was "Per Curiam. Affirmed" on appeal (See Aloha Utilities, Inc. v Fla. PSC, 848 So. 2d 307 (Fla. 1st DCA 2003)). In the Aloha Order, the Commission reduced the ROE by 100 basis-points. The Commission had found the quality of the utility's product and operational conditions to be satisfactory, but customer satisfaction and overall quality of service to be unsatisfactory.

¹⁹ In re: Application for rate increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington counties.

for Sewer Service in Monroe County (Ocean Reef Order), where the Commission reduced the ROE by 50-basis points for marginal quality of service. In the Southern States Order, the Commission cited its basis for the reduction as follows:

We have noted quality problems for some of SSU's service areas, and customer dissatisfaction with customer service and information provided by the utility to customers. We have required remedial measures, quarterly reports and customer education for several specific situations. However, we find that the utility's less than satisfactory customer service also merits an adjustment in the utility's return on equity. Therefore, in addition to the corrective measures imposed upon the utility, we find it appropriate to make an adjustment to reduce the utility's return on equity by 25 basis points.

(p. 31) Therefore, staff believes that the above reductions to ROE are appropriate and are consistent with Sections 367.081(2)(a)1. and 367.111, F.S., prior Commission decisions, and case law.

The 25-basis point reduction on ROE for the Chuluota and The Woods water system should remain in effect for each system until the Department of Environmental Protection closes the Consent Order for that system. Staff should be given administrative authority to approve the increase on the return on equity and approve increased rates upon the Utility filing the appropriate tariffs and notice.

The reduction in ROE for the Utility's failure to timely resolve billing complaints (25-basis points), and for the handling of customer complaints at its Call Center (25-basis points), shall remain in effect for a minimum of two years. Staff notes that the 25-basis point reduction on ROE in SSU's Order was automatically lifted after two years, while the 50-basis point reduction on ROE in the Ocean Reef Order was indefinite. Because of the complexity of the problems with billing complaints and handling of calls at the Call Center, staff does not believe that the reduction on ROE should automatically be lifted. Rather, staff recommends that if, at the end of two years, the Utility can demonstrate that it has corrected the above-noted problems, then, upon verification by the Commission, the reduction in ROE for each problem corrected may be removed and rates adjusted accordingly.

Issue 2: Should any adjustments be made to test year plant-in service balances?

Recommendation: Yes, the following adjustments should be made:

System	Account	Staff Audit	Recomm. Adjs.
Water			
Lake Suzy	Plant in Service	(\$526,332)	(\$311,996)
Lake Suzy	CIAC	\$137,077	\$81,256
Lake Josephine	Plant in Service	(\$329,672)	\$203
Lake Josephine	CIAC	\$0	(1,801)
Sebring	Plant in Service	(\$20,122)	(\$13,892)
Wastewater			
Lake Suzy	Plant in Service	(\$1,119,520)	(\$94,057)

(Wright)

Position of the Parties

AUF: No. AUF agrees to the adjustments as outlined in its response to the Staff Audit Report, as set forth in the Rebuttal Testimony of Robert M. Griffin. However, established principles of res judicata, fairness and administrative finality require that the Commission honor the rate base values for the Lake Suzy system that it previously established in Order No. PSC-97-0540-FOF-WS.

OPC: Yes. Citizens agree with the following adjustments proposed by staff witness Dobiac.

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Plant in Service	(\$534,219)	Unsupported Plant
Lake Suzy	CIAC	\$137,077	Corresponding CIAC Adj.
Sebring	Plant in Service	(\$20,122)	Unsupported Plant
Lake Osborne	Plant in Service	(\$3,289)	Unsupported Plant
Mobile Terrace	Trans./Dist. Mains	\$1,247	Correct Misclassification of Expense
Wastewater			
Lake Suzy	Plant in Service	(\$1,119,520)	Unsupported Plant

AG: Adopt's OPC's position.

Staff Analysis:

Due to the lack of supporting documentation, staff witness Dobiac recommended rate base adjustments to the Utility's Lake Suzy water and wastewater systems, as well as Lake Josephine's water system, and AUF's Sebring water system.

Lake Suzy Water and Wastewater Systems

Staff witness Dobiac testified that the Utility did not provide supporting documentation for \$534,219 in plant additions for the Lake Suzy water system. (TR 946) This amount was later revised by witness Dobiac to \$526,322. (TR 942) She also recommended that contributions in aid of construction (CIAC) be decreased by \$137,077. (TR 946) Moreover, witness Dobiac stated that the Utility did not provide supporting documentation for \$1,119,520 in plant additions for Lake Suzy's wastewater system. (TR 947) The total water and wastewater plant additions identified as unsupported by witness Dobiac, therefore, was \$1,645,842.

AUF witness Griffin, testified that, prior to AUF acquiring the Lake Suzy system, the Commission, by Order No. PSC-97-0540-FOF-WS,²⁰ approved water and wastewater plant for Lake Suzy in the amount of \$1,239,799. (TR 1482) Order No. PSC-97-0540-FOF-WS was included in witness Griffin's rebuttal testimony as Exhibit 141 and showed water plant-in-service of \$214,336 and wastewater plant-in-service of \$1,025,463, for a total water and wastewater amount of \$1,239,799. In his rebuttal testimony, witness Griffin states that, at the very least, the Lake Suzy plant which the Commission approved in Order No. PSC-97-0540-FOF-WS, in the amount of \$1,239,799, should not be removed from AUF's rate base. (TR 1483)

Witness Griffin also states in his rebuttal testimony that the remaining plant eliminations should be denied because the Utility was not asked to provide supporting documentation for these assets and the great majority of the plant additions are contributed property. (TR 1483-1484) While the Utility provided revised adjustment amounts, no additional supporting documentation was provided for the remaining plant eliminations. (TR 1481)

Staff recommends that the amounts for Lake Suzy included in Order No. PSC-97-0540-FOF-WS be recognized and, therefore, recommends a decrease to water plant of \$311,986 (\$526,322-\$214,336) and a decrease to CIAC of \$81,256. Staff further recommends a decrease to wastewater plant of \$94,057 (\$1,119,520-\$1,025,463).

Lake Osborne and Mobile Terrace Water Systems

The amounts shown under OPC's position for Lake Osborne and Mobile Terrace Water Systems have been stipulated to as correct.

Lake Josephine Water System

Witness Dobiac testified that for the Lake Josephine water system, the Utility included \$329,672 in the MFR plant in service balance without appropriate supporting documentation. (TR 948) Witness Dobiac explains that without supporting documentation, she finds accumulated depreciation and depreciation expense to be overstated by \$65,463 and \$10,615, respectively. Witness Dobiac explains that, subsequent to the issuance of the audit report, the Utility provided additional supporting documentation for the \$329,672 of plant additions.

²⁰ See Order No. PSC-97-0540-FOF-WS, issued May 12, 1997, in Docket No. 960799-WS, In re: Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.

(TR 948) She states that the Utility documented that \$258,695 was included in a prior order, and also provided a capital project schedule to support an addition of \$127,482. (TR 948)

Witness Griffin testified that the plant-in-service amounts included in the audit finding are primarily comprised of the beginning Utility balances shown in the June 30, 1999, audit. (EXH 140, p. 1) He states that the June 30, 1999, beginning balances plus the Commission-ordered adjustments result in the last established rate base amounts and, therefore, it is inappropriate to write off the June 30, 1999, beginning balances. (EXH 140, p. 1) Witness Griffin additionally states that the audit work papers revealed a plant-in-service difference of \$203 in account 331 and a CIAC difference of \$1,801. (EXH 140, p. 1)

Staff agrees with witness Griffin's testimony and recommends that Lake Josephine's water system plant-in-service be increased by \$203 and CIAC be increased by \$1,801.

Sebring Water System

Witness Dobiac recommended an adjustment for Sebring Lakes for unsupported additions of \$20,122. (TR 948) The \$20,122 adjustment included \$10,670 in Account 331, Transmission and Distribution Mains, \$3,222 in Account 333, Services, and \$6,230 in Account 334, Meters and Meter Installation. (TR 948) Witness Dobiac explained that these amounts were unsupported additions excluded from rate base in Commission Order No. PSC-02-0651-PAA-WU, issued May 13, 2002, and, therefore, should be removed for this filing. (TR 948) In its response to the staff audit report, the Utility took exception to the \$6,230 adjustment, stating that the reduction was recorded in December 2007. (EXH 140, p. 2) Staff agrees with the Utility, and recommends an adjustment to reduce plant by \$13,892 (\$20,122 - \$6,230).

Conclusion

Based on the above, staff recommends the adjustments in the following table:

System	Account	Staff Audit	Recomm. Adjs.
Water			
Lake Suzy	Plant in Service	(\$526,332)	(\$311,996)
Lake Suzy	CIAC	\$137,077	\$81,256
Lake Josephine	Plant in Service	(\$329,672)	\$203
Lake Josephine	CIAC	\$0	(1,801)
Sebring	Plant in Service	(\$20,122)	(\$13,892)
Wastewater			
Lake Suzy	Plant in Service	(\$1,119,520)	(\$94,057)

Issue 3: Should any adjustments be made to test year land?

Recommendation: Yes. To reflect the appropriate 13-month average balance, land for the Lake Suzy wastewater system should be reduced by \$229,259. (Wright)

Position of the Parties

AUF: Yes. To reflect the appropriate 13-month average balance, land for the Lake Suzy wastewater system should be reduced by \$171,667.

OPC: Yes. Citizens agree with Staff Audit Finding 18.

AG: Adopts OPC's position.

Staff Analysis: Staff witness Dobiac, with respect to Audit Finding No. 18, states that the MFRs included a 13-month average land balance of \$429,459, which included land sold in December of 2007. (TR 951) As described by witness Dobiac in her direct testimony, 19.55 acres was valued at \$294,856, but was reduced by \$94,656 to reflect 6.32 acres held for future use, for an adjusted balance of \$200,200. (TR 951) In June 2005, the prior owner of the Utility entered into litigation proceedings with AUF regarding the wastewater land. (TR 951) In December 2007, as part of a settlement agreement regarding this litigation, the Utility sold 5.97 acres for \$100,000. (TR 951) The settlement agreement also required AUF to make an annual lease payment of \$10,000. (TR 951) Witness Dobiac recommends that the 13-month average balance for land should be adjusted to remove all of the land sold for the entire year; otherwise, the Utility will earn a return on a portion of the land sold, as well as recover the \$10,000 annual lease payment. (TR 952)

Utility witness Griffin agreed in principle with Audit Finding No. 18. (TR 1484) He believes, however, that the land value to eliminate from Lake Suzy Wastewater MFR is \$171,677 and, therefore, the 13-month average of land value should be \$257,782, based on the December 31, 2007, land sale. Witness Griffin believes that staff improperly adjusted the 13-month average calculation by reducing land as though the sale occurred in December 2006. (TR 1484)

Though witness Griffin is correct that the land sale occurred in December 2007, staff agrees with witness Dobiac that the Utility should not earn a return on a portion of the land sold and also allow the annual lease payment of \$10,000. As a result, staff recommends that the 13-month average balance for the wastewater system be reduced by \$229,259 (\$429,459- \$200,200). The annual lease expense is addressed in Issue 53.

Issue 4: Should adjustments be made to the Utility's pro forma plant additions?

Recommendation: Yes. The Utility's pro forma plant additions should be decreased by \$1,959,734 for water and by \$626,692 for wastewater. Accordingly, accumulated depreciation should be decreased by \$110,297 for water and \$5,562 for wastewater, and depreciation expense should be increased by \$6,230 for water and decreased \$2,175 for wastewater. Based on those adjustments, the total pro forma plant additions should be \$1,498,578 for water and \$398,570 for wastewater. (Deason)

Position of the Parties

AUF: Certain adjustments should be made to the Utility's pro forma plant additions concerning the customer service renovation project; the Chuluota wastewater effluent disposal project; the South Seas wastewater effluent disposal project; the Valencia Terrace SCADA project; the Village wastewater effluent disposal site project; and the newly installed Lake Josephine water treatment plant.

OPC: Yes. The company's pro forma plant additions should be reduced by \$1,694,013.

AG: Adopts OPC's position.

Staff Analysis: AUF's filing reflected pro forma plant additions of \$3,458,312 for water and \$1,025,262 for wastewater.

Staff requested in its POD request No. 23 (EXH 65, BSP 3202-7905) support documents related to the pro forma plant additions reflected on MFR Schedules A-3 for all water and wastewater systems. Staff's request included, but was not limited to: allocation of corporate information technology (IT), meter replacement costs, retirements of existing meters, Supervisory Control and Data Acquisition (SCADA) telemetry systems, alternative effluent disposal projects, effluent disposal, effluent disposal sites, effluent pond rehabilitations, new water treatment plants, replacement of pumps and motors, and other miscellaneous plant equipment replacements.

For each addition listed above, AUF was requested to provide the following:

- A statement why each addition is necessary;
- A copy of all invoices and other support documentation if the plant addition has been completed or in process;
- A copy of the signed contract or any bids, if the plant addition has not been completed;
- A status of the engineering and permitting efforts, if the plant addition has not been through the bidding processing;
- The in-service date of all completed projects;
- The projected in-service date for each outstanding plant addition;
- All support documentation for the Utility's original cost of all its pro forma retirements, and,

- For any pro forma retirement for which the Utility cannot support the original cost, the original in-service date of the plant retired and the Utility's estimate of the original cost using the Handy-Whitman Index or any other appropriate index.

In response to staff's POD 23, the Utility provided approximately 4,200 pages of documents. Staff reviewed all documents and notes that the documents were not well organized, contained many duplicative invoices, contained numerous invoices from non-jurisdictional systems, and had several invoices of items that should have been expensed rather than capitalized. Below is a summary of the various pro forma plant additions.

Meter Replacements

The Utility included \$2,817,930 in pro forma plant for meter replacements. AUF has been in the process of replacing the meters for most of its jurisdictional Florida systems. All invoices relating to meter replacements were matched to the specific system. Based on staff's review, several adjustments are necessary to the costs of pro forma meter replacements. Staff notes that the documentation provided severely understates the amounts reflected in the MFRs. Based on staff's analysis, \$2,212,206 should be removed for undocumented pro forma meters. All adjustments for the pro forma meter replacements are reflected on Schedule 3-C of each system.

Allocated Corporate IT

The Utility included \$387,192 in pro-forma plant for allocated Corporate IT. For the allocated Corporate IT, staff applied the total invoiced amount of \$8,735,587 to the allocation method provided in the Utility's MFRs. According to these schedules, AUF's customer base is 4.28 percent of AUF's parent company AAI. This percentage is then applied to the total invoiced amount for the Corporate IT project of \$8,735,587, which results in \$373,883 allocated to the Florida systems. The \$373,883 is then divided between jurisdictional, systems and non-jurisdictional systems. According to AUF's MFRs, 65.847 percent of AUF's systems are jurisdictional which results in \$246,191 being allocated to AUF's jurisdictional systems. The \$246,191 is then applied to each individual system and allocated based on each system's customer count. The difference between the \$387,192 included in the MFRs and staff's calculated Corporate IT allocation is \$141,001 (\$387,192-\$246,191). As a result, staff recommends \$141,001 be removed from AUF's pro forma Corporate IT allocation. All adjustments for the pro forma allocated Corporate IT are reflected on Schedules 3-C for each system.

Other Pro Forma Plant Additions

Additionally, as stated by Utility witness Griffin, AUF has three pro forma plant projects that should be removed from pro forma plant additions because the projects will not be completed and placed into service by the end of 2008. (TR 1493-94) The projects are the wastewater effluent disposal project at Chuluota, which results in a reduction of \$50,000; the wastewater effluent disposal project at South Seas, which results in a reduction of \$80,000; and

the SCADA project at Valencia Terrace, which results in a reduction of \$25,000. (TR 1493-94) All these adjustments are reflected on Schedule 3-C of each system.

Furthermore, Utility witness Griffin stated that two other pro forma additions, the Village wastewater effluent disposal project and the new Lake Josephine wastewater treatment plant, need to be adjusted because amounts spent on the projects differ from the amount included in the Utility's MFRs. (TR 1493) According to Utility witness Griffin, the Village wastewater effluent disposal site project was originally estimated to cost \$300,000, but has since been bifurcated such that only \$180,000 of the original estimated amount will be spent and closed to utility plant in service (UPIS) before December 31, 2008. The remaining \$170,000 of the wastewater effluent disposal site project will be deferred to a future time. The impact of this adjustment will result in a reduction in rate base of \$170,000. (TR 1495) Utility witness Griffin also stated that the cost of the Lake Josephine new wastewater treatment plant project has increased from the original estimate of \$350,000 to \$694,000. (TR 1495) All of these adjustments are reflected on Schedules 3-C for each system.

As noted above, staff has reviewed all documentation provided by the Utility in response to POD 23. Staff notes that the documentation regarding the Village wastewater effluent disposal site project showed only \$12,450. Because the Utility has failed to provide further documentation regarding the Village wastewater effluent disposal site project, staff has made an adjustment to reduce pro forma plant additions by \$337,550. Regarding the Lake Josephine new wastewater treatment plant project, staff received all invoices for the project and noted that the cost has increased to \$694,000, and therefore, staff has made an adjustment to increase plant by \$372,548. These adjustments are reflected on Schedule 3-C of each system.

Accumulated Depreciation and Depreciation Expense

Based on staff's recommended adjustments above, staff has recalculated accumulated depreciation and depreciation expense associated with the pro forma additions. Staff notes that the Utility recorded accumulated depreciation and depreciation expense in its MFRs based on a half-year convention but included the plant additions as if in service a full year. Consistent with Commission practice, staff believes that both accumulated depreciation and depreciation expense associated with pro forma additions should be recorded at full cost to match the recorded plant additions. All adjustments for accumulated depreciation and depreciation expense are reflected on Schedules 3-C and 4-C, respectively, of each system.

In summary, based on staff's recommended adjustments, the Utility's pro forma plant additions should be decreased by \$1,959,734 for water and decreased by \$626,692 for wastewater. Accordingly, accumulated depreciation should be decreased by \$110,297 for water and \$5,962 for wastewater, and depreciation expense should be increased by \$6,230 for water, and decreased by \$2,175 for wastewater. Based on those adjustments, the total pro forma plant additions should be \$1,498,578 for water and \$398,570 for wastewater.

Issue 5: Do any water systems have excessive unaccounted for water and, if so, what adjustments are necessary? (Stipulated)

Stipulation: Yes. Pursuant to Rule 25-30.4325(1)(e), F.A.C., 26 of the water systems have unaccounted for water in excess of 10 percent of the amount produced. A net reduction of \$15,887 should be made to Purchased Water, Purchased Power, Fuel for Power, Chemicals, and Materials and Supplies, as shown in the table below:

System	EUW Over 10%	Adjustments to Utility Balances					Net Adjustment
		Purchased Water	Purchased Power	Fuel for Power	Chemicals	Materials & Supplies	
Arredondo Estates/Farms	17.17%	\$0	(\$1,708)	\$0	(\$175)	\$322	(\$1,561)
Chuluota	2.40%	\$0	(\$806)	\$0	(\$861)	\$0	(\$1,667)
Haines Creek	2.10%	\$0	(\$38)	\$0	(\$10)	\$0	(\$47)
Hobby Hills	1.90%	\$0	(\$36)	\$0	(\$4)	\$0	(\$40)
Interlachen Lake/Park Manor	37.43%	\$0	(\$2,105)	\$190	(\$538)	\$1,061	(\$1,392)
Jasmine Lakes	4.25%	\$0	(\$751)	\$0	(\$665)	\$177	(\$1,239)
Lake Gibson Estates	2.20%	\$0	(\$531)	\$0	(\$52)	\$0	(\$583)
Lake Osborne	0.10%	(\$188)	(\$0)	\$0	\$0	\$0	(\$188)
Leisure Lakes	19.60%	\$0	(\$1,097)	\$55	(\$572)	\$130	(\$1,485)
Palms MHP	8.35%	\$0	(\$69)	\$2	(\$54)	\$74	(\$47)
Picciola Island	1.50%	\$0	(\$40)	\$0	(\$5)	\$0	(\$44)
Piney Woods/Spring Lake	1.80%	\$0	(\$73)	\$0	(\$31)		(\$104)
Pomona Park	0.20%	\$0	(\$8)	\$0	(\$1)	\$0	(\$9)
Sebring Lakes	23.09%	\$0	(\$2,309)	\$74	(\$2,232)	\$413	(\$4,054)
Silver Lake Est/Western Shores	1.00%	\$0	(\$603)	\$0	(\$35)	\$0	(\$638)
Summit Chase	47.67%	\$0	(\$2,148)	\$345	(\$358)	\$484	(\$1,676)
Sunny Hills	1.10%	\$0	(\$319)	\$0	(\$9)	\$0	(\$328)
Tangerine	1.30%	\$0	(\$121)	\$0	(\$57)	\$0	(\$178)
Tomoka/Twin Rivers	5.64%	\$0	(\$60)	\$29	(\$418)	\$279	(\$169)
Welaka/Saratoga Harbour	4.34%	\$0	(\$76)	\$0	(\$18)	\$89	(\$5)
Wootens	25.31%	\$0	(\$149)	\$0	(\$36)	\$175	(\$10)
Zephyr Shores	17.46%	\$0	(\$434)	\$0	(\$131)	\$143	(\$423)
Net Adjustments		(\$188)	(\$13,480)	\$695	(\$6,262)	\$3,347	(\$15,887)

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Issue 6: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what adjustments are necessary? (Stipulated)

Stipulation: An infiltration and inflow adjustment should be made for Beecher's Point (38.85 percent), Florida Central Commerce Park (9 percent), Holiday Haven (12 percent), Jungle Den (37 percent), Rosalie Oaks (28 percent), and Summit Chase (22 percent). All of the appropriate adjustments have been made by AUF with the exception of Beecher's Point. Purchased water for Beecher's Point should be reduced by \$16,756.

Issue 7: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

Recommendation: The four water treatment plants with one well that were not stipulated, including Fern Terrace, Rosalie Oaks, Twin River, and Zephyr Shores, should be considered 100 percent used and useful (U&U) pursuant to Rule 25-30.4325(4), F.A.C. The five systems with more than one well and no storage that were not stipulated, Arredondo Estates, Arredondo Farms, East Lake Harris/Friendly Center, Hobby Hills, and Skycrest, should also be considered 100 percent U&U. For the seven water treatment systems with more than one well and storage that were not stipulated, staff recommends that Interlachen Lake and Tomoka are 100 percent U&U, Chuluota is 93.74 percent U&U, Lake Josephine is 91.51 percent U&U, Sebring Lakes is 45.00 percent U&U, Silver Lake/Western Shores is 93.71 percent U&U, and Welaka/Saratoga Harbor is 79.72 percent U&U. Account Nos. 307.2 (Wells and Springs), 311.2 (Pumping Equipment), 320.2 (Water Treatment Equipment), 304.3 (Structures and Improvements), and 311.3 (Pumping Equipment) should be adjusted. (Redemann)

Position of the Parties

AUF: Other than the stipulations agreed to and accepted during the course of the proceeding, the appropriate used and useful (“U&U”) percentages for the remaining water treatment and related facilities for each water system are identified in AUF’s MFRs and in the Direct and Rebuttal Testimony of John Guastella.

OPC: The appropriate used and useful percentages for water treatment and related facilities for the systems that have not been stipulated to by the parties are provided below.

AG: Adopts OPC’s position.

Staff Analysis: Rule 25-30.4325, F.A.C., addresses the considerations to be used in determining the U&U percentages for water treatment systems. The U&U percentage is determined by dividing the numerator, which includes peak customer demand less excessive unaccounted for water plus fire flow and a growth allowance by the denominator, which is based on the firm reliable capacity of the wells. For systems with storage, the firm reliable capacity is based on 16 hours of pumping. The rule also contains a provision by which an alternative calculation may be considered if supporting justification is provided, including service area or treatment capacity restrictions, changes in flows due to conservation or a reduction in the number of customers, and alternative peaking factors. As discussed in Issue 5, the appropriate adjustments for excessive unaccounted for water have been stipulated.

Parties’ Arguments

AUF and OPC agreed on U&U percentages for many of the water treatment systems; however, no stipulation was reached for 15 of the systems. Utility witness Guastella found that only two of the water treatment systems that were not stipulated (Sebring Lakes and Welaka/Saratoga Harbor) were less than 100 percent U&U, and OPC witness Woodcock found that all of those systems were less than 100 percent U&U. The U&U issues on which the parties disagreed were primarily the appropriate U&U determination for systems with one well,

consideration of whether a system is built out and therefore 100 percent U&U, and the appropriate fire flow to be included in the U&U calculation. (TR 314; AUF BR 13-14)

AUF's position is that pursuant to Rule 25-30.4325(4), F.A.C., a water treatment system should be considered 100 percent U&U if the system is built out or if the system is served by a single well. Witness Guastella testified that, while Rule 25-30.4325(3), F.A.C., provides for alternative calculations under certain conditions, subsection (4) eliminates the need for a calculation and controversy for obviously small systems with a single well or built out systems that clearly should be considered 100 percent U&U. (TR 283; AUF BR 14)

Witness Woodcock testified that, although he found 19 systems with a single well to be 100 percent U&U, there were three systems that he considered exceptions to Rule 25-30.4325(4), F.A.C. His criteria for calculating a U&U percentage for systems with one well included whether the well capacity is greater than 150 gpm, whether the calculated U&U percentage is less than 75 percent, and whether a further analysis would have a significant impact. He testified that these criteria provide a conservative basis for isolating a special case and recognize that a small well pump could easily approach 100 percent U&U with only a few additional customers. (TR 305, 309-310; EXH 96, pp. 17, 44, 54, 62)

Witness Guastella, in rebuttal, testified that the new rule was to limit controversy and the cost associated with U&U determinations. While Rule 25-30.432(3), F.A.C., provides for alternative calculations under certain conditions that would affect the formulas set forth in the rule, subsection (4) of the rule identifies two conditions, a built out system and single well systems, for which the treatment would be considered 100 percent U&U without calculation. Proposing an alternative calculation for a single-well system tends to reverse the efficiencies and cost-savings which the new rule is designed to accomplish. Also, the relatively minor cost of down-sizing a well or well pump is simply not consistent with prudence of investment or economy of scale considerations. (TR 353-354)

ANALYSIS

Fire Flow

Witness Guastella included a provision for fire flow in his U&U analysis for three of the systems for which a stipulation was not reached, including Chuluota, Skycrest, and Silver Lake Estates/Western Shores. Witness Woodcock testified that fire flow should not be considered for those systems because the hydrants were not located in sufficient numbers to cover the full service area or the pipes for the hydrants were less than six inches in diameter. In cross examination, witness Woodcock conceded that the appropriate authority had not stated that the fire hydrants provide inadequate protection. In rebuttal, witness Guastella testified that these systems have hydrants and fire protection and that fire flow should be considered. Witness Guastella testified that, if witness Woodcock believes that a system does not have a sufficient number of fire hydrants or spacing is inadequate, adjusting the U&U is inappropriate. Instead, he should recommend that the Utility install additional hydrants and propose that additional investment be included in the revenue requirement. (TR 306-307, 310, 335-336, 352-353; EXH 180, Chuluota, Skycrest, and Silver Lake Estates, Volume 1, p. 133)

Rule 25-30.4325(1)(c), F.A.C., provides that where fire flow is provided, a minimum of either the fire flow required by the local governmental authority or two hours at 500 gallons per minute should be included in the U&U calculation. In addition, the Commission has consistently included fire flow in the U&U calculation over OPC's objections in prior cases, even when there are few hydrants in the service area. (See Order No. PSC-96-1320-FOF-WS,²¹ issued October 30, 1996, in which the Commission found that, while the Commission does not test fire hydrants or require proof that hydrants are functional or capable of the flows requested, an investment in plant should be allowed; and Order No. PSC-03-1440-FOF-WS,²² issued December 22, 2003, which also supports the position that fire flow should be included) Staff believes that Rule 25-30.4325(1)(c), F.A.C. and Commission policy are clear that fire flow should be included in the U&U calculation when fire protection is available in the service territory.

Growth

Witness Guastella testified that if a system is determined to be 90 percent U&U or greater, the Commission should consider the system 100 percent U&U. Witness Woodcock testified that rounding overestimates the actual U&U of a system at the expense of the customers. He finds that it is appropriate to let the U&U percentage remain as calculated instead of rounding up, which favors the Utility. In rebuttal, witness Guastella testified that considering a system to be 100 percent U&U when the applicable formula produces a ratio of 90 percent is not merely an arithmetic rounding, but an evaluation of the costs that should be recognized as necessary to provide service to existing customers, taking into account prudence of investment, economies of scale and other factors, which witness Woodcock has ignored. Staff believes that rounding to 100 percent U&U when a system is 90 percent U&U is excessive if all other provisions in Rule 25-30.4325, F.A.C., have been included, including a growth allowance. However, it should be noted that in numerous cases, the Commission has found that for systems nearing build out or which have had no significant growth in the past five years, a U&U of 95 percent or greater should be considered 100 percent U&U. (See Order No. PSC-96-1320-FOF-WS, at page 82, where it was determined that whenever a U&U percentage was calculated equal to or greater than 95 percent, the U&U percentage was rounded to 100 percent). (TR 283, 284, 310, 345, 347)

Further, as described more fully in Issue 10, it is unclear how witness Guastella determined the appropriate growth allowance for each system and whether the systems are built out, because the growth factors used in Schedules F-5 to calculate U&U do not match the projected growth calculated in Schedules F-8 which, in turn, do not reflect the average historical growth found in Schedules F-9. Witness Woodcock relied on the Utility's F-9 schedules, which show the change in single-family residential customers and the change in total demand from 2003 to 2007, to determine the appropriate growth factor for water treatment systems. If growth was negative, he used a growth factor of 1.00 and if growth exceeded 25 percent he capped the growth at 25 percent, pursuant to Section 367.081(2), F.S. (TR 303; EXH 180, Fern Terrace Volume 1, pp. 133, 135, 136, and 137, Fern Terrace map; EXH 96, p. 17; EXH 98, p. 1)

²¹ Docket No. 950495-WS, In re: Application for rate increase and an increase in service availability charges by Southern States Utilities, Inc., for . . . Volusia, and Washington Counties.

²² Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

Staff believes that the change in the average number of single-family residential customers from 2003 to 2007 shown on Schedules F-9 should be relied on as the basis for growth because most of these systems are predominantly residential, with very few general service customers. The total change in demand shown on Schedules F-9 should not be relied on to determine the appropriate growth factor because it includes not only changes in the number of customers, but also changes in customer usage patterns, such as conservation. Further, staff recommends that older systems that have had growth of one percent or less per year over the past five years should be considered built out, pursuant to Rule 25-30.4325(4), F.A.C.

Water Treatment Systems With One Well

There are four systems that were not stipulated that have one well: including Fern Terrace, Rosalie Oaks, Twin River, and Zephyr Shores. There has been little or no growth in the service territories of these systems over the past five years and, according to the Utility's maps, there is very little undeveloped area. Witness Woodcock acknowledged that the Commission has consistently found that water systems with one well are 100 percent U&U unless it appears that the system was not prudently designed. He also testified that he found nothing imprudent in his evaluation of these systems. (TR 336-338)

The Fern Terrace water treatment system was found to be 100 percent U&U in the last rate case (Order No. PSC-96-1320-FOF-WS), however, witness Woodcock found the system to be 56.17 percent U&U based on the peak demand and firm reliable capacity of the single well. Witness Woodcock found the Rosalie Oaks system to be 10.00 percent U&U; however, he did not include fire flow in his analysis. (EXH 180, Fern Terrace and Rosalie Oaks Volume 1, pp. 133, 135, 136, and 137, Fern Terrace and Rosalie Oaks maps; EXH 96, p. 17, 44; EXH 98, pp. 1, 2; EXH 65, BSP 1457)

The Twin River system, which has one well and storage, is adjacent to the Tomoka system, but not interconnected; therefore, as discussed in Issue 13, the Twin River system should be evaluated separately. Witness Guastella evaluated the Tomoka/Twin River systems as a single system and found them 100 percent U&U. Witness Woodcock found the Twin River system to be 28.11 percent U&U. (TR 305, 352; EXH 180, Twin River Volume 1, pp. 129, 133, 135, 136, and 137, Tomoka/Twin River map; EXH 96, pp. 53, 54; EXH 98, p. 2)

Witness Woodcock calculated the Zephyr Shores water treatment system to be 20.32 percent U&U; however, his analysis was based on the system having two wells. According to the testimony, a second well was added after the test year, but the cost of the well was not included in this rate case. The water treatment system was found to be 100 percent U&U in the last rate case (Order No. PSC-96-1320-FOF-WS). (TR 349-50; EXH 180, Zephyr Shores Volume 1, pp. 129, 133, 135, 136, and 137, Zephyr Shores map; EXH 96, p. 62; EXH 98, p. 2)

Staff agrees with witness Guastella that there is nothing extraordinary with these one-well water systems that should cause deviation from Rule 25-30.435(4), F.A.C. They are small systems with little or no growth in the past five years and very few vacant lots. Witness Woodcock provided no economic evaluation of the systems, but relied solely on the size of the well pump and the resulting U&U percentage to justify a separate U&U calculation. While

witness Woodcock testified that his criteria for choosing which systems to evaluate is conservative, staff believes that he failed to provide specific documentation or justification that the Utility's investment in these systems was not prudent. Further, staff believes that pursuant to Rule 25-30.4325(1)(c), F.A.C., a minimum of 500 gpm should be included in the U&U analysis for Rosalie Oaks, if a U&U calculation is made, because the Utility's maps show that there are fire hydrants throughout the service area. In addition, the Zephyr Shores system should be evaluated based on the one well that was in service during the test year. Therefore, staff recommends that, pursuant to Rule 25-30.4325(4), F.A.C., the Fern Terrace, Rosalie Oaks, Twin River, and Zephyr Shores water treatment plants be considered 100 percent U&U as shown below:

Water Treatment Systems with 1 Well									
System	FRC	Demand	EUW	FF	Growth	Prior	AUF	OPC	Staff
Fern Terrace (gpm)	180	98	0	0	1.00	100.00	100.00	56.00	100.00
Rosalie Oaks (gpm)	250	24	0	500	1.00	NA	100.00	10.00	100.00
Twin River (gpd)	257,280	71,600	4,432	0	1.00	NA	100.00	28.00	100.00
Zephyr Shores (gpm)	530	110	8	0	1.00	100.00	100.00	20.00	100.00

(TR 337)

Water Treatment Systems With More Than One Well and No Storage

There are five systems with more than one well and no storage that were not stipulated, including Arredondo Estates, Arredondo Farms, East Lake Harris/Friendly Center, Hobby Hills, and Skycrest. While witnesses Guastella and Woodcock agree that Arredondo Farms is 100 percent U&U, witness Guastella found that each of the remaining systems were built out and should be considered 100 percent U&U, and witness Woodcock believed U&U calculation was necessary.

Arredondo Estates and Arredondo Farms

Witness Guastella combined the Arredondo Estates and Arredondo Farms systems, as though they were interconnected and excluded only one of the four wells in his U&U analysis. Based on his calculation, the Arredondo systems are 26.42 percent U&U; however, he believes the systems are fully developed as planned and should be considered 100 percent U&U. Witness Woodcock testifies that the Arredondo systems are not interconnected, and thus, an individual analysis needs to be performed. He found the Arredondo Estates system 89.99 percent U&U, the Arredondo Farms system 100 percent U&U, and the combined U&U to be 95.87 percent based on the weighted average number of customers in each system (see Issue 13 regarding stand alone systems). Both systems were 100 percent U&U in the last rate case. (See Order No. PSC-96-1320-FOF-WS (Southern States Order)). Staff agrees with witness Woodcock's U&U calculations; however, staff recommends that both the Arredondo Estates and Arredondo Farms systems be considered 100 percent U&U because they are older systems that have not had any significant growth in the past five years and are therefore, built out. (TR 293-294, 305, 352-353; EXH 180, Arredondo Volume 1, pp. 129, 133, 135, Arredondo maps; EXH 98, p. 1)

East Lake Harris/Friendly Center

Witness Guastella considered East Lake Harris and Friendly Center separate systems for purposes of calculating U&U. Because each system has one well, he believes that each should be found 100 percent U&U. Further, in the Utility's last rate proceeding, the Commission found that the two systems were built out and, therefore, 100 percent U&U.²³ Witness Woodcock testified that the systems are interconnected and, therefore, should be evaluated as a single system. In rebuttal, witness Guastella agreed that the systems are interconnected for reliability. As discussed in Issue 12, staff recommends that the systems be evaluated as a single system because they are interconnected. There has been no significant growth in the service area in the past five years and it appears that there has been a reduction in demand since the last rate case; therefore, staff recommends that the systems be considered 100 percent U&U. (TR 303-304, 350-351; EXH 180, East Lake Harris/Friendly Center Volume 1, pp. 133, 135)

Hobby Hills

Witness Guastella testified that the Hobby Hills system is built out and, therefore, 100 percent U&U. Witness Woodcock found the water plant to be 38.50 percent U&U. There has been no significant growth in the service area in the past five years and it appears that there has been a reduction in demand since the last rate case; therefore, staff recommends that the Hobby Hills water treatment system be considered built out and 100 percent U&U. (TR 353; EXH 180, Hobby Hills Volume 1, pp. 129, 133, 135, Hobby Hills map; EXH 96, p. 24; EXH 98, p. 1)

Skycrest

Witnesses Guastella and Woodcock disagree on whether to include fire flow in the U&U calculation for Skycrest. In addition, witness Guastella believes the system is built out and therefore 100 percent U&U. Staff agrees with witness Guastella that, pursuant to Rule 25-30.4325(1)(c), F.A.C., a minimum of 500 gpm should be included for fire flow because there are hydrants in a significant portion of the service area. Further, there has been no significant growth in the service area in the past five years; therefore, the systems should be considered 100 percent U&U, consistent with the Commission's finding in the Utility's last rate case. (Order No. PSC-96-1320-FOF-WS, page 1128) (EXH 180, Skycrest Volume 1, pp. 129, 133, 135, Skycrest map; EXH 96, p. 48; EXH 98, p. 2)

Based on the discussion above, staff recommends that the Arredondo Estates, Arredondo Farms, East Lake Harris/Friendly Center, Hobby Hills, and Skycrest systems be considered 100 percent U&U. The following table reflects AUF's and OPC's proposed and staff's recommended U&U percentage for each of these systems:

²³ Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS (Southern States Order)

Water Treatment Systems with 2 or More Wells and No Storage									
System	FRC	Demand	EUW	FF	Growth	Prior	AUF	OPC	Staff
Arredondo Estates	120	140	34	0	1.00	100.00	100.00	96.00	100.00
Arredondo Farms	250	172	0	0	1.00	100.00	100.00	96.00	100.00
E Lk Harris/Fr Cen	100	49	0	0	1.00	100.00	100.00	49.00	100.00
Hobby Hills	150	56	1	0	1.04	46.00	100.00	39.00	100.00
Skycrest	175	109	0	500	1.01	100.00	100.00	67.00	100.00

Water Treatment Systems With More Than One Well and Storage

There are seven water treatment systems with more than one well and storage that were not stipulated, including Chuluota, Interlachen Lake/Park Manor, Lake Josephine, Sebring Lakes, Silver Lake/Western Shores, Tomoka, and Welaka/Saratoga Harbor. Witness Guastella found that each of these systems, with the exception of Sebring Lakes and Welaka/Saratoga Harbor, were built out and should be considered 100 percent U&U. Witness Woodcock's recommendations are based on a U&U calculation.

Chuluota

Witnesses Guastella and Woodcock disagreed on whether to include fire flow in the U&U calculation for Chuluota as well as the appropriate growth allowance. Witness Guastella included 90,000 gpd of fire flow and a growth factor of 1.41, while witness Woodcock excluded fire flow and capped growth at 1.25. Staff agrees with witness Guastella that, pursuant to Rule 25-30.4325(1)(c), F.A.C., fire flow should be included because there are hydrants in a significant portion of the service area; however, pursuant to Section 367.081(2), F.S., the growth allowance should be capped at 1.25. Staff recommends that the Chuluota water treatment system is 93.74 percent U&U based on peak demand of 839,900 gpd, EUW of 11,967 gpd, a growth factor of 1.25, fire flow of 90,000 gpd, and firm reliable capacity of 1,200,000 gpd. (EXH 180, Chuluota Volume 1, pp. 129, 131, 133, 136; EXH 96, p. 14)

Interlachen Lake

Witnesses Guastella and Woodcock agree as to the capacity, demand, and growth for the Interlachen water system. However, witness Guastella believes that, because the U&U percentage is 90 percent or greater, the system should be considered 100 percent U&U. Staff disagrees that rounding from 93 percent to 100 percent is appropriate; however, because there has been no significant growth in the service area and demand has declined over the past five years, staff recommends that the system be considered 100 percent U&U. (TR 347; EXH 180, Interlachen Volume 1, pp. 129, 131, 133, 136, 137; EXH 96, p. 26)

Lake Josephine and Sebring Lakes

Witnesses Guastella and Woodcock disagreed as to whether to combine Lake Josephine and Sebring Lakes or treat them separately. Witness Guastella testified that he calculated the U&U for Lake Josephine and Sebring Lakes separately because the systems were originally developed as separate systems and because, while the systems are interconnected, DEP required

the interconnection to remain closed except for emergencies. Witness Woodcock provided a single U&U analysis for the systems. As discussed in Issue 12, staff agrees with witness Guastella that since the interconnection remains closed, except for emergencies, the systems should be evaluated separately. (TR 351)

Witness Guastella testified that the Lake Josephine system is fully developed as planned and, therefore, should be considered 100 percent U&U. Staff disagrees that the system is built out because there was a slight increase in customers over the past five years (6 percent) and there are additional vacant lots in the service area. In addition, the Utility used a firm reliable capacity of 384,000 gpd to calculate U&U (Schedule F-5); however, on Schedule F-3, the capacity is shown as 300,000 gpd. In addition, the Utility's DEP sanitary survey shows the capacity as 300,000 gpd, and in the Commission's prior order, it was noted that the capacity is limited to 300,000 gpd. Therefore, staff recommends that the Lake Josephine system be considered 91.51 percent U&U based on peak demand of 259,000, a growth factor of 1.06, and firm reliable capacity of 300,000 gpd. (TR 351; EXH 180, Lake Josephine Volume 1, pp. 129, 131, 133, 135, 136, Volume 5 Book 2 Set 4 of 16, Lake Josephine map; EXH 96, p. 45)

Witness Guastella used a growth rate of 1.39 to find the Sebring Lakes system 51.97 percent U&U. As described above, witness Woodcock did not provide a separate calculation for the Sebring Lakes system. Staff recommends that, pursuant to Section 367.081(2), F.S., growth should be capped at 1.25. Therefore, staff recommends that the Sebring Lakes system be considered 45.00 percent U&U based on peak demand of 297,500 gpd, EUW of 10,666 gpd, a growth factor of 1.25, and firm reliable capacity of 796,800 gpd. (EXH 180, Sebring Lakes Volume 1, pp. 129, 131, 133, 135, 136; EXH 96, p. 45)

Silver Lake/Western Shores

Witnesses Guastella and Woodcock disagree as to whether to include fire flow in the U&U calculation for Silver Lake Estates/Western Shores. In addition, witness Guastella testified that the service area is fully developed as planned and, therefore, is 100 percent U&U. Staff agrees with witness Guastella that fire flow should be included in the U&U calculation because there are fire hydrants throughout the majority of the service area; however, staff does not agree that the service area is built out because there was a slight increase in customers over the past five years and there are additional vacant lots in the service area. As discussed in Issue 12, the systems are interconnected and, therefore, should be evaluated as a single system. Staff recommends that the Silver Lake Estates/Western Shores is 93.71 percent U&U based on peak demand of 1,670,000 gpd, EUW of 9,548 gpd, a growth factor of 1.06, fire flow of 60,000 gpd, and firm reliable capacity of 1,944,000 gpd. (EXH 180, Silver Lake/Western Shores Volume 1, pp. 129, 131, 133, 135, 136, Silver Lake map; EXH 96, p. 46)

Tomoka

As discussed in Issue 13, Witness Guastella treated Tomoka and Twin River as a single system and found them 100 percent U&U because they are built out. Witness Woodcock treated them as separate systems, finding Tomoka 50.79 percent U&U. As discussed in Issue 13, staff agrees that the systems should be evaluated separately since they are not interconnected. There

has been no significant growth in the Tomoka service area in the past five years; therefore, staff recommends that the Tomoka water system be considered 100 percent U&U. (EXH 180, Tomoka Volume 1, pp. 129, 131, 133, 135, 136; EXH 96, pp. 53, 54; EXH 98, p. 2)

Welaka/Saratoga

Witnesses Guastella and Woodcock disagreed on the firm reliable capacity of the wells and the appropriate growth factor for the Welaka/Saratoga water system. Witness Guastella relied on a firm reliable capacity of 72,960 gpd based on the smallest well of 76 gpd and a growth factor of 1.03. Witness Woodcock relied on a firm reliable capacity of 105,600 gpd based on the smallest well of 110 gpm and a growth factor of 1.0. In rebuttal, witness Guastella testified that there are two wells rated at 110 and 76 gpd. Based on the Utility's sanitary surveys, staff agrees with witness Guastella that the firm reliable capacity is 72,960 gpd. In addition, although the system appears to be built out because there has been no significant growth in the past five years, witness Guastella recommended that the Welaka/Saratoga water system be considered 79.72 percent U&U, instead of 100 percent U&U based on being built out. Therefore, staff recommends that the Commission accept witness Guastella's proposed U&U calculation of 79.72 percent. (TR 351; EXH 180, Welaka Volume 1, pp. 129, 131, 133, 136, 137; EXH 96, p. 57)

Water Treatment Systems with 2 or More Wells and Storage									
System	FRC	Demand	EUW	FF	Growth	Prior	AUF	OPC	Staff
Chuluota	1,200,000	839,900	11,967	90,000	1.25	45.42	100.00	86.00	93.74
Interlachen	172,800	185,200	24,035	0	1.00	56.30	100.00	93.00	100.00
Lake Josephine	300,000	259,000	0	0	1.06	87.66	100.00	28.00	91.51
Sebring Lakes	796,800	297,500	10,666	0	1.25	NA	51.97	28.00	45.00
Silver Lk/W Sh	1,944,000	1,670,000	9,548	60,000	1.06	68.59	100.00	89.00	93.71
Tomoka	264,000	98,012	4,463	0	1.00	NA	100.00	51.00	100.00
Welaka/Saratoga	72,960	57,210	908	0	1.00	36.01	79.72	53.00	79.72

CONCLUSION

Based on the analysis above, staff recommends that the four water treatment plants with one well that were not stipulated, Fern Terrace, Rosalie Oaks, Twin River, and Zephyr Shores, be considered 100 percent U&U pursuant to Rule 25-30.4325(4), F.A.C. The five systems with more than one well and no storage that were not stipulated, Arredondo Estates, Arredondo Farms, East Lake Harris/Friendly Center, Hobby Hills, and Skycrest, should also be considered 100 percent U&U. For the seven water treatment systems with more than one well and storage that were not stipulated, staff recommends that Interlachen Lake and Tomoka are 100 percent U&U, Chuluota is 93.74 percent U&U, Lake Josephine is 91.51 percent U&U, Sebring Lakes is 45.00 percent U&U, Silver Lake/Western Shores is 93.71 percent U&U, and Welaka/Saratoga Harbor is 79.72 percent U&U. Account Nos. 307.2 (Wells and Springs), 311.2 (Pumping Equipment), 304.3 (Structures and Improvements), and 311.3 (Pumping Equipment) should be adjusted.

In addition, stipulations were approved during the hearing for the following systems:

System	U & U Stipulation
48 Estates	100%
Carlton Village	95%
Gibsonia Estates	61%
Grand Terrace	100%
Haines Creek	100%
Harmony Homes	100%
Hermits Cove/St Johns Highlands	31%
Imperial Mobile Terrace	100%
Jasmine Lakes	100%
Kings Cove	100%
Lake Gibson	100%
Leisure Lakes	100%
Morningview	100%
Ocala Oaks	100%
Orange Hill/Sugar Creek	100%
Palm Port	100%
Palms Mobile Home Park	100%
Picciola Island	75%
Piney Woods/Spring Lake	100%
Pomona Park	100%
Quail Ridge	100%
Ravenswood	100%
River Grove	100%
Silver Lake Oaks	100%
Stone Mountain	100%
Summit Chase	100%
Sunny Hills	91%
Tangerine	100%
The Woods	100%
Valencia Terrace	100%
Venetian Village	74%
Wootens	100%

Issue 8: What are the appropriate used and useful percentages for the water storage and related facilities of each water system? (Stipulated)

Stipulation: The following used and useful stipulations were approved during the hearing for water storage and related facilities:

System	U&U Stipulation
Chuluota	100%
Hermits Cove/St. Johns Highlands	100%
Interlachen/Park Manor	100%
Jasmine Lakes	100%
Lake Josephine/Sebring Lakes	100%
Leisure Lakes	100%
Piney Woods/Spring Lake	100%
Silver Lake Estates/Western Shores	100%
Silver Lake Oaks	100%
Summit Chase	100%
Sunny Hills	100%
Tomoka/Twin River	100%
Welaka/Saratoga	100%

Issue 9: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

Recommendation: Staff recommends that all of the wastewater treatment plants that were not stipulated are 100 percent U&U with the exception of Chuluota which is 35.63 percent U&U. (Rieger)

Position of the Parties

AUF: Other than the stipulations agreed to and accepted during the course of the proceeding, the appropriate U&U percentages for the remaining wastewater treatment and related facilities for each wastewater system are identified in AUF's MFRs and in the Direct and Rebuttal Testimony of John Gustella.

OPC: The appropriate used and useful percentages for wastewater treatment and related facilities that have not been stipulated to by the parties are as provided below.

AG: Adopts OPC's position.

Staff Analysis: Rule 25-30.432, F.A.C., addresses the considerations to be used in determining the U&U percentages for wastewater treatment plants. The U&U percentage is determined by dividing the numerator, which includes customer demand less excessive infiltration and inflow plus a growth allowance, by the denominator, which is based on the permitted capacity of the plant. Customer demand is defined in terms of the permitted capacity. For example, if a wastewater treatment plant is permitted based on average annual daily flow, then customer demand should be expressed in terms of average annual daily flow. The rule also contains a provision for consideration of other factors, such as whether the service area is built out, whether the permitted capacity differs from design capacity, and whether flows have decreased due to conservation or a reduction in the number of customers. This rule does not apply to reuse projects pursuant to Section 367.0817(3), F.S. Pursuant to Section 367.081(2), F.S., a growth allowance is limited to 5 percent a year or 25 percent over 5 years.

PARTIES' ARGUMENTS

AUF operates 25 wastewater systems, three of which rely on purchased wastewater treatment service. During the proceeding, the parties reached a stipulation on the U&U percentages for 10 wastewater treatment plants. Of the 12 remaining systems, AUF witness Guastella found that all of them were 100 percent U&U and OPC witness Woodcock found those systems to be 25 percent to 79.99 percent U&U. The primary U&U issues on which the parties disagreed were whether a system is built out and, therefore, 100 percent U&U, whether the Chuluota plant should be analyzed based on its permitted capacity or its design capacity, and whether The Woods should be analyzed based on the capacity of the wastewater treatment plant or the limitation of the effluent disposal capacity.

ANALYSIS

Chuluota

AUF witness Guastella recommends that the Chuluota wastewater treatment plant be considered 100 percent U&U based on the average annual daily demand of 113,170 gpd, a 1.79 growth factor, and the permitted plant capacity of 100,000 gpd. OPC witness Woodcock recommends that this facility be considered 35.63 percent U&U based on an average daily demand of 114,000 gpd, a 1.25 growth factor, and the plant's design capacity of 400,000 gpd. (EXH 180, Chuluota Volume 1, p. 134; EXH 96, p. 4)

AUF completed an upgrade and expansion of the Chuluota wastewater treatment plant from 100,000 gpd to 400,000 gpd in 2006. AUF witnesses Lihvarcik and Luitweiler testified that the Utility inherited the Chuluota expansion project from Florida Water Services, the former owner, who had already done the preliminary design work. The original plant was both old and in poor condition, and there was also a capacity issue. The expansion to 400,000 gpd was done in order to save costs, rather than incrementally expanding the plant later. In addition, witness Lihvarcik testified that the expansion was done in light of the possibility of extending lines out to the older sections of Chuluota where septic tanks exist, as well as accommodating possible new construction within the service area. Witness Luitweiler pointed out that AUF performed alternative analyses to look at what could have been done to build a smaller plant and determined that because of the duplication needs of some of the key treatment processes that were required, there would have been minimal savings in building a smaller plant. He indicated that the expansion had averted possible service problems. AUF acknowledges that the existing spray field is the same disposal facility that was matched with the former 100,000 gpd treatment plant, and that there is currently more treatment capacity than disposal capacity. Witness Luitweiler indicated that AUF is currently in negotiations with Utilities, Inc. to dispose of some of the treated wastewater, and that possibility was actually in the back of their minds when the upgraded plant, which included a disk filter to provide a very good reuse quality effluent, was built. (Lihvarcik TR 560-561, 597-598; Luitweiler TR 1,095-1,100)

Witness Woodcock testified that in making a U&U determination, he looks at what the assets are, along with the capacity of those assets. Usually the design capacity is the permitted capacity; however, he believes that Chuluota is a special case and that the design capacity should be used, pursuant to the provision in Rule 25-30.432, F.A.C, which allows the Commission to consider factors such as whether the permitted capacity differs from the design capacity. (TR 319-321) OPC believes that the Utility's election to create the mismatch between treatment and disposal capacities should not cause the Commission to grossly understate the actual treatment capacity that physically exists. This is particularly true since the utility is attempting to recover all of its investment in this new wastewater treatment plant from its customers in this rate case. (OPC BR 13-16; TR 319-321)

AUF indicated in its brief that OPC ignored the DEP permitted capacity and instead used the design capacity in the denominator of the U&U calculation. AUF believes that this is in direct contravention of the Commission's U&U rule, where it indicates that permitted capacity shall be used in the denominator of the used and useful equation. AUF also noted that there has

been no showing that the Chuluota wastewater treatment plant was imprudently designed. (AUF BR 16)

Staff believes that AUF's position is contradicted by its own witnesses who testified that, while the wastewater treatment plant design capacity is four times larger than the effluent disposal capacity, AUF is currently in negotiations with another party to dispose of the treated wastewater. (TR 560-561, 1096-1098) This indicates that effluent disposal capacity may not be a limiting factor in the future and that the permitted plant capacity, which is currently restricted to effluent disposal limitations, could eventually be permitted to match the design capacity if additional effluent disposal capacity is obtained. (TR 598) Further, the testimony that the plant was expanded to accommodate possible future growth and AUF's use of a growth factor of 1.79, which would result in demand in excess of 200,000 gpd, supports OPC's position that the design capacity should be used. (EXH 180, Chuluota Volume 1, p. 134)

AUF determined that because of the duplication needs of some of the key treatment processes that were required, there would have been minimal savings in building a smaller plant. Witness Luitweiler testified that analyses were performed that showed cost savings associated with expanding the plant to 400,000 gpd, rather than incrementally expanding the facility later; however, those analyses were not included in the Utility's testimony. Although there is merit to AUF's testimony regarding duplication needs and economies of scale, there is no analysis in the record that reflects the amount of those cost savings. Therefore, staff recommends that it is appropriate to use the designed capacity, as opposed to the permitted capacity, in the U&U calculation for Chuluota. Further, staff agrees with witness Woodcock that, pursuant to Section 367.081(2), F.S., the 25-percent growth limitation should be used. Therefore, based on the record, staff recommends that the Chuluota wastewater treatment plant be considered 35.63 percent U&U.

The Woods

AUF witness Guastella found The Woods wastewater treatment plant to be 100 percent U&U based on the Three-Month Average Daily Flow (3MADF) of 13,449 gpd, a 1.13 growth factor, and plant capacity of 15,000 gpd. OPC witness Woodcock found the system 61.34 percent U&U based on the annual average daily demand of 9,000 gpd, a 1.02 growth factor, and the plant capacity of 15,000 gpd based on annual average daily flows. Witness Woodcock testified that he used annual average demand, instead of 3MADF, because the capacity of the effluent disposal system of 15,000 gpd is based on annual average flows and should be used as a limiting factor. (EXH 180, The Woods Volume 1, p. 134; EXH 180, The Woods Volume 5 Book 2, DEP permit; EXH 96, p. 24; TR 288-289)

AUF's position is that OPC used an improper demand-to-capacity equation for calculating the used and useful percentage for The Woods wastewater treatment plant. The record shows that the DEP permitted capacity is based on the 3MADF. By using annual average daily flows, AUF believes that OPC's flawed calculation causes a confiscatory understatement of the U&U percentage. (AUF BR 16-17)

Staff agrees with AUF that, pursuant to Rule 25-30.432, F.A.C., flows for The Woods wastewater treatment plant should be based on the 3MADF, consistent with the DEP permitted capacity. However, the Utility's records indicate that the 3MADF is 10,348 gpd, instead of the 13,440 gpd used by witness Guastella. It should be noted that in the previous rate case.²⁴ (Order No. 25139, issued September 30, 1991, in Docket No. 900966-WS, pages 4-5), the Commission found the wastewater treatment plant to be 87.00 percent U&U based on flows of 13,000 gpd in the peak month, while in the current test year, the peak-month flow was 11,284 gpd. In addition, the Utility's records indicate that there has been a reduction in customers in the service area over the past five years; therefore, a growth factor of 1.00 should be used. Based on 3MADF of 10,348 gpd, and the permitted capacity of 15,000 gpd, staff calculates The Woods wastewater treatment plant to be 66.67 percent U&U. However, there has been no growth in the service area in the past five years, the system is approximately 35 years old, and there has been a decline in the peak demand since the last rate case. Therefore, staff recommends that the system is built out and should be considered 100 percent U&U pursuant to Rule 25-30.432, F.A.C., which allows the Commission to consider other factors, including whether flows have decreased due to conservation or a reduction in the number of customers.

South Seas and Venetian Village

AUF witness Guastella found both the South Seas and Venetian Village wastewater treatment plants to be 100 percent U&U because the areas the plants serve are fully developed. OPC witness Woodcock found the South Seas and Venetian Village wastewater treatment plants to be 46.59 percent and 29.54 percent U&U, respectively, based on flows.

In the prior rate case, the Commission found that the South Seas wastewater treatment plant was 100 percent U&U because it had been prudently designed to serve the service area, which was at build out, and to meet DEP requirements. In the previous rate case, the Venetian Village wastewater treatment plant was found to be 100 percent U&U based on average daily flow for the maximum usage month of 35,581 gpd and plant capacity of 36,000 gpd. Since that time, Rule 25-30.432, F.A.C., has been adopted. Pursuant to Rule 25-30.432, F.A.C., the flows and capacity used in the U&U calculation should be based on the DEP permitted capacity. The Venetian Village wastewater treatment plant is permitted at 36,000 gpd based on average annual daily flow. During the test year, the average annual daily flow was 10,444 gpd. A comparison of flows between the present and former test years shows a significant reduction in plant flows, possibly due to conservation. The peak month flow for the test year was approximately 14,000 gpd or 39 percent of the prior rate case peak month flow.

Staff recommends that the Venetian Village wastewater treatment plant be considered 100 percent U&U, pursuant to Rule 25-30.432, F.A.C., which allows consideration of a reduction in flows when determining the appropriate U&U percentage and because the system was found to be 100 percent U&U in the prior rate case. In addition, staff recommends that the South Seas wastewater treatment plant be considered 100 percent U&U because the system was

²⁴ See Order No. 25139, issued September 30, 1991, in Docket No. 900966-WS, In re: Application for a staff-assisted rate case in Sumter County for The Woods, a division of Homosassa Utilities, Inc.

found to be built out and 100 percent U&U in the prior rate case. (EXH 180, Venetian Village and South Seas Volume 1, p. 134; EXH 96, pp. 18, 22)

Arredondo, Florida Central Commerce Park, Jungle Den, Kings Cove, Morningview, Rosalie Oaks, Summit Chase, and Valencia Terrace

AUF witness Guastella testified that OPC witness Woodcock did not give consideration to the systems that are fully built out. AUF considers a system to be built out if there is no room for growth where there are mains and, in most cases, no room for growth in the entire service area. Witness Guastella noted in the MFRs for each of the remaining plants, except Arredondo, that the systems are fully developed as planned and that accordingly, all facilities and assets should be considered 100 percent U&U. Witness Woodcock found the remaining wastewater treatment plants to be less than 100 percent U&U based on his calculation of the plant flows and growth. It should be noted that the parties reached a stipulation of 100 percent U&U for the Arredondo, Kings Cove, and Summit Chase collection systems. Also, as discussed in Issue 11, staff recommends that the collection systems for the remaining systems, including Florida Central Commerce Park, Jungle Den, Morningview, Rosalie Oaks, and Valencia Terrace, are 100 percent U&U because the service areas are built out. Therefore, staff recommends that the Arredondo, Florida Central Commerce Park, Jungle Den, Kings Cove, Morningview, Rosalie Oaks, Summit Chase, and Valencia Terrace wastewater treatment plants be considered 100 percent U&U because the service areas are built out. (TR 285, 356; EXH 180, Volume 1, p. 134; EXH 96, pp. 3, 5, 9, 10, 13 16, 19, 21)

The following table reflects the Utility's and OPC's positions, as well as staff's recommended U&U percentage:

Wastewater Treatment and Related Facilities Used and Useful								
System	Capacity	Demand	I/I	Growth	Prior	Utility	OPC	Staff
Arredondo	60,000	46,000	0	1.00	64.00	100.00	76.67	100.00
Chuluota	400,000	113,170	0	1.25	43.50	100.00	35.63	35.63
Fl Cen Comm Pk	95,000	43,945	0	1.00	83.40	100.00	44.24	100.00
Jungle Den	21,000	14,819	4,598	1.03	39.00	100.00	41.81	100.00
Kings Cove	55,000	30,107	0	1.01	79.00	100.00	55.48	100.00
Morningview	20,000	5,485	0	1.00	43.55	100.00	25.00	100.00
Rosalie Oaks	15,000	13,600	2,926	1.00		100.00	79.99	100.00
South Seas	264,000	122,603	0	1.00	100.00	100.00	46.59	100.00
Summit Chase	54,000	28,600	6,098	1.00	44.00	100.00	41.55	100.00
The Woods	15,000	13,440	0	1.00	87.00	100.00	61.34	100.00
Valencia Terrace	80,000	36,792	0	1.01	79.24	100.00	56.25	100.00
Venetian Village	36,000	10,444	0	1.05	100.00	100.00	29.54	100.00

CONCLUSION

Based on the record and the analysis above, staff recommends that all of the wastewater treatment plants that were not stipulated are 100 percent U&U with the exception of Chuluota, which is 35.63 percent U&U.

In addition, stipulations were approved during the hearing for the following systems:

System	U&U Stipulation
Holiday Haven	75%
Jasmine Lakes	100%
Lake Suzy	100%
Leisure Lakes	39%
Palm Port	58%
Palm Terrace	100%
Park Manor	100%
Silver Lake Oaks	42%
Sunny Hills	49%
Village Water	45%

Issue 10: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

Recommendation: Staff recommends that each of the water distribution systems that were not stipulated should be considered 100 percent used and useful, with the exception of Lake Josephine (85.65 percent), Palms MHP (87.73 percent), Venetian Village (72.63 percent), and Wootens (65.66 percent). Account No. 331.4 (Transmission and Distribution Mains) should be adjusted. (Redemann)

Position of the Parties

AUF: Other than the stipulations agreed to and accepted during the proceeding, the appropriate U&U percentages for the remaining water distribution and related facilities for each water system are identified in AUF's MFRs and in the Direct and Rebuttal Testimony of John Guastella.

OPC: The appropriate used and useful percentages for the water distribution and related systems that have not been stipulated to by the parties are detailed below.

AG: Adopts OPC's position.

Staff Analysis: During the proceeding, the parties reached a stipulation on the U&U percentages for the water distribution and related facilities for many of the systems; however, no stipulation was reached for 20 of the water systems. Of the 20 water systems for which no stipulation was reached, AUF witness Guastella found that only two of the systems (Palms MHP and Wootens) were less than 100 percent U&U; OPC witness Woodcock found all of those systems were less than 100 percent U&U.

PARTIES' ARGUMENTS

AUF's position is that it is Commission policy to use a ratio of equivalent residential connections (ERCs) to lots to determine the U&U percentage for the water distribution system, and that the courts have rejected attempts to change the Commission's policy by using a ratio of ERCs to ERCs. Mains are not only designed to cover distance, but also to meet varying demands. A ratio of connected lots to total lots on lines would only consider distance; the ratio of ERCs to total lots on lines takes into account both distance and demands because ERCs reflect the higher demands of general service customers or customers with larger meters. Witness Guastella further testified that the distribution systems should be considered 100 percent U&U when the ratio of ERCs to total lots is found to be over 90 percent, after an allowance for margin reserve, and when the system is fully developed as planned. He found two systems to be less than 100 percent U&U. (AUF BR 17; TR 284-285)

OPC witness Woodcock compared ERCs to available ERCs to determine the U&U percentage of the distribution systems. Witness Woodcock testified that he based his calculations on lot and customer counts from the maps provided with the MFRs and assumed that the character of future development will be similar to that of past development in the service area with the same ratio of ERCs to developed lots as is currently present in the service area. His

calculations resulted in U&U percentages ranging from 24 percent to 98 percent for the 20 systems for which a stipulation was not reached. (OPC BR 16; TR 308)

Witness Woodcock testified that witness Guastella's U&U calculation does not provide an accurate representation of the usage of the system and seeks to achieve the highest U&U for the system. He states that it is important to recognize that the units of the numerator and denominator are comparable, and you need to compare "apples to apples." So, an appropriate U&U calculation would use either developed lots to available lots or ERCs to available ERCs. In addition, OPC disagrees with AUF's position that a system should be considered 100 percent U&U if it is over 90 percent U&U and the system is fully developed as planned. Witness Woodcock testified that "fully developed as planned" does not consider that there are available lots in the service area. (TR 310-312)

In his rebuttal testimony, witness Guastella testified that when there is a mix of customer classes and customers with varying demands, the ratios of lots to lots or ERCs to ERCs do not provide sufficient costs for mains that are designed to meet demands as well as cover distances. While the ratio of ERCs to lots on lines appropriately recognizes costs that better represent the design of systems, he states even that ratio does not add anything for fire demands or, for example, distribution grids where mains at intersections require more footage than captured by any of the ratios. (TR 355)

ANALYSIS

Numerator and Denominator

According to witness Guastella, it is Commission policy to use a ratio of ERCs to lots to determine the U&U percentage for the water distribution system, and the courts have rejected attempts to change the Commission's policy.²⁵ However, those court decisions clearly show that the courts did not reject the methodology used by the Commission per se; in fact, the courts specifically found that it is not for the reviewing court to dictate methodology or other policy within the Commission's statutorily delimited sphere. Rather, the courts found that the methodology used by the Commission in those cases (lots to lots), where the systems were serving mixed use areas, did not reach a valid representation of the appropriate U&U percentage, and represented a departure from the methodology previously used (ERCs to lots). The courts further stated that such a shift in ratemaking policy must be supported by expert testimony, documentary evidence or other evidence appropriate to the nature of the issue involved. (AUF BR 17, TR 285, 355-356; See Palm Coast at 485, and Southern States at 1057)

Pursuant to Section 367.081(2), F.S., in every rate proceeding, the Commission must consider "all property used and useful in the public service." The Florida Legislature (Legislature), however, has not prescribed the methodology that the Commission must follow in doing so. Instead, the Legislature has provided the Commission with "considerable discretion and latitude in the rate-fixing process." Gulf Power Co. v. Bevis, 296 So. 2d 482, 487 (Fla.

²⁵ See Southern States Utilities, v. FPSC, 714 So. 2d 1046 (Fla 1st DCA 1998) [Southern States]; and Palm Coast Utility Corp. v. FPSC, 742 So. 2d 482 (Fla. 1st DCA 1999) [Palm Coast].

1974). By its very nature, “ratemaking is never truly capable of finality.” Sunshine Utilities v. FPSC, 577 So. 2d 663, 666 (Fla. 1st DCA 1991). Because of the prospective nature of ratemaking, the Commission is not bound to follow U&U findings from its previous orders. Section 367.081(2), F.S.; Citizens v. FPSC, 435 So. 2d 784, 786 (Fla. 1983).

Based on a review of prior Commission orders, including those noted in testimony and briefs, the Commission has relied on several different types of analysis to determine the used and usefulness of water distribution systems. In Order No. PSC-00-2054-PAA-WS, issued October 27, 2000, in Docket No. 990939-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc., p. 8, the Commission found that it was appropriate to use an ERC to ERC (and not lot to lot) methodology because the systems contained both residential and general service customers. See also Order No. PSC-06-1027-PAA-WU, issued December 11, 2006, in Docket No. 050563-WU, In re: Application for increase in water rates in Polk County by Park Water Company.

In this case, expert testimony was offered by both witnesses Guastella and Woodcock as to the appropriate methodology to be used and the two witnesses came to very different conclusions. Staff agrees with witness Guastella that where there are a significant number of large, general service customers, the Commission should consider the potential additional demand those customers may place on the system compared with typical residential and small general service customers. As witness Guastella appropriately points out, the ultimate purpose of U&U calculations is to establish the cost of providing service. The distribution and collection lines must be designed to cover distance, as well as meet varying customer demands, and a ratio of connected lots to total lots on lines would only consider distance. (TR 354-355)

However, staff does not agree with witness Guastella’s testimony that comparing ERCs to ERCs does not reflect the design and installation of varying mains to meet demands, as well as cover all distances in a grid. In fact, the opposite is true; using lots in the denominator, instead of ERCs, fails to recognize the larger capacity of the lines that are being used to provide the larger demand placed on the system by customers with larger meters. Staff agrees with witness Woodcock that the analysis must be “apples to apples.” (TR 310-311) That concept was fundamental in the development of the U&U rule²⁶ for wastewater treatment plants. The Commission determined that the basis for determining the demand on the wastewater system (the numerator) should be the same as the basis used to determine the permitted capacity of the treatment plant (the denominator). For example, if a wastewater treatment plant’s permitted capacity is based on the system’s average annual daily flow, then the demand should be based on the system’s average annual daily flow, and not the peak month.

Likewise, in determining the used and usefulness of a distribution or collection system, the same basis or criteria should be used for both the numerator and the denominator - an “apples to apples” comparison. By comparing ERCs to ERCs, the numerator will reflect the demand placed on the system, the denominator will reflect the capacity of the lines, and the resulting U&U percentage will fairly represent the cost of providing the service. For example, witness Guastella’s used and useful calculation for the Arredondo distribution system was based on

²⁶ Rule 25-30.432, F.A.C.

728.9 ERCs of projected demand compared with 711 lots fronting mains, or 102.5 percent. The Utility's map shows few undeveloped lots, so the ERCs to lot comparison would yield an even larger percentage as those remaining lots are developed. For systems with a significant number of large, residential or general service customers, staff recommends that both the numerator and denominator be stated in ERCs to determine the used and usefulness of the lines. For systems with only residential customers with small meters, a lot to lot analysis will yield the same U&U percentage as the ERC to ERC analysis. (EXH 180, Arredondo Vol. 1, p. 135)

Staff notes that witness Guastella failed to consistently define how the numerator (year 2012 projected ERCs) on Schedule F-7 was determined for each of AUF's distribution systems. The following example demonstrates some of the discrepancies in the Utility's MFRs. For the Palm Port distribution system, Schedule F-7 shows that 129.2 projected ERCs in 2012 were used to calculate the U&U percentage; a footnote at the bottom of the page indicates that the 2012 trended ERCs are based on consumption and map counts. However, Schedule F-8 reflects 113.4 projected ERCs in 2012, trended from 110.6 average ERCs in 2007 using regression analysis. In addition, the Utility's billing analysis (Schedules E-2 and E-3) shows an average of 103 residential customers in 2007, all with 5/8" x 3/4" meters, and no general service customers. This type of conflicting information was prevalent throughout the Utility's U&U calculations for the distribution (and collection) systems. (EXH 180, Palm Port Volume 1, pp. 107, 115, 135, 136)

Palm Port	E-2	F-7	F-8	F-9
2007 Average ERCs	103.0		110.6	104.5
2012 Projected ERCs		129.2	113.4	

Witness Woodcock used ERCs in both the numerator and denominator of his analysis. He testified that he relied on the Utility's maps; as well as visits to the service areas and assumed future development will be similar to that of past development in the service area. However, in several instances, the maps do not clearly demonstrate his assumptions. For example, Witness Woodcock's analysis did not include lots identified as having inactive connections, homes on two lots, or lots with private wells in Arredondo Farms, Arredondo Estates, Morningview, Orange Hill/Sugar Creek, Palms MHP, Palm Port, Piney Woods, Rosalie Oaks, and Zephyr Shores. However, if a lot has an inactive connection, then the lot should be included in the U&U calculation because capacity has been reserved for that lot. In addition, where homes are located on multiple lots, the second lot is not available for development and therefore should be included as a connection (numerator) or removed from the number of available lots (denominator). (TR 297, 308-309; EXH 180, Arredondo Farms, Arredondo Estates, Morningview, Orange Hill/Sugar Creek, Palms MHP, Palm Port, Piney Woods, Rosalie Oaks, and Zephyr Shores Volume 1, Arredondo Farms, Arredondo Estates, Morningview, Orange Hill/Sugar Creek, Palms MHP, Palm Port, Piney Woods, Rosalie Oaks, and Zephyr Shores Maps; EXH 65, BSP 1457)

Witness Woodcock included 16 residential customers in his U&U calculation for the Beecher's Point system, as shown on the water system map. The Utility's billing analysis shows an average of 45 residential water customers, while there are only 16 residential wastewater customers; therefore, it appears that the Utility's water system map incorrectly reflects the number of wastewater customers and the billing analysis should be relied on to determine the

appropriate number of residential customers to include in the U&U analysis. (EXH 180, Beecher's Point Volume 1, pp. 107, 115, 135, Beecher's Point Maps; EXH 98, p. 1)

Witnesses Guastella and Woodcock disagreed on the number of 2007 residential connections as well as the total number of lots in the Lake Josephine system. Staff relied on the billing analysis and the map to determine the number of 2007 connections and total lots. (EXH 180, Lake Josephine Volume 1, pp. 107, 115, 135, Lake Josephine Maps; EXH 98, p. 1)

While witnesses Guastella's and Woodcock's U&U calculations are similar for the Silver Lake Estates/Western Shores system, neither witness recognized that there are a significant number of residential customers with large meters that use considerably more water than the residential customers with small meters. Therefore, staff's analysis of the Silver Lake Estates/Western Shores distribution systems reflects more projected and existing ERCs than either witness; however, staff's resulting U&U percentage is very similar to that of both witnesses. (EXH 180, Silver Lake Estates/Western Shores Volume 1, pp. 107, 115, 135, 137, Silver Lake Estates/Western Shores Maps; EXH 98, p. 1)

Growth

Witness Guastella testified that systems that are fully developed or built out should be considered 100 percent U&U, even though the U&U calculation resulted in less than 100 percent. In addition, witness Guastella testified that when a system is found to be 90 percent U&U based on a calculation of ERCs to lots, the Commission should find the system 100 percent U&U. (TR 347) Of the 20 distribution systems that were not stipulated, witness Guastella found 11 of those systems to be 100 percent U&U either because the calculated U&U percentage was between 90 percent and 100 percent (Orange Hill/Sugar Creek, Palm Port, Piney Woods, Ravenswood, River Grove, Silver Lake Estates/Western Shores) or because the system is fully developed as planned (Beecher's Point, Gibsonia Estates, Lake Josephine, Rosalie Oaks, and Village Water). (TR 284) Witness Woodcock testified that "fully developed as planned" does not consider the fact that there are available lots in the service area and rounding from 90 percent up to 100 percent overestimates the actual U&U of a system at the expense of the customers. Witness Woodcock relied exclusively on his calculation of ERCs to ERCs, with no further adjustment. (TR 310, 312; EXH 180, Orange Hill/Sugar Creek, Palm Port, Piney Woods, Ravenswood, River Grove, Silver Lake Estates/Western Shores, Beecher's Point, Gibsonia Estates, Lake Josephine, Rosalie Oaks, and Village Water Volume 1, p. 135)

Staff agrees with witness Guastella that a system that is fully developed as planned should be considered 100 percent used and useful, even if the calculated U&U percentage is less than 100 percent. Rules 25-30.432 and 25-30.4325, F.A.C., both contain a provision for finding a water or wastewater treatment plant 100 percent U&U if the system is built out. Similarly, if a distribution (or collection) system is built out with no apparent potential for expansion, then the system should be considered 100 percent U&U. While witness Guastella does not specify the criteria for determining when a system is fully developed, the characteristics of the systems that he considered fully developed generally include negative or minimal growth over the past five years, few vacant lots, and small (2") lines throughout the service area. Also, most of the AUF systems are 30 to 40 years old. (EXH 180, Carlton Village, East Lake Harris, Fern Terrace,

Palms, Picciola Island, Piney Woods, Ravenswood, Silver Lake, Skycrest, The Woods Volume 5, Book 2, Set 5 of 16)

As described above, witness Guastella failed to consistently define how he determined the number of projected ERCs to be used in the numerator of the U&U formula. Further, it is also unclear how witness Guastella determined the appropriate growth factor. In numerous instances, Schedule F-9 shows a decline in the average number of residential customers and total ERCs from 2003 to 2007, but witness Guastella used a positive growth factor on Schedules F-7 and F-8 to determine the projected 2012 ERCs and, generally, the projected ERCs on Schedules F-7 and F-8 did not match. In addition, in some instances, witness Guastella included a growth allowance in excess of 25 percent.

Witness Woodcock relied on the Utility's F-9 schedules to determine the appropriate growth factor for the distribution systems. If growth was negative he used a factor of 1.00 and if growth exceeded 25 percent he capped the growth factor at 1.25, pursuant to Section 367.081(2), F.S. (TR 303)

As previously discussed, the change in total ERCs in the F-9 schedules reflects both a change in customers and a change in usage patterns, such as conservation. Therefore, staff relied on the change in the number of residential customers from 2003 to 2007 as shown on Schedules F-9 to determine the system's historical growth for the water systems, because most of AUF's systems are predominately residential, with very few general service customers. Further, the Utility's filing did not contain information regarding the historical number of general service customers. Staff agrees with witness Woodcock, that if growth was negative, a growth factor of 1.00 should be used, and if growth exceeded 25 percent, the growth factor should be capped at 1.25, pursuant to Section 367.081(2), F.S.

Staff also agrees with witness Woodcock that rounding up from 90 percent to 100 percent overestimates the actual U&U of a system. (TR 310) While staff agrees with witness Guastella that prudence and economies of scale should be considered in the U&U calculation, staff believes that those issues should be specifically addressed and not merely assumed via rounding the U&U percentage from 90 percent to 100 percent. (TR 347) The U&U calculations include a growth allowance of up to 25 percent of the test year demand; therefore, rounding from 90 percent to 100 percent U&U would incorporate an additional allowance with no specific justification. However, staff would note that it has been Commission practice to round up from 95 percent to 100 percent in determining the appropriate used and usefulness of a system when the system is also the minimum size necessary to serve the development or the system is otherwise built out.²⁷ Staff believes that, based on Commission policy and prior Commission orders,²⁸ it is appropriate to consider a system 100 percent U&U when the calculation results in a U&U of 95 percent or greater. Therefore, staff recommends that a system should be considered 100 percent U&U if the calculated U&U percentage is 95 percent or greater and if the growth

²⁷ See Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida; pp. 41-44.

²⁸ See Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, p. 82; and Order No. PSC-00-0248-PAA-WU, issued February 7, 2000, in Docket No. 990535-WU, In re: Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernadina Beach System); pp. 11, 12

factor is 1.05 or less, because minimal growth of 1 percent or less per year for five years is an indicator that the system is built out.

Based on staff's analysis of the record, staff recommends that all of the AUF water distribution systems that were not stipulated and have a growth factor of 1.05 or less, should be considered 100 percent U&U with the exception of Palms MHP, which should be considered 87.73 percent U&U based on AUF's U&U calculation. Ravenswood should be considered 100 percent U&U because the calculated U&U percentage is greater than 95 percent, the lines are the minimum size necessary to serve the area, and it was found to be 100 percent in the last rate case.²⁹ Silver Lake Estates/Western Shores should be considered 100 percent U&U based on a comparison of projected 2012 ERCs to total ERCs. The Lake Josephine, Venetian Village, and Wootens U&U calculations are based on a comparison of projected 2012 ERCs to total ERCs.

The following table reflects AUF's and OPC's proposed U&U percentages and staff's recommended U&U percentage based on a comparison of projected 2012 ERCs to total ERCs:

Water Distribution and Related Facilities Used and Useful							
System	Prior	2012	Total	Growth	AUF	OPC	Staff
Arredondo	70.69	736	737	1.00	100.00	89.00	100.00
Beecher's Point	64.71	49	78	1.00	100.00	24.00	100.00
Gibsonia Estates		290	311	1.05	100.00	92.00	100.00
Kingswood	89.71	6.7	6.7	1.0	100.00	100.00	100.00
Lake Josephine	39.17	626	731	1.06	100.00	66.00	85.65
Morningview	85.71	61	61	1.00	100.00	88.00	100.00
Orange Hill/Sugar Ck		255	265	1.00	100.00	94.00	100.00
Palm Port	80.29	106	116	1.00	100.00	80.00	100.00
Palms MHP	67.82	70	80	1.00	87.73	73.00	87.73
Piney Woods	79.53	195	214	1.02	100.00	87.00	100.00
Ravenswood	100.00	53	55	1.07	100.00	96.00	100.00
River Grove	87.39	108	113	1.01	100.00	95.00	100.00
Rosalie Oaks		119	123	1.00	100.00	82.00	100.00
Silver Lake Est/W Sh	79.25	4129	4044	1.06	100.00	91.00	100.00
Skycrest	100.00	143	160	1.01	100.00	68.00	100.00
Tomoka/Twin River		283	291	1.00	100.00	98.00	100.00
Valencia Terrace	100.00	345	358	1.00	100.00	91.00	100.00
Venetian Village	65.02	163	224	1.10	100.00	75.00	72.63
Village Water	50.68	564	791	1.00	100.00	60.00	100.00
Wootens	51.92	39	60	1.10	65.66	52.00	65.66
Zephyr Shores	77.59	527	534	1.00	100.00	79.00	100.00

²⁹ See Order No. PSC-93-0901-FOF-WU, issued June 14, 1993, in Docket No. 921102-WU, In re: Application for a staff-assisted rate case in Lake County by Theodore S. Jansen d/b/a Ravenswood Water System; p. 2.

CONCLUSION

Based on the testimony and analysis described above, staff recommends that all of the water distribution and related facilities of the AUF systems that were not stipulated should be considered 100 percent U&U, with the exception of Lake Josephine (85.65 percent), Palms MHP (87.73 percent), Venetian Village (72.63 percent), and Wootens (65.66 percent). Account No. 331.4 (Transmission and Distribution Mains) should be adjusted accordingly.

In addition, staff notes that stipulations were approved during the hearing for the following systems:

System	U&U Stipulation
48 Estates	85%
Carlton Village	47%
Chuluota	100%
East Lake Harris	100%
Fern Terrace	100%
Friendly Center	100%
Grand Terrace	100%
Haines Creek	100%
Harmony Homes	100%
Hermits Cove	81%
Hobby Hills	100%
Holiday Haven	76%
Imperial Mobile Terrace	100%
Interlachen Lake Estates	83%
Jasmine Lakes	100%
Jungle Den	100%
Kings Cove	100%
Lake Gibson Estates	100%
Lake Osborne	100%
Lake Suzy	100%
Leisure Lakes	76%
Oakwood	97%
Ocala Oaks	100%
Palm Terrace	100%
Picciola Island	80%
Pomona Park	51%
Quail Ridge	100%
Sebring Lakes	7%
Silver Lake Oaks	68%
St. Johns Highlands	72%
Stone Mountain	54%
Summit Chase	100%
Sunny Hills	13%
Tangerine	60%
The Woods	46%
Welaka/Saratoga Harbor	49%

Issue 11: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

Recommendation: Staff recommends that each of the seven wastewater collection systems that were not stipulated should be considered 100 percent used and useful. The U&U adjustment should apply to the entire collection system, including force mains and lift stations. (Rieger)

Position of the Parties

AUF: Other than the stipulations agreed to and accepted during the proceeding, the appropriate U&U percentages for the remaining wastewater collection lines and related facilities for each wastewater system are identified in AUF's MFRs and in the Direct and Rebuttal Testimony of John Guastella. Further, these percentages should not be applied to force mains or lift stations.

OPC: The appropriate used and useful percentages for the wastewater collection lines of related facilities that have not been stipulated to by the parties are detailed below.

AG: Adopts OPC's position.

Staff Analysis: During the proceeding, the parties reached a stipulation on the U&U percentages for 18 of AUF's 25 wastewater collection systems. Of the seven remaining systems, AUF witness Guastella found that all of them were 100 percent U&U, and OPC witness Woodcock found those systems to be 50.76 percent to 96.46 percent U&U.

PARTIES' ARGUMENTS

As discussed in Issue 10, AUF's position is that OPC provides no legitimate basis for the Commission to require AUF to deviate from its established practice of using ERCs to lots on lines as the ratio to calculate U&U percentages for collection lines and related facilities. The entire wastewater collection system is used to meet the actual maximum demand of existing customers. In addition, AUF believes that force mains and lift stations should not be subject to U&U adjustments. AUF points out that the testimony shows that there are no customers connected to wastewater force mains; instead, those force mains accommodate wastewater from multiple customers, as well as influent and infiltration. Witness Guastella testified that considerations of prudence of the investment, economies of scale, and other relevant factors are applicable to U&U evaluations of other components of Utility systems, including lift stations and force mains. The size and cost of lift stations and force mains would not significantly fluctuate if more or less customers are added to the gravity mains. Also, he points out that a ratio of ERCs to lots on lines is not similarly applicable to lift stations and force mains, and consideration of prudence and economies of scale supports the use of 100 percent for the used and usefulness of lift stations and force mains. (AUF BR 17-18; TR 286, 354-355, 357-358; EXH 65, BSP 1461)

OPC witness Woodcock determined the U&U percentage of the wastewater collection systems by using the ERC to available ERC method. He assumed that the character of future development will be similar to that of past development in the service area, and that future development will be as dense, with the same ratio of ERCs to developed lots, as is currently

present in the service area. In addition, witness Woodcock disagrees with witness Guastella's position that the U&U percentage should apply to the gravity collection system, but not force mains and lift stations. Witness Woodcock believes that witness Guastella ignored the fact that the collection lines, force mains, and lift stations act as a system to convey wastewater from the customers to the wastewater treatment plant. In evaluating the U&U of the wastewater collection system, he states that prudent design would dictate that the lift stations and force mains are sized in a manner consistent with the gravity system. Therefore, if a collection system is 50 percent U&U, it follows that the corresponding force mains and lift stations would have a similar U&U of 50 percent. (OPC BR 17-18; TR 13-14, 16)

ANALYSIS

For all of the wastewater collection systems that were not stipulated, the customer growth from 2003 to 2007 was either negative or less than 1 percent per year. Consistent with the discussion in Issue 10, staff believes that systems with little or no growth over the past five years should be considered built out and, therefore, 100 percent U&U. In addition, staff agrees with OPC that the U&U adjustment should apply to the entire collection system, including the force mains and lift stations, because they are typically designed in a manner that is consistent with the gravity system.

The following table reflects AUF's and OPC's proposed U&U percentages and staff's recommended U&U percentage:

Wastewater Collection and Related Facilities Used and Useful							
System	2012	Total	Growth	Prior	AUF	OPC	Staff
Beecher's Point	20	57	1.00	72.58	100.00	50.76	100.00
Fl Central Comm Pk	41	50	1.00	84.51	100.00	84.05	100.00
Jungle Den	157	171	1.03	87.41	100.00	92.01	100.00
Morningview	42	42	1.00	75.00	100.00	92.50	100.00
Rosalie Oaks	119	123	1.00		100.00	96.46	100.00
Valencia Terrace	348	359	1.01	100.00	100.00	96.53	100.00
Zephyr Shores	522	533	1.00	77.13	100.00	89.93	100.00

CONCLUSION

Based on the testimony, staff recommends that each of the seven wastewater collection systems that were not stipulated should be considered 100 percent U&U. The U&U adjustment should apply to the entire collection system, including force mains and lift stations.

In addition, stipulations were approved during the hearing for the following systems:

System	U & U Stipulation
Arredondo Farms	100%
Chuluota	100%
Holiday Haven	75%
Jasmine Lakes	100%
Kings Cove	100%
Lake Gibson Estates	100%
Lake Suzy	100%
Leisure Lakes	75%
Palm Port	88%
Palm Terrace	100%
Park Manor	100%
Silver Lake Oaks	66%
South Seas	100%
Summit Chase	100%
Sunny Hills	38%
The Woods	60%
Venetian Village	100%
Village Water	47%

(TR 76)

Issue 12: What is the appropriate method for calculating the used and useful percentages of water treatment and related facilities for water systems that are interconnected?

Recommendation: Staff recommends that the interconnected systems that operate as one system should be evaluated as a single system for purposes of calculating used and useful. However, Sebring Lakes and Lake Josephine should be evaluated separately because these two systems are interconnected for emergencies only. (Walden, Redemann, Rieger, Daniel)

Position of the Parties

AUF: The U&U percentages of water treatment and related facilities that are interconnected should be individually evaluated if each system were designed and constructed as an independent system.

OPC: A single used and useful percentage for water treatment and related facilities should be calculated for water systems that are interconnected so that the combined system can be evaluated as a single operating system.

AG: Adopts OPC's position.

Staff Analysis: The AUF water systems that are interconnected include East Lake Harris and Friendly Center, St. Johns Highlands and Hermits Cove, Sebring Lakes and Lake Josephine, and Welaka and Saratoga Harbour. (TR 303)

AUF's position is that the U&U percentages of water treatment and related facilities that are interconnected should be individually evaluated as if each system were designed and constructed as an independent system. (AUF BR 18) AUF Witness Guastella testified that East Lake Harris and Friendly Center, while now interconnected, are two different systems that were designed individually, and then interconnected for reliability. Sebring Lakes and Lake Josephine, while originally designed as separate systems, do have an interconnect. However, according to requirements from DEP, Sebring Lakes and Lake Josephine should operate independently and only activate the interconnect for emergency situations. (TR 350-351) The MFRs show no flows for Friendly Center, and state that the system is interconnected with East Lake Harris. (EXH 180, Friendly Center, Vol. 1, p. 129)

OPC witness Woodcock testified that these systems should be evaluated with the interconnected systems operating together. A key point made is that even though there are two water plants, these systems operate as one system. The witness stated that the interconnections required that these systems operate as one system. (TR 303, 317) Witness Woodcock further testified that as a result of the Sebring Lakes and Lake Josephine interconnect, those systems require a combined unaccounted for water and growth analysis. (TR 303)

As discussed in Issue 7, the interconnected St. Johns Highlands and Hermits Cove system is a single source system and its U&U percentage was stipulated. Staff does not agree with AUF's approach that interconnected systems should be evaluated as if those systems were stand-alone. Staff agrees with witness Woodcock that the systems should be evaluated as they are being operated by the Utility, and to recognize the importance of an interconnection for

reliability, safety, and in accordance with rules of DEP. DEP's rules require a second source of supply and a generator when a system serves 350 or more persons. (TR 1209)

Staff does not agree with witness Woodcock that as a result of the interconnection, these systems are required to operate as one system. There is no requirement that this be the case. For safety and reliability, it is prudent to operate the interconnected systems as one, but there is no requirement cited that mandates such operation. One exception would be if the two systems had only one source of supply, as is the case for St. Johns Highlands and Hermits Cove, where the system is essentially one system due to a single source of supply. (TR 351; EXH 180, St. Johns Highlands, Vol. 1, p. 133)

Due to the independent operation of Sebring Lakes and Lake Josephine, and the interconnection that is used only for emergencies, those systems should be considered as separate systems. East Lake Harris and Friendly Center should be evaluated as one system because of its combined flows and operation as one system.

In conclusion, staff recommends that the interconnected systems that operate as one system should be evaluated as a single system for purposes of calculating U&U. However, Sebring Lakes and Lake Josephine should be evaluated separately because these two systems are interconnected for emergencies only.

Issue 13: What is the appropriate method for calculating the used and useful percentages of water treatment and related facilities of water systems that are actually stand alone systems that have been combined for rate base purposes in this proceeding?

Recommendation: Used and useful for stand-alone water systems should be calculated separately, pursuant to Rule 25-30.4325, F.A.C., and weighted based on the connections to each system. (Rieger)

Position of the Parties

AUF: Systems that are functionally integrated for accounting, management, administrative and operational purposes but are physically stand-alone systems should be evaluated as individual systems for calculating U&U percentages.

OPC: After calculating the individual used and useful percentages for each stand-alone system, the percentages should be combined, using the number of customers as a weighing factor, to produce an overall used and useful percentage for water treatment and related facilities of the MFR combined systems.

AG: Adopts OPC's position.

Staff Analysis: AUF has three separate groups of water treatment facilities (Ocala Oaks – 12 systems, Arredondo Estates/Arredondo Farms - 2 systems, and Tomoka/Twin Rivers – 2 systems) whose stand-alone, non-interconnected systems have been combined into each group as one for rate base purposes. AUF believes that systems that are functionally integrated for accounting, management, administrative and operational purposes, but are physically stand-alone systems, and should be evaluated as individual systems for calculating U&U percentages. This is because the cost to serve customers was incurred on an individual basis, and thus should be recognized for rate setting purposes on that basis. OPC witness Woodcock testified that he calculated a U&U percentage for each of the systems individually, and then generated a composite percentage for application to rate base based on the number of connected customers. (AUF BR 19; TR 352, OPC BR 11, 18; TR 304-305, 317; EXH 96)

Conclusion

Staff does not agree with AUF's approach to combine all stand-alone plants of systems that have been functionally integrated, and treat them as a single entity for U&U purposes. OPC's approach is more realistic when it comes to evaluating these types of systems. Staff believes that OPC's approach will better reflect the individual characteristics of these treatment plants, such as the number of wells, treatment processes, storage capabilities, and number of customers served. This approach is consistent with staff's U&U analysis of water treatment plants in Issue 7. It should be noted that the Ocala Oaks system's U&U was stipulated as 100 percent U&U. Therefore, staff recommends that the U&U for stand-alone water systems should be calculated separately, pursuant to Rule 25-30.4325, F.A.C., and weighted based on the connections to each system.

Issue 14: Should any adjustments be made to test year accumulated depreciation?

Recommendation: Yes. The following adjustments should be made.

System	Account	Staff Audit	Recomm. Adjs.
Water			
Lake Suzy	Accumulated Depr.	\$108,901	\$40,187
Lake Josephine	Accumulated Depr.	\$17,395	\$17,395
Sebring	Accumulated Depr.	\$4,005	\$4,005
Wastewater			
Lake Suzy	Accumulated Depr.	\$359,506	\$250,826

(Wright)

Position of the Parties

AUF: AUF agrees with certain Staff adjustments made in this case, as outlined in the rebuttal testimony of AUF witness Robert Griffin.

OPC: Yes. Plant in service adjustments should be accompanied by an adjustment to accumulated depreciation as a fallout issue. In addition, Citizens agree with the specific adjustments proposed by Ms. Dobiac.

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Accumulated Depr.	\$108,901	Unsupported Balance
Sebring	Accumulated Depr.	\$4,005	Lack of Support Documentation
Lake Osborne	Accumulated Depr.	\$941	Lack of Support Documentation
Arrendondo Estates/Farms	Accumulated Depr.	\$16,992	Lack of Support Documentation
Jasmine Lake	Accumulated Depr.	\$35,249	Lack of Support Documentation
Imperial Mobile Terrace	Accumulated Depr.	(\$58)	Correct Misclassification of Expense
Wastewater			
Lake Suzy	Accumulated Depr.	\$359,506	Unsupported Balance

AG: Adopts OPC's position.

Staff Analysis:

Due to the lack of supporting documentation, staff witness Dobiac recommended rate base adjustments to the Lake Suzy's water and wastewater systems, as well as, Lake Josephine's and Sebring's water systems.

Lake Suzy Water and Wastewater Systems

Staff witness Dobiac testified that the Utility did not provide supporting documentation for \$534,219 in plant additions for the Lake Suzy water system (TR 946) as discussed in Issue 2. The related accumulated depreciation adjustment recommended by witness Dobiac is \$108,901. She also recommended an adjustment to accumulated depreciation of \$359,506 related to the \$1,119,520 reduction in plant additions for Lake Suzy's wastewater system, as discussed in Issue 2. (TR 947)

In his rebuttal testimony, AUF witness Griffin argued that, prior to AUF acquiring the Lake Suzy system, the Commission, by Order No. PSC-97-0540-FOF-WS, approved water and wastewater plant for Lake Suzy in the amount of \$1,239,799. (TR 1482) Order No. PSC-97-0540-FOF-WS was included in witness Griffin's rebuttal testimony as Exhibit 141, and reported water accumulated depreciation of \$68,714 and wastewater accumulated depreciation of \$108,680. Witness Griffin, in his rebuttal testimony, states that at the very least, the Lake Suzy plant, which the Commission has approved in Order No. PSC-97-0540-FOF-WS, should not be removed. (TR 1483)

Staff has recommended that the amounts in Order No. PSC-97-0540-FOF-WS be recognized, as discussed in Issue 2. Based on the plant adjustments recommended in Issue 2, staff recommends that Lake Suzy's accumulated depreciation for water should be adjusted by \$40,187 (\$108,901-\$68,714), and Lake Suzy's accumulated depreciation for wastewater should be adjusted by \$250,826 (\$359,506-\$108,680).

Lake Josephine Water System

Witness Dobiac recommended a decrease in accumulated depreciation of \$17,395 as this amount was included in the MFR accumulated depreciation but was not included in previous Commission orders. Witness Griffin agrees with the \$17,395 adjustment to decrease accumulated depreciation for the Lake Josephine water system. (EXH 140, p.2) Staff also agrees with the \$17,395 adjustment to reduce accumulated depreciation.

Sebring Lakes Water System

Witness Dobiac states that the related adjustment to accumulated depreciation is a reduction of \$4,005. (TR 948-949) Witness Griffin, in his response to the staff audit, supports the \$4,005 reduction to accumulated depreciation. (EXH 140, p. 2) Staff also agrees with the \$4,005 adjustment to reduce accumulated depreciation for the Utility.

Conclusion

Based on the above, staff recommends the adjustments reflected in the following table:

System	Account	Staff Audit	Recomm. Adjs.
Water			
Lake Suzy	Accumulated Depr.	\$108,901	\$40,187
Lake Josephine	Accumulated Depr.	\$17,395	\$17,395
Sebring	Accumulated Depr.	\$4,005	\$4,005
Wastewater			
Lake Suzy	Accumulated Depr.	\$359,506	\$250,826

Issue 15: Should any adjustments be made to test year accumulated amortization of CIAC?
 (Stipulated)

Stipulation: Yes. The following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Accum. Amort. of CIAC	\$8,891	Unsupported Balance
Ocala Oaks	Accum. Amort. of CIAC	(\$11,418)	Unsupported Balance
Tangerine	Accum. Amort. of CIAC	\$2,830	Correct for Duplicate Reduction
Water and Wastewater Systems			
Multiple Systems	Accum. Amort. of CIAC	\$95,580	Failure to Amortize CIAC Subaccounts.

Issue 16: Should any adjustments be made to accounts receivable for officers and employees?

Recommendation: Yes. Accounts receivable for officers and employees should be reduced by \$1,000. (Hudson)

Position of the Parties

AUF: No. This is a normal recurring business operation and should be included in the working capital calculation.

OPC: Yes. Accounts Receivable for officers and employees should be reduced by \$1,000 as these receivables are not necessary nor do they relate to the delivery of water and wastewater services.

AG: Adopts OPC's position.

Staff Analysis: In its MFRs, AUF included \$1,000 in accounts receivable for officers and employees. (EXH 180) OPC witness Merchant testified that the amount represents unpaid loans to AUF's officers and employees. (TR 924) In its brief, the Utility indicated that this account is a normal recurring business operation and should be included in the working capital calculation. (AUF BR 20) OPC Merchant testified that the receivables are not necessary, do not relate to the delivery of water and wastewater services, and should not be included in the working capital calculation.

Consistent with the Commission's recent treatment of accounts receivable, staff recommends that the \$1,000 included in accounts receivable for officers and employees be removed.³⁰

³⁰ See Order Nos. PSC-08-0327-FOF-EI, p. 28, issued May 19, 2008, in Docket Nos. 070300-EI, In re: Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company; and 070304-EI, In re: Petition for rate case increase by Florida Public Utilities Company; and 10557, issued February 1, 1982, in Docket No. 810136-EU, In re: Petition of Gulf Power Company for Authority to Increase its Rates and Charges. In those dockets, the Commission treated loans to employees as non-utility receivables.

Issue 17: Should any adjustments be made to other deferred debits?

Recommendation: Yes. Deferred debits should be reduced by \$18,323. (Crawford)

Position of the Parties

AUF: No.

OPC: Yes. First, deferred debits should be corrected to reflect the appropriate unamortized balance of deferred maintenance. Second, deferred debits should be allocated to all of the company's systems instead of system specific charges. The total deferred debits that should be included in the working capital calculation should be \$217,890.

AG: Adopts OPC's position.

Staff Analysis: OPC witness Dismukes notes several inconsistencies in the amortization periods of various deferred maintenance projects. She provided an example of the Village Water wastewater system which incurred costs related to pond berm clearing in February 2004, but the amortization did not begin until March 2005. Witness Dismukes also stated, "In some cases the Company used an amortization period of less than five years. However, no justification was provided to demonstrate that a period of less than five years is appropriate." (TR 737) Further, Dismukes recommends that, "any deferred maintenance projects that will be completed before the end of 2008 be removed from the test year expenses." (TR 738) Dismukes recommends reducing test year expenses by \$22,978 to account for her changes made to the amortization periods, and to remove test-year expenses that will be fully amortized prior to year-end 2008. (EXH 86)

OPC witness Merchant recommends two adjustments related to the amount of Other Deferred Debts. Her first adjustment agrees with witness Dismukes' recommended adjustments to the amortization of deferred maintenance. Witness Merchant determined the impact of those adjustments on the average balance included in working capital. (TR 925) AUF has requested a total balance of Other Deferred Debts of \$229,104. Witness Merchant recommends reducing Other Deferred Debts by \$11,213, which results in a net balance of Other Deferred Debts of \$217,890. (EXH 88) Secondly, witness Merchant is recommending that the approved balance of deferred maintenance be included in the overall working capital allowance that is spread to the total Utility. (TR 925) Witness Merchant's direct testimony states:

I believe that it is improper to specifically add these deferred debits to each system's previously allocated working capital allowance. These deferred debits relate to maintenance project were performed [sic] on a plant specific basis and the amortization, where appropriate, should be specifically assigned to each individual system. However, once the project is deferred the deferral is recorded on a total company balance sheet where the asset is used by the company as a whole. This is no different than how net income or debt is recorded on the total company balance sheet and allocated to individual systems. By adding the deferred maintenance to working capital on an individual system basis [sic] overstates the investment of that one system when the whole company is allowed

to benefit from this deferral. The true nature of working capital for a company of this size and with the large number of systems is that working capital funds are included in one big "fund" that is used to serve all systems in the company.

(TR 925-926)

AUF believes that no adjustments are necessary to other deferred debits. When answering the question of why AUF did not begin amortization on some projects the month after the expense was incurred, AUF witness Szczygiel contends, "The practice is to amortize these costs over the life of the permit, based on the issuance date. Although these expenses may have been incurred several months prior to issuance, they are not amortized until the permit is actually issued." (TR 1555) With regard to witness Dismukes' change to AUF's amortization period of Operation and Maintenance (O&M) Manuals, AUF witness Szczygiel believes that witness Dismukes' suggestion of excluding multiple period expenses does not make practical sense. (TR 1555) Witness Szczygiel also refers to Audit Finding No. 6, in which AUF justified a shorter amortization period. (EXH 113, p. 17)

AUF witness Griffin testified why he believes adjustments to other deferred debits are inappropriate. Regarding amortization period changes, Griffin says, "The Company's accounting method consistently and properly identifies payments to each individual system and then records the deferred debit and offsetting expense amortization to the individual system's accounting unit." (TR 1505) Witness Griffin disagrees with witness Merchant's recommendation that AUF should collect the balance of other deferred debits as part of the working capital allowance, saying the recommendation attempts to replace a rational and supportable process with one that is flawed. (TR 1505) AUF believes that the deferred debits should remain specifically assigned to each system instead of spreading the deferred debits throughout the entire company. (AUF BR 21)

AUF's amortization of deferred debits was inconsistent, as proven by the testimonies of both AUF witnesses Szczygiel and Griffin. Witness Szczygiel asserts that deferral of maintenance projects are normally amortized to match the expenses of projects over the period of the benefits. For example, permit renewals are amortized over the life of the permit, while tank inspections are amortized over five years, consistent with DEP inspection requirements. (TR 1554) Conversely, Griffin says, "The Company practice has consistently deferred and amortized larger recurring maintenance and repair projects over three years." (TR 1507)

Rule 25-30.433(8), F.A.C., provides: "Non-recurring expenses shall be amortized over a five year period unless a shorter or longer period of time can be justified." Based on the systems addressed by witness Dismukes in Schedule 24 (EXH 86), staff recalculated the impact on deferred debits based on a five-year amortization period for all systems. Staff's calculation results in a reduction of \$17,326 to deferred debits.

Staff believes the second recommendation proposed by OPC witness Merchant was not supported. Witness Merchant did not make an adjustment to remove specific adjustments from each system's working capital; however, she made one combined adjustment to reflect the total working capital adjustment per system. (TR 746) Staff believes the recommendation provided

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by witness Merchant was not supported by any statistical data; thus, the entire impact cannot be determined. Moreover, staff believes AUF's direct method is reasonable.

Based on the above, staff recommends other deferred debits be reduced by \$18,323. This amount includes the reduction of \$17,326 for the changes in the amortization periods of all systems listed on witness Dismukes' Schedule 24, and a reduction of \$997 for Imperial Mobile Terrace's water system related to Issue 44.

Issue 18: Should any adjustments be made to accrued taxes?

Recommendation: Yes. An adjustment of \$1,334,964 should be made to accrued taxes. (Buys, Kyle)

Position of the Parties

AUF: Yes. However, the adjustment should reflect (a) the allocated portion of deferred taxes on IT equipment; (b) the average amount of accrued taxes; and (c) the calculated amount of taxes based on the revenue requirement decided by the Commission.

OPC: The company's requested negative (debit) deferred taxes should be adjusted to reflect a positive balance (credit) balance of \$657,340 that would normally belong in accrued taxes.

AG: Adopts OPC's position.

Staff Analysis: In his direct testimony, staff witness Winston states, "Audit Finding 7 discusses accrued taxes. The ending balance for accrued taxes for all systems, as included in the working capital allowance, is a year-end debit balance of \$2,860,234 and a 13-month average debit-balance of \$1,155,342." (TR 1308) In AUF's response to Audit Finding No. 7, the Utility explains:

The accrued tax amount of \$2,860,234 (debit) predominantly represents amounts owed to Aqua Utilities Florida, Inc. from the parent company Aqua America, Inc. for the tax benefit of the losses that were included in the 2006 and 2007 Federal Income Tax returns. The amounts will be paid by Aqua America, Inc. to Aqua Utilities Florida, Inc. when the 2007 Federal Income returns are finalized and trued up in the 4th Quarter, 2008. . . .

(EXH 140, p. 5)

In its response to Audit Finding No. 7, AUF provided a schedule containing the accrued tax detail. That schedule shows a year-end negative amount (debit-balance) of \$2,884,818 for Accrued Federal Tax. (EXH 140, p. 43)

OPC recommends that accrued taxes be adjusted to reflect a positive (credit) balance in the working capital calculation in the amount of \$657,340. (TR 933) This equates to an adjustment of \$1,812,682. (TR 1510) OPC witness Merchant testified:

I agree with the staff auditors that the balance in accrued taxes should be normalized to recognize that the company will be given a fully compensatory income tax expense through its revenue requirement. While the company reported losses in 2006 and 2007, the parent and AUF have benefitted from the net operating losses that AUF has generated. If the Commission finds that some rate relief is required, the company will be given the opportunity to collect compensatory rates including income tax expense. This rate increase will include a revenue increase that commonly takes the negative income tax expense up to a

positive expense on the revenue requirement calculated. Because the customers have to pay rates sufficient to bring the negative income tax expense up to the positive level on the new revenue requirement, it would be unfair for the customers to also pay a return on negative accrued taxes. . . .

(TR 931)

AUF did not dispute that an adjustment should be made to normalize the accrued tax balance, only that witness Merchant's calculations contain flaws. (AUF BR 21) In his rebuttal testimony, AUF witness Griffin refutes the amount of witness Merchant's adjustment, and states:

Ms. Merchant recommends an Accrued Taxes adjustment of \$1,812,682 to recognize that the Company will be given a fully compensatory income tax expense through its revenue requirement. However, her \$1,812,682 adjustment is a full year effect, but is applied dollar for dollar against the Company's average accrued tax balance of (\$1,155,342), which is based on thirteen month methodology. Had Ms. Merchant's recommended adjustment been based on a thirteen month method, approximately one half of the adjustment, or \$906,341 would be applied against the Company's average accrued tax balance.

(TR 1510)

Since the debit-balance in accrued taxes is caused by tax benefits related to losses included in prior federal income tax returns, and the Utility will be reimbursed these amounts by its parent company, the taxes owed to AUF in the amount of \$2,884,818 should be removed from the 13-month average to normalize the balance. To normalize the accrued tax balance for purposes of setting rates, the negative amount of federal income tax included in AUF's accrued tax detail schedule (EXH 140, p. 43) should be removed from the accrued taxes balance for the test year. The 13-month average balance for accrued taxes less the amounts included for federal income tax results in a net credit balance of \$179,622. This equates to an adjustment of \$1,334,964 to normalize the accrued taxes balance for the test year. As a result, staff recommends that an adjustment of \$1,334,964 be made to accrued taxes.

Issue 19: Should any adjustments be made to pensions and other operating reserves?

Recommendation: Yes. Pensions and Other Operating Reserves in the amount of \$84,225 should be included as an adjustment to working capital. (Kyle)

Position of the Parties

AUF: No. The amount of pensions and other operating reserves is already properly reflected in the MFRs. No further adjustments are appropriate.

OPC: Yes. Pensions and other operating reserves should be increased by \$84,225, as these amounts are utility related and properly included as a reduction to working capital.

AG: Adopts OPC's position.

Staff Analysis: In MFR Schedule A-17, the Utility provided its calculation of working capital, and included Miscellaneous Current and Accrued Liabilities in the calculation. OPC witness Merchant stated in direct testimony that AUF properly included Pensions and Other Operating Reserves as part of Miscellaneous Current and Accrued Liabilities in 2006, but did not do so in the 2007 test year. (TR 933) Witness Merchant calculated an average balance of \$84,225 for Pensions and Other Operating Reserves for 2007, and recommended that this amount be added to the liabilities included in the working capital calculation for the test year. (TR 933)

In its Post-Hearing Brief, AUF stated that the pension reserves and miscellaneous operating reserves are already included in the working capital calculation on MFR Schedule A-17. (AUF BR 22) In rebuttal testimony, Utility witness Griffin responded to other aspects of witness Merchant's testimony, but did not provide rebuttal to her assertion regarding this issue.

The level of detail included in MFR Schedules A-17 and A-19 is not sufficient to determine exactly which accounts are included in Miscellaneous Current and Accrued Liabilities for the test year. In view of AUF's failure to provide specific rebuttal testimony, staff believes that witness Merchant's proposed adjustment should be made, and that working capital should be reduced by \$84,225 to reflect the inclusion of Pensions and Other Operating Reserves.

Issue 20: Should any adjustments be made to deferred rate case expense?

Recommendation: The average unamortized balance of current rate case expense, to be included in the working capital calculation is \$750,805. This results in a \$272,195 reduction to the Utility's requested amount of \$1,023,000. (Roberts, Fletcher, Mouring)

Position of the Parties

AUF: Yes.

OPC: Yes. The appropriate balance of deferred rate case expense to be included in working capital should be \$399,301, which reflects one-half of the amount of rate case expense allowed by the Commission.

AG: Adopts OPC's position.

Staff Analysis: AUF initially included in its MFRs \$1,364,000 in rate case expense. (EXH 180) Using a four-year amortization period as required by section 367.0816, F.S., AUF calculated an annual amortization of \$341,000. The Utility included \$1,023,000 (\$1,364,000 less \$341,000) of deferred rate case expense in its working capital allowance. (EXH 180)

In its brief, AUF asserted that inclusion of the average of deferred rate case expense in working capital is consistent with past Commission practice. Further, AUF asserted that the appropriate amount of deferred rate case expense should be updated to include the revised rate case expenses set forth in Exhibit 217. (AUF BR 22)

OPC witness Merchant testified that one-half of the total rate case expense allowed by the Commission should be included in working capital. (TR 934) Witness Merchant stated that working capital will increase by the average, unamortized balance of deferred rate case expense that will be in effect during the four-year amortization period. (TR 934) In its brief, OPC stated that the appropriate amount of deferred rate case expense is \$399,301, which reflects one-half of the amount of rate case expense recommended by OPC. (OPC BR 22)

Consistent with Commission practice, staff recommends that the provision for deferred rate case expense be the average unamortized balance of the total Commission-approved rate case expense.³¹ As discussed in Issue 52, staff is recommending total rate case expense of \$1,501,609. Therefore, staff recommends that the average unamortized balance of current rate case expense to be considered in the working capital calculation is \$750,805. This results in a \$272,195 reduction to the Utility's requested amount of \$1,023,000.

³¹ See Order Nos. PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc., p. 40; PSC-00-0248-PAA-WU, issued February 7, 2000, in Docket No. 990535-WU, In re: Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System); and PSC-07-0130-SC-SU, issued February 15, 2007, in Docket No. 060256-SU, In re: Request for approval of increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

Issue 21: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$2,595,638. Accordingly, working capital should be decreased by \$749,710. Accordingly, corresponding adjustments should be made to increase O&M expenses for the Chuluota water system by \$2,001, and to decrease O&M expenses for the Sunny Hills water system by \$75. (Fletcher, Roberts)

Position of the Parties

AUF: The appropriate working capital allowance is subject to the resolution of the other issues in this proceeding.

OPC: The appropriate working capital is \$812,792, which reflects a decrease of \$2,533,689 for all systems combined.

AG: Adopts OPC's position.

Staff Analysis: In its filing, AUF requested a total jurisdictional working capital allowance of \$3,345,346. (EXH 180) As addressed in Issues 16, 17, 18, 19, and 20, staff has recommended that accounts receivable for officers and employees be reduced by \$1,000, deferred debits be reduced by \$18,323, accrued taxes be increased by \$1,334,964, pensions and other operating reserves be reduced by \$84,225, and deferred rate case expense be reduced by \$272,195. In addition to those recommended adjustments, staff believes further adjustments are necessary regarding system specific regulatory assets approved in the Utility's 2004 transfer docket³² and the applicable regulatory assets created by the Commission's approval of AUF's capped interim rate methodology in this docket.³³

Regulatory Assets Approved in 2004 Transfer Docket

AUF witness Griffin testified that AUF utilized the balance sheet method to calculate cash working capital which included a direct assignment of the unamortized regulatory asset balance for specific systems that were approved in a prior Commission order. (TR 378) According to its filing, the Utility included an unamortized balance of \$418,030 for water and \$148,459 for wastewater, which totaled \$566,489. (EXH 180)

OPC witness Merchant testified that the balance of regulatory assets approved by Order No. PSC-05-1242-PAA-WS, which total \$564,563, should be added on a system-specific basis. (TR 935)

By Order No. PSC-05-1242-PAA-WS, pp. 10 and 37, the Commission approved regulatory assets for specific systems which totaled \$489,535 for the water systems and \$174,657 for the wastewater systems. The Commission also required that the total regulatory

³² See Order No. PSC-05-1242-PAA-WS, issued December 20, 2005, in Docket No. 040951-WS, In re: Joint application for approval of sale of Florida Water Services Corporation's land, facilities, and certificates in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, a portion of Seminole, Volusia, and Washington counties to Aqua Utilities Florida, Inc.

³³ See Order No. PSC-08-0534-FOF-WS, pp. 5-6, issued August 18, 2008, in this docket.

asset of \$664,192 be amortized over 10 years beginning on January 1, 2006. Based on its 13-month average calculation, staff agrees with OPC witness Merchant's calculated \$564,563 unamortized test year balance. Based on the above, working capital should be reduced by \$1,926 (\$564,563 less \$566,489). Accordingly, corresponding adjustments should be made to increase O&M expenses for the Chuluota water system by \$2,001 and to decrease O&M expenses for the Sunny Hills water system by \$75.

Conclusion

Based on the above, staff recommends that total jurisdictional working capital should be \$2,595,638. This represents a total reduction of \$749,710 of the Utility's total requested working capital allowance of \$3,345,348. Corresponding adjustments should be made to increase O&M expenses for the Chuluota water system by \$2,001 and to decrease O&M expenses for the Sunny Hills water system by \$75.

Issue 22: Should a negative acquisition adjustment be included in rate base?

Recommendation: No. A negative acquisition adjustment should not be included in rate base. (Kyle)

Position of the Parties

AUF: No. Imposing a negative acquisition adjustment in this case would violate principles of res judicata and due process and contradict past Commission precedent.

OPC: Yes, rate base should be reduced by \$1,892,074. The company knew when it purchased the Florida Water Service company systems that they were purchasing old and deteriorated systems that had not been maintained. These circumstances are extraordinary and warrant the inclusion of a negative acquisition adjustment in rate base.

AG: Adopts OPC's position.

Staff Analysis: Rule 25-30.0371(1), F.A.C., defines an acquisition adjustment as the difference between the purchase price of utility system assets to an acquiring utility and the net book value of the utility assets. Pursuant to Rule 25-30.0371(3), F.A.C., an acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances or where the purchase price is less than 80 percent of rate base. Additionally, pursuant to Rule 25-30.0371(3)(a), F.A.C., any entity that believes a full or partial negative acquisition adjustment should be made has the burden to prove the existence of extraordinary circumstances.

In direct testimony, OPC witness Dismukes proposed that AUF be required to recognize a negative acquisition adjustment of \$2,702,963. (TR 713) This amount is the difference between the purchase price of the systems acquired from FWSC and the rate base approved by the Commission for those systems at the time of the transfer.³⁴ During cross examination, witness Dismukes revised the amount of her proposed adjustment to \$1,892,074, in recognition of the provision in Rule 25-30.0371(3)(a), F.A.C., that a purchaser shall not be required to record more than 70 percent of a negative acquisition adjustment. (TR 843)

Witness Dismukes acknowledged that the Commission considered whether to include a negative acquisition adjustment at the time of the transfer and did not do so. (TR 708) However, she thought that the condition of several of the systems acquired from FWSC was so poor that considerable funds would be required to improve and operate them properly. In support of this contention, she cited examples of the Utility's references to the condition of various systems and to customer dissatisfaction in the quality of the systems as expressed in responses to OPC Interrogatories 140 (EXH 65, BSP 246) and 150 (EXH 65, BSP 248). (TR 709-712) Witness Dismukes indicated that in her opinion, the circumstances associated with the purchase of the

³⁴ See Order No. PSC-05-1242-PAA-WS [PAA Order], issued December 20, 2005, in Docket No. 040951-WS, In re: Joint application for approval of sale of Florida Water Services Corporation's land, facilities, and certificates in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, a portion of Seminole, Volusia, and Washington counties to Aqua Utilities Florida, Inc., and Docket No. 040952-WS, In re: Joint application for approval of sale of Florida Water Services Corporation's land, facilities, and certificates for Chuluota systems in Seminole County to Aqua Utilities Florida, Inc.

FWSC systems should be considered extraordinary, and that a negative acquisition adjustment is warranted, even though the purchase price exceeded 80 percent of the approved rate base. (TR 712-713)

Witness Dismukes also cited a case involving Jasmine Lakes Utility in which the Commission imposed a negative acquisition adjustment even though it had declined to do so in a previous transfer docket based on additional evidence adduced after the transfer.³⁵ (TR 713-714)

In its Post-Hearing Brief, AUF states that imposing a negative acquisition adjustment would violate principles of res judicata and due process and contradict past Commission precedent. Further, the Utility suggests that it relied on the Commission's decision not to include a negative acquisition adjustment in the transfer docket in its determination of whether to acquire the FWSC systems. (AUF BR 22)

In rebuttal testimony, AUF witness Griffin noted that the Commission expressly considered the issue of whether an acquisition adjustment should be implemented during the transfer docket and declined to do so. Witness Griffin pointed out that OPC was an active participant in the transfer docket and could have argued the issue at the time. Further, witness Griffin stated that OPC did not protest the PAA Order on the basis of the Commission's finding that no acquisition adjustment was necessary, even though OPC has challenged other Commission orders on this issue. (TR 1495-1497)

Witness Griffin disagreed with OPC's assertion that the facts presented in the Jasmine Lakes case are comparable to those in the instant case. (TR 1498) He noted that the Jasmine Lakes decision was rendered in 1993, while the current version of Rule 25-30.0371, F.A.C., was adopted in 2002. He also stated that the conditions which existed in the Jasmine Lakes case were clearly extraordinary, while the repairs and upgrades required for the systems acquired from FWSC reflect operational issues encountered in operating any water and wastewater utility and were not an indication of prior neglect or abandonment. (TR 1498-1500)

Staff believes that OPC has not met its burden of showing that extraordinary circumstances exist which justify the imposition of a negative acquisition adjustment in this case. The record indicates that a full investigation of the condition of the acquired systems was conducted at the time of the transfer docket, and that OPC had ample opportunity to protest the Commission's decision at that time. Staff agrees with AUF's assertion that it had a reasonable expectation of relying on the Commission's decision in the transfer docket. Therefore, staff recommends that it is inappropriate for the Commission to include a negative acquisition adjustment in this case.

³⁵ See Order No. PSC-93-1675-FOF-WS, issued November 18, 1993, in Docket No. 920148-WS, In Re: Application for a Rate Increase in Pasco County by Jasmine Lakes Utilities Corporation.

Issue 23: What is the appropriate rate base for the December 31, 2007, test year?

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base is \$15,420,431 for the water systems and \$13,531,413 for the wastewater systems. (Fletcher, Hudson)

Position of the Parties

AUF: The appropriate rate base for the December 31, 2007 test year is subject to the resolution of the other issues in this proceeding.

OPC: The appropriate rate base for the water operations is \$11,974,340 (excluding Tomoka/Twin Rivers) and the appropriate rate base for the wastewater operations is \$8,452,450.

AG: Adopts OPC's position.

Staff Analysis: Based upon the Utility's adjusted 13-month average test year balances, the approved stipulations, and staff's recommended adjustments, the appropriate 13-month average rate base is \$15,420,431 for the water systems and \$13,531,413 for the wastewater systems. In so recommending the above total water and wastewater rate bases, staff adjusted the negative rate bases for Sebrings Lakes water, Leisure Lakes wastewater, and Silver Lake Oaks water to zero, which is consistent with Commission practice.³⁶ Schedules 3-A and 3-B reflect staff's recommended rate base calculation. Staff's proposed adjustments to rate base are shown on Schedules 3-C.

³⁶ See Order Nos. PSC-97-0540-FOF-WS, p. 13, issued May 12, 1997, in Docket No. 960799-WS, In Re: Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.; PSC-94-0245-FOF-WS, p. 9, issued March 4, 1994, in Docket No. 930524-WS, In Re: Application for a Staff-Assisted Rate Case in Marion County by TRADEWINDS UTILITIES, INC.; and 16238, p. 3, issued June 6, 1986, in Docket No. 840247-WU, In Re: Application of PLACID LAKES UTILITIES, INC. for staff assistance on a rate increase in Highlands County, Florida.

Issue 24: What is the appropriate capital structure to use for rate setting purposes?

Recommendation: The appropriate capital structure to use for rate setting purposes is the capital structure of AUF. (Buys)

Position of the Parties

AUF: The appropriate capital structure to be used for rate setting purposes is the capital structure of AUF.

OPC: The consolidated capital structure of Aqua America, Inc. should be used for rate setting purposes.

AG: Adopts OPC's position.

Staff Analysis: AUF is requesting a capital structure based on a 13-month average as of December 31, 2007, consisting of common equity in the amount of \$37,220,000 (62.31 percent) and long-term debt in the amount of \$22,517,000 (37.69 percent) as a percentage of investor-supplied capital. (TR 102-103) Expressed as a percentage of total capital, AUF believes that a capital structure of approximately 36 percent debt, 60 percent equity, and 4 percent for deferred taxes and customer deposits, is appropriate. (TR 104)

OPC is recommending a capital structure consistent with that of AUF's parent company, AAI, on a consolidated basis as of June 8, 2008, consisting of 44 percent common equity and 56 percent debt as a percentage of investor-supplied capital. (TR 125) Based on his review of AAI's financial statements filed with the Securities and Exchange Commission (SEC), OPC witness Rothschild contends that AAI has \$392 million in debt that has been used to finance the equity portion of its regulated subsidiaries' capital structure. (TR 127-129) Witness Rothschild states that the \$392 million debt is not reflected on the books of any of AAI's subsidiaries. (TR 127) In his direct testimony, witness Rothschild states:

It cannot be stressed strongly enough that the reported capital structure of wholly owned subsidiaries such as AUF does not provide insight into what capital structure management believes will produce the lowest overall cost of capital.

(TR 130) This is a major concern of witness Rothschild, and for this reason, he recommends the capital structure of AAI be used for purposes of setting rates in this proceeding. (TR 159-160)

The record shows that there are three flaws with OPC witness Rothschild's recommended capital structure. First, witness Rothschild's recommended capital structure fails to comply with Rule 25-30.433(4), F.A.C. Second, witness Rothschild disregards past Commission practice. Third, witness Rothschild did not examine the books and records related to AUF, but instead confined his analysis to the capital structure reported in AAI's financial statements. (TR 157; EXH 65, BSP 2246-2251; TR 179-180)

Rule 25-30.433(4), F.A.C., dealing with rate case proceedings, requires that the Commission use the 13-month averaging method to calculate the cost of capital. Witness Rothschild proposes to use the equity ratio of AAI as of June 8, 2008, that he obtained from AAI's Form 8K filed with the SEC. (TR 125-126) Witness Rothschild disagrees with AUF witness Anzaldo's recommended capital structure, in part, because it reflects a 13-month average basis for AUF. (TR 157) The record shows that witness Rothschild's recommended capital structure is based on a "snap-shot" of AAI's financial statements at a time not included in the approved test year. (TR 125-126) Consequently, witness Rothschild's methodology fails to use a 13-month average as required by Rule 25-30.433(4), F.A.C.

Historically, the Commission has determined the appropriate capital structure, in part, based upon the relationship between the regulated utility and its parent company. In a subsidiary relationship, the Commission has used the capital structure of the regulated Florida subsidiary. In a divisional relationship, the Commission has used the consolidated capital structure of the parent company. In Order No. PSC-08-0327-FOF-EI, the Commission applied the capital structure of Florida Public Utilities Company (FPUC) on a 13-month average consolidated basis to allocate investor capital to each division.³⁷ FPUC has a divisional corporate structure. In Order No. PSC-05-0902-S-EI, the capital structure of Florida Power & Light Company (FPL) was applied.³⁸ FPL is a wholly-owned subsidiary of FPL Group, Inc.

In the instant docket, all parties agree that AUF is a wholly-owned subsidiary of AAI. (TR 182, 213) OPC argues that the Commission should not elevate form over substance by ignoring the consolidated capital structure when the Utility is operated as a subsidiary. (OPC BR 27) However, OPC has not provided any compelling evidence or testimony that the Commission should diverge from its prior practice and use the capital structure of AUF's parent company. The record shows that witness Rothschild was not aware of the Commission practice regarding the application of the appropriate capital structure, and failed to consider that practice in developing his recommendation on this issue. (TR 191-194) The following excerpt from the deposition of witness Rothschild taken on November 19, 2008, exemplifies this point. In the deposition, staff counsel questioned witness Rothschild about his knowledge of the Commission's practice regarding capital structure.

Q. Are you familiar with Order Number PSC-08-0327-FOF-EI that was issued May 19th 2008, in Docket Number 070304-EI that was the petition for rate increase by Florida Public Utilities Company?

A. No. I'm not familiar with that.

Q. So you are not aware that FPUC has a divisional structure?

A. I have not studied – I have not studied that situation. I'm not familiar with it.

³⁷ Order No. PSC-08-0327-FOF-EI, issued May 19, 2008, in Docket No. 070304-EI, In re: Petition for rate increase by Florida Public Utilities Company, p. 38.

³⁸ Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 050045-EI, In re: Petition for Rate Increase by Florida Power & Light Utilities Company.

Q. So you are not aware that the FPSC applied the capital structure of the FPUC company on a consolidated basis to allocate investor capital to each division?

A. I was not specifically aware of that, but that's not - - no, I'm not specifically aware of that.

Q. And the petition for rate increase by Florida Power and Light issued on September 14, 2005, are you familiar with that?

A. I'm not sure. I might have read that at one point in time. I don't remember offhand.

Q. Are you aware that FPL has a subsidiary structure? I think what I'm getting at is FPUC has a divisional structure, FPL has a subsidiary structure, and that determines how the Commission - - what capital structure they use. And I was trying to figure out if you had any information on that.

A. Well, I don't know if that's what's done, but if you look at - - rather than talk about a mechanical approach and whether or not that's policy, I think when you are looking at Aqua America, the only reasonable conclusion you can come to is that you have \$392 million of debt that must be financing the regulated utility operations, or at least the overwhelming share of that \$392 million must be financing utility operations, yet it hasn't been allocated. Not one cent of that has been allocated to the regulated utility operations. How could it be fair and reasonable to ignore that whether you are worried about the structure being - - whatever it is. It is there, and you have got to recognize it for what it is.

So if the Commission had a policy that would put blinders on for that \$392 million, I don't think that's wise. It would be unfair to do at any level that you want to look at it.

Q. So do you know if Aqua America has a divisional or subsidiary structure?

A. I don't care. It doesn't make any difference. What matters is the \$392 million is there.

Q. And do you know if AUF is a division or a subsidiary of Aqua America?

A. I don't care. It doesn't make any difference.

(EXH 65, BSP 2247-2249)

Witness Rothschild testifies that AAI failed to allocate \$392 million of debt to any of its subsidiaries, including AUF. (TR 178) However, the record shows that witness Rothschild did not review the books or records of AUF and reviewed only the consolidated financial statements

of the parent company, AAI, that were filed with the SEC. (TR 179-180) However, during cross-examination, AUF witness Anzaldo testified that a portion of the \$392 million debt of AAI is allocated to AUF and recorded on the subsidiary's books, general ledger, and in its 2007 Annual Report filed with the Commission. (TR 223-224) Witness Anzaldo also testified that the note payable from AUF to the parent company is included as part of the notes payable on the consolidated statement of capitalization of AAI. (TR 223)

Based on the aforementioned, the record indicates that witness Rothschild's recommended capital structure lacks sufficient supporting evidence. Witness Rothschild's recommended capital structure fails to comply with Rule 25-30.433, F.A.C., disregards past Commission practice, and is not based on any review of financial data related to AUF. Based on the above, staff believes the appropriate capital structure to use for rate setting purposes is the capital structure of AUF.

Issue 25: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

Recommendation: The appropriate amount of accumulated deferred taxes to include in the capital structure is \$1,608,457. (Buys, Kyle)

Position of the Parties

AUF: The appropriate amount of accumulated deferred taxes to include in the capital structure is \$1,213,359.

OPC: Accumulated deferred income taxes should be increased by \$830,318. This adjustment relates to the company's failure to consider the deferred tax impact related to pro forma plant additions and allocated adjustments to increase plant for corporate IT and structures and improvements.

AG: Adopts OPC's position.

Staff Analysis: The record shows that both OPC and AUF agree that accumulated deferred taxes in the capital structure should be increased to account for the taxes related to Corporate IT equipment and 2008 pro forma plant additions. (TR 217-218, 935-936) AUF failed to include the deferred taxes related to 2008 pro forma plant additions in the capital structure when the MFRs were originally filed. (TR 935-936, 217) In its response to OPC Interrogatory No. 102, AUF provided a schedule titled "Deferred Tax on 2008 pro forma additions," that shows the amount of the deferred taxes generated by AUF's 2008 pro forma plant additions. The amount of deferred tax shown on the schedule is \$117,477 for Corporate IT Equipment, and \$712,841 for Utility Property, for a total of \$830,318. (TR 935-936; EXH 65, BSP 217)

The parties agree to the amount of deferred taxes omitted from the MFRs, but disagree with the amount that should be applied in the adjustment. AUF contends that the average amount of the deferred taxes should be applied; whereas, OPC contends that the full amount of the deferred taxes should be applied. (OPC BR 28; AUF BR 28-29) AUF witness Anzaldo testifies that the appropriate deferred tax adjustment is \$395,098. (TR 218) In his rebuttal testimony, witness Anzaldo states:

The deferred taxes related to 2008 pro forma adjustments of \$712,841 represent the full year accumulation of taxes based on accelerated depreciation in 2008. Based on the half-year convention used for depreciation in the pro-forma rate base adjustment, this would not be the appropriate amount to be used to adjust the average capital structure. Rather, the appropriate adjustment would be to use the average amount of \$356,421.

(TR 217)

Witness Anzaldo testifies that the deferred taxes of \$117,477 for Corporate IT equipment represents the total amount for AUF, but only 65.85 percent, or \$77,353, should be allocated to the systems in this rate case, and the average balance of \$77,353, or \$38,677, is the appropriate

adjustment for the deferred taxes related to Corporate IT equipment. (TR 217) The total adjustment recommend by AUF is the sum of \$365,421 and \$38,677, or \$395,098.

In her testimony, witness Merchant recommends that deferred taxes should be increased by \$852,382. (TR 936) In its post-hearing brief, OPC reduced its recommended adjustment to \$830,318, after omitting a duplicative adjustment of \$22,064 for Corporate IT and Corporate Structure and Improvements that had already been allocated to the capital structures of each AUF system. (OPC BR 28; AUF BR 28-29) OPC contends that the amount of deferred taxes for Corporate IT equipment was provided by AUF in its response to OPC Interrogatory 102, and it is unpersuasive for AUF to change its answer in witness Anzaldo's rebuttal testimony without documentation. (OPC BR 28)

Staff agrees with AUF that only 65.85 percent of the deferred taxes for Corporate IT equipment should be allocated to the systems in this rate case. According to AUF's MFRs, 65.847 percent of AUF's systems are jurisdictional, thus, only 65.847 percent of the deferred taxes for Corporate IT equipment, or \$77,355, should be included in deferred taxes. This adjustment matches the pro forma plant addition adjustment for allocated Corporate IT equipment in Issue 4.

The treatment of deferred taxes must match the treatment of the assets that gave rise to the deferred taxes. Using average amounts when making pro forma adjustments, as witness Anzaldo recommends, is not consistent with past Commission practice.³⁹ Further, AUF witness Griffin testified that when making 2008 pro forma additions of assets to rate base, the entire amount of the asset is included in the rate base. (TR 1520-1521) Therefore, since the full amount of the 2008 pro forma plant additions was added to the rate base, and the full-year convention for depreciation was applied to those assets (see Issue 4), the full amount of deferred taxes should be included in the capital structure. The amount of deferred taxes included in the capital structure without adjustment is \$818,261. (EXHs 134 & 180) Based on the aforementioned, staff recommends an adjustment of \$712,841 for Utility Property, plus an adjustment of \$77,355 for Corporate IT equipment, resulting in an accumulated deferred tax balance in the capital structure of \$1,608,457.

³⁹ Order No. PSC-08-0812-PAA-WS, issued December 16, 2008, in Docket No. 070695-WS, In re: Application for increase in water and wastewater rates in Martin County by Miles Grant Water and Sewer Company, p. 6.

Docket No. 080121-WS
Date: February 11, 2009

Issue 26: What is the appropriate amount of customer deposits to include in the capital structure? (Stipulated)

Stipulation: The appropriate 13-month average balance of customer deposits is \$217,122 on an aggregate basis. To correct an error in the test year deposit activity, customer deposits should be reduced by \$62,301. For Ravenswood, Rosalie Oaks, and Summit Chase, customer deposits should be reduced by \$42, \$172, and \$712. The adjustments to the Utility's other respective individual systems are reflected on Page 22 of 50 and Page 23 of 50 in Exhibit CJW-1 of the Direct Testimony staff witness Winston. (EXH 113)

Issue 27: What are the appropriate cost rates for short and long-term debt for the test year?

Recommendation: The appropriate cost rate for long-term debt for the test year is 5.10 percent. There is no short-term debt in AUF's capital structure. If AAI's capital structure is used for purposes of setting rates, the appropriate cost rate is 6.27 percent for long-term debt and 5.90 percent for short-term debt. (Springer)

Position of the Parties

AUF: The appropriate cost rate for long-term debt for the test year is 5.1%. AUF has no short-term debt for AUF.

OPC: OPC accepts the 5.10% long-term debt rate proposed by the company. However, if the Commission uses the consolidated capital structure for rate setting purposes, a computation using an allocation of the parent issued debt would be appropriate.

AG: Adopts OPC's position.

Staff Analysis: OPC witness Rothschild advocates using the parent company's capital structure in lieu of the AUF subsidiary capital structure for purposes of setting rates in this proceeding. (TR 123-125, 180-181) AAI's capital structure includes short-term debt at a cost rate of 5.90 percent. (EXH 93, sch. 1) While agreeing that AAI's capital structure includes short-term debt at a cost rate of 5.90 percent, AUF witness Anzaldo disagrees that it would be appropriate to use AAI's capital structure for purposes of this proceeding. (TR 215-216; EXH 134) AUF is a separate, wholly-owned subsidiary of AAI and has its own capital structure. (TR 105) As discussed in Issue 24, staff recommends using the AUF subsidiary capital structure for purposes of setting rates in this proceeding. AUF's subsidiary capital structure contains no short-term debt, so the short-term cost rate does not apply to any amounts contained within the proposed capital structure. (TR 216; EXH 134) However, if the decision is made in Issue 24 to use AAI's capital structure for purposes of setting rates, the appropriate cost rate for short-term debt is 5.90 percent. (EXH 134)

The proposed cost rate for long-term debt of 5.10 percent reflected in AUF's capital structure is accepted by all parties. (TR 107, 160) However, if witness Rothschild's recommendation to use AAI's capital structure for purposes of setting rates is accepted by the Commission, witness Anzaldo testifies that the cost rate for long-term debt must be adjusted to exclude tax-exempt financing and state revolving loans in Ohio, New Jersey, Illinois, New York, Maine, and Pennsylvania recorded on AAI's books, which are not available for use in Florida. (TR 216) After excluding these tax exempt financings, witness Anzaldo testifies that the appropriate cost rate for long-term debt is 6.27 percent. (TR 216; EXH 134) Staff agrees with witness Anzaldo that if AAI's capital structure is used, the tax exempt financings should be excluded. Based on the record and consistent with staff's recommendation in Issue 24, the appropriate cost rate for long-term debt is 5.10 percent.

Issue 28: What is the appropriate return on equity (ROE) for the test year?

Recommendation: The appropriate ROE for AUF is 10.77 percent with a range of plus or minus 100 basis points. This return is exclusive of any potential adjustment to the return for matters related to quality of service discussed in Issue 1. (Maurey)

Position of the Parties

AUF: Using the Commission's leverage formula approved on December 16, 2008, the appropriate ROE for the test year is 10.77 percent.

OPC: If the Commission uses the consolidated capital structure of Aqua America, Inc., for rate setting purposes, the appropriate return on equity is no more than 9.47 percent. If the Commission uses the capital structure proposed by Aqua Utilities Florida, the appropriate return on equity is no more than 8.75 percent.

AG: Adopts OPC's position.

Staff Analysis: Two witnesses on behalf of AUF and one witness on behalf of OPC filed testimony in this proceeding regarding the appropriate ROE for AUF. AUF witness Anzaldo recommends the ROE be determined using the Commission's water and wastewater ROE leverage formula. (TR 103-104) Based on the capital structure included in AUF's filing and the ROE leverage formula approved in Order No. PSC-08-0846-FOF-WS, the indicated ROE is 10.77 percent.⁴⁰ (TR 108) OPC witness Rothschild's recommended ROE is also linked to the outcome of Issue 24 regarding the appropriate capital structure to use for rate setting purposes. (OPC BR 29) If the Commission adopts his recommendation to use the consolidated capital structure of AAI for purposes of setting rates, witness Rothschild recommends an ROE of 9.47 percent. (TR 122) If the Commission accepts witness Anzaldo's recommendation to use AUF's capital structure for purposes of setting rates, witness Rothschild recommends an ROE of 8.75 percent. (TR 122)

Pursuant to Subsection 367.081(4)(f), F.S., "a utility, in lieu of presenting evidence on its rate of return on common equity, may move the Commission to adopt the range of rates of return on common equity that has been established under this paragraph." In witness Anzaldo's direct testimony, AUF so moved and proposed an ROE of 10.25 percent based on its capital structure and the ROE leverage formula in effect at the time of filing.⁴¹ (TR 103-105) AUF proposed the use of the ROE leverage formula in effect at the time of the Commission's vote to avoid the rate case expense associated with hiring an ROE witness for this case. (TR 114-116) Based on the ROE leverage formula now in effect, the indicated ROE is 10.77 percent. (TR 108)

⁴⁰ Order No. PSC-08-0846-FOF-WS, issued December 31, 2008, in Docket No. 080006-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.

⁴¹ Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-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.

As noted above, OPC witness Rothschild recommends an ROE of either 8.75 percent or 9.47 percent, depending on the capital structure the Commission approves for purposes of setting rates in this proceeding. (TR 122) Staff's recommendation on the appropriate capital structure is discussed in Issue 24. Witness Rothschild's recommended returns are based on the results of a discounted cash flow (DCF) model and a capital asset pricing model (CAPM) analysis. (TR 123) His DCF analysis indicates a cost of equity between 9.28 percent and 9.71 percent. (TR 159) His CAPM analysis indicates a cost of equity of 8.68 percent. (TR 155) Based on these results, witness Rothschild recommends an ROE of 9.47 percent if AAI's equity ratio of 44.03 percent is used for setting rates and an ROE of 8.75 percent if AUF's equity ratio of 62.31 percent is used. (TR 157) Witness Rothschild recommends a lower ROE at the higher equity ratio to recognize the lower financial risk associated with a lower percentage of debt in the capital structure. (TR 157, 201)

Witness Rothschild testifies that these equity returns are appropriate, given that utilities in general are at the low end of the risk spectrum of equity investments. (TR 164) With the significant decline in interest rates for long-term treasuries, he believes it is time to expect equity returns in the single digits and that the time of double digit returns are over. (TR 163-164) In response to questioning on the recent disruption in the capital markets, witness Rothschild states that with companies struggling to earn a profit, a water utility with "a reasonable opportunity to earn in the nines is a good return today." (TR 166) Finally, in this environment with U.S. Treasury bonds paying such a small return, he believes "an awful lot of investors would love to see a return of 9.0, 9.5 percent." (TR 168)

AUF witness Moul testifies that witness Rothschild's recommended ROE in this proceeding "is entirely inadequate to reflect the current risk of common stocks." (TR 233) Witness Moul states that witness Rothschild has failed to adequately take into account the recent volatility in the capital markets that has resulted from the current financial crisis. (TR 234) He further testifies that "if the Commission were to adopt the proposals of Mr. Rothschild in this case, it would provide a disincentive for further investment by Aqua America in Florida operations because higher returns could be obtained in other jurisdictions." (TR 234)

Witness Moul testifies that the DCF and CAPM approaches as applied by witness Rothschild are flawed and understate AUF's cost of equity. (TR 258) Witness Moul testifies that the growth rate used in witness Rothschild's DCF analysis understates investors expected growth resulting in indicated returns that fail to meet investors' expectations. (TR 239-245) Witness Moul testifies that an error made in the measurement of historical returns in witness Rothschild's CAPM approach results in an understatement of total returns for the market in today's environment. (TR 249-256) With the yield on A-rated public utility bonds over 7.50 percent, witness Moul believes witness Rothschild's CAPM return of 8.68 percent is not reasonable. (TR 251)

With the current volatility in the capital markets, witness Moul testifies that an ROE based on the Commission's ROE leverage formula is conservatively low. (TR 258; AUF BR 32) Based on his recommended adjustments to witness Rothschild's models, witness Moul determined DCF returns of 10.86 percent to 11.17 percent and CAPM returns of 10.26 percent to 11.29 percent for the group of gas companies in witness Rothschild's proxy group. (TR 247-248,

255-256) Witness Moul also testifies that the rates of return established in rate setting proceedings for other AAI subsidiaries are all above the level of return recommended by witness Rothschild. (TR 233) The rates of return approved in these other seven states range from 10.00 percent to 12.00 percent with a weighted average ROE of 10.86 percent. (TR 234) The utility systems in these seven states represent approximately 93 percent of AAI's total net property, plant, and equipment. (TR 234) In comparison to the indicated returns for gas utilities based on witness Moul's adjustments to witness Rothschild's models, the returns recently authorized for other AAI subsidiaries, and the most recently available yield on A-rated public utility bonds, witness Moul believes witness Rothschild's recommended ROE in this proceeding understates the cost of equity of AUF. (TR 233-234, 258-261)

Witness Rothschild made no demonstration why the Commission's ROE leverage formula should not apply to AUF. (TR 186-188, 259-260) His recommended return of 9.47 percent at a 44.03 percent equity ratio is well below the Commission-approved ROE for St. Joe Natural Gas (St. Joe) of 11.0 percent at an equity ratio of 60 percent.⁴² The St. Joe decision is the most recent case in which the Commission established an authorized ROE that did not involve the use of its ROE leverage formula. The 10.77 percent return recommended by staff is in line with recent decisions of this Commission as well as recent decisions for AAI subsidiaries in other states. (TR 233-234) Based on the record in this proceeding, staff recommends the Commission approve an authorized ROE for AUF of 10.77 percent with a range of plus or minus 100 basis points based on AUF's actual capital structure recommended in Issue 24. If the decision is made in Issue 24 to use AAI's capital structure for purposes of setting rates in this proceeding, staff recommends an ROE of 12.18 percent, with a range of plus or minus 100 basis points, to recognize the greater financial risk associated with a higher percentage of debt in the capital structure. Staff's recommended ROE in this issue is exclusive of any potential adjustment to the return for matters related to quality of service discussed in Issue 1.

⁴² Order No. PSC-08-0436-PAA-GU, issued July 8, 2008, in Docket No. 070592-GU, In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.

Issue 29: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

Recommendation: If an adjustment is made to the ROE for matters related to quality of service as recommended in Issue 1, the appropriate weighted average cost of capital is 7.84 percent for all systems except Chuluota and The Woods. For the water systems at Chuluota and The Woods, the appropriate weighted average cost of capital is 7.69 percent. (Springer)

Position of the Parties

AUF: The appropriate weighted cost of capital for AUF is subject to the resolution of other issues in this proceeding.

OPC: This is a fall-out issue.

AG: Adopts OPC's position.

Staff Analysis: The weighted average cost of capital for the test year ended December 31, 2007 without any adjustment to the ROE for matters related to quality of service is 8.13 percent. Based upon the decisions in preceding issues and the proper components, amounts and cost rates associated with the capital structure, staff recommends a weighted average cost of capital of 7.84 percent for all systems except Chuluota and The Woods. For these two water systems, the appropriate weighted average cost of capital is 7.69 percent.

As discussed in Issue 25, staff recommends an adjustment to the balance of accumulated deferred taxes. As discussed in Issue 27, staff recommends 5.90 percent as the appropriate cost rate for short-term debt, even though the subsidiary capital structure contains no short-term debt. (TR 216) Also discussed in Issue 27, the appropriate weighted average cost of long-term debt is 5.10 percent. As discussed in Issue 28, staff recommends 10.77 percent as the appropriate mid-point return on common equity. However, if the adjustments to ROE recommended in Issue 1 for matters related to quality of service are approved, the appropriate ROE is 10.27 percent for all systems except Chuluota and The Woods and 10.02 percent for the water systems at Chuluota and The Woods. As discussed in Issue 24, staff recommends that AUF should use a 13-month average capital structure to be consistent with its use of a 13-month average rate base in lieu of using the parent company, AAI's, capital structure.

The net effect of these adjustments is a decrease in the overall cost of capital from the 8.38 percent return requested by AUF to the return of 7.84 percent recommended herein. The Utility's requested return was revised upward due to the updated water and wastewater leverage formula approved in Order No. PSC-08-0846-FOF-WS. (TR 220) Schedules 1A and 1B show the recommended test year capital structure. Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2007, staff recommends that the appropriate weighted average cost of capital for AUF for purposes of setting rates in this proceeding is 7.84 percent for all systems except the water systems of Chuluota and The Woods. For these two systems, the appropriate overall cost of capital is 7.69 percent.

Issue 30: What are the appropriate annualized test year revenue adjustments?

Recommendation: Based on a review of the Utility's billing determinants for revenue and rates calculation purposes, and a recalculation of annualized revenues, the appropriate annualized test year revenue adjustments are those contained in AUF's filing except for Chuluota wastewater, Florida Central Commerce Park wastewater, Rosalie Oaks wastewater, and Village Water wastewater. Accordingly, the test year revenues for Chuluota wastewater, Rosalie Oaks wastewater, and Village Water wastewater should be increased by \$24, \$428, and \$153, respectively, and Florida Central Commerce Park, Valencia Terrace, and Zephyr Shores wastewater should be decreased by \$1,124, \$308, and \$661, respectively. (Fletcher, Lingo)

Position of the Parties

AUF: No adjustments to annualized test year revenues are appropriate.

OPC: No position.

AG: Adopts OPC's position.

Staff Analysis: In its filing, AUF made annualized revenue adjustments for all its systems totaling \$989 increase adjustment for water and \$34,624 decrease adjustment for wastewater. (EXH 180) Staff has reviewed the billing determinants for any necessary changes to those used by the Utility in its calculation of annualized revenues. As discussed in greater detail below, staff made no adjustments to AUF's billing determinants. However, staff has recalculated annualized revenues for each system in order to ensure that there were no calculation errors by the Utility.

Billing Determinants

The billing determinants list the number of bills rendered and number of gallons sold during the test year by customer class for each of AUF's 82 systems. The raw data for these schedules originates in AUF's billing records. MFR Schedule E-2 is an annual summarization of the number of bills and gallons sold by customer class by meter size, and together with the applicable tariffs, are used to calculate test year revenues. MFR Schedule E-3 details the number of annual bills by month, customer class and system. MFR Schedule E-14 shows the actual number of test year bills for each system rendered in 1,000-gallon increments by customer class and meter size. Because each of these schedules are based upon the same billing records, there should be little, if any, discrepancy between the numbers being reported on these schedules.⁴³

In comparing the information in these MFR schedules originally filed, staff discovered a systematic pattern of variation between the number of water and wastewater residential bills reported on the E-2 and E-14 Schedules versus those reported on the E-3 Schedules. Of the Utility's 82 systems, 80 of them had some form of billing determinant discrepancy, with the vast

⁴³ See Order No. PSC-08-0534-FOF-WS, issued August 18, 2008, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

majority of customer bills being reported on MFR Schedule E-3 being greater than those reported on Schedule E-2. For the Utility's water systems, the total number of bills reported on Schedule E-3 was 5.6 percent greater than those reported on the E-2's and 5.5 percent greater for the wastewater systems. Again, because each of these schedules should be based on the same billing records, there should be little, if any, discrepancy between the numbers being reported on these schedules.⁴⁴

To account for the aforementioned discrepancies in the calculation of interim rates, the Commission adjusted each system's revenues for the respective percentage difference of residential bills between Schedules E-2 and E-3. With the exception of four water and wastewater systems, the customers of the remaining systems benefitted from these adjustments.⁴⁵ AUF subsequently revised its E-3 Schedules so that the numbers reflect the actual number of customers billed. (EXH 180) Therefore, adjustments to the billing determinants due to discrepancies between the E-3 Schedules and actual test year billing data are no longer necessary.

A great deal of testimony was presented during the pendency of this proceeding regarding customer billing, including the practice of estimating consumption for billing purposes. AUF's customers, as well as witnesses Hicks and Dismukes, provided information regarding problems with the Utility's billing. At the ten service hearings held throughout the Utility's service area, there were a total of 49 exhibits obtained from customers, many of which contained examples of customers' bills. (EXH 1) Witness Hicks sponsored an exhibit providing a summary listing of customer complaints during the 2007 test year filed against AUF under Rule 25-22.032, F.A.C. (TR 1300) Approximately 67 percent of the complaints in 2007 related to improper billing. (EXH 110)

Exhibit 86, Schedule 7, attached to witness Dismukes' testimony, summarized some of the errors that were reflected in the billing records provided by the Utility in response to OPC's Third Request for POD, No. 153. (TR 667) The schedule depicts revenue effects of the billing errors for the water system ranging from two percent to 129 percent, while the corresponding errors for the wastewater system ranged from two percent to 106 percent. (TR 667; EXH 86, Schedule 7) Witness Dismukes also expressed concerns about adjustments to several systems' actual billed consumption in order to show a variance within one percent between booked and billed revenue. (TR 670-672)

Witness Prettyman disputed the content of witness Dismukes' Schedule 7. Witness Prettyman testified that witness Dismukes' analysis was flawed because she made a faulty assumption that billing errors existed because of variances between gross billed and booked revenues. Witness Prettyman testified that witness Dismukes failed to deduct credit adjustments from the gross billing data in order to get the net billing information. The net billing figure is the appropriate figure to use to reconcile to booked revenues. In addition, the Utility made adjustments or true ups during the test year which are typical in the normal course of utility

⁴⁴ Id.

⁴⁵ Id.

business. The majority of these adjustments resulted from the interim rate refund ordered by the Commission. (TR 1245-1246)

Ultimately, although billing errors were made during the test year, witness Dismukes testified that: a) the errors appear to have been corrected; and b) she did not make an adjustment to test year revenues. (TR 667, 673) Furthermore, the adjustments to billed consumption made by witness Prettyman were to the benefit of customers. (TR 672, 1248-1249) Therefore, based on the foregoing discussion, staff does not recommend adjustments to billing determinants for revenue or rates calculation purposes.

Staff's Calculation of Annualized Revenues

As stated above, staff has recalculated annualized revenues for each system in order to ensure that there were no calculation errors by the Utility. Based on its recalculation, staff recommends that the appropriate annualized test year revenue adjustments are those contained in AUF's filing except for Chuluota wastewater, Florida Central Commerce Park wastewater, Rosalie Oaks wastewater and Village Water wastewater. Accordingly, the test year revenues for Chuluota wastewater, Rosalie Oaks wastewater and Village Water wastewater should be increased by \$24, \$428, and \$153, respectively, and Florida Central Commerce Park, Valencia Terrace, and Zephyr Shores wastewater should be decreased by \$1,124, \$308, and \$661, respectively.

Issue 31: Should a miscellaneous service revenues adjustment be made?

Recommendation: Yes. Consistent with prior Commission decisions to annualize incremental increases in miscellaneous service charges, miscellaneous service revenues should be increased by \$18,229 on an aggregated basis. The specific adjustments for each water and wastewater (WAW) system are reflected on their respective Schedule 4-C. (Roberts, Fletcher)

Position of the Parties

AUF: No. There is nothing in the record to support any such adjustment.

OPC: No position at this time.

AG: Adopts OPC's position.

Staff Analysis: In its filing, AUF requested an increase in its miscellaneous service charges. (EXH 180) As discussed in Issue 68, staff is recommending an incremental increase of \$7 for initial connections, as well as, normal and violation reconnections. In addition, staff is recommending an incremental increase of \$12 for premises visits.

AUF asserted that miscellaneous service revenues should not be adjusted. (AUF BR 32) Moreover, AUF stated that there is nothing in the record to support any adjustments. (AUF BR 32) In their respective briefs, neither OPC nor AG reflected any position on this issue.

Using the recommended incremental increase to miscellaneous service charges and the historical connections, reconnections, and premises visits, staff calculated an aggregated pro forma increase of miscellaneous service revenues of \$18,229. The adjustment is necessary to properly reflect the revenues the Utility is projected to receive in the test year based on the increased miscellaneous service revenues charges addressed in Issue 68. As such, staff recommends that miscellaneous service revenues should be increased by \$18,229 on an aggregated basis. This imputation of pro forma miscellaneous service revenues is consistent with prior Commission decisions.⁴⁶ The specific adjustments for each WAW system are reflected on their respective Schedule 4-C.

⁴⁶ See Order Nos. PSC-07-0130-SC-SU, p. 22, issued February 15, 2007, in Docket No. 060256-SU, In re: Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.; and PSC-07-0205-PAA-WS, p. 22, issued March 6, 2007, in Docket No. 060258-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp.

Issue 32: Should non-utility income be moved above the line for ratemaking purposes?

Recommendation: No. Revenues and expenses related to commissions that AUF's parent receives from Home Service USA Corporation is properly recorded below-the-line. (Springer)

Position of the Parties

AUF: No. The record shows that AUF properly recorded non-utility revenue below-the-line. If these non-utility revenues are considered above-the-line, then the respective expenses related to those revenues must also be included in the revenue requirement calculation.

OPC: No. As long as non-utility expenses are correctly recorded below the line, it is not necessary to move non-utility income above the line.

AG: Adopts OPC's position.

Staff Analysis: AUF witness Szczygiel states that the marketing agreement with Home Services USA Corporation only applies to Pennsylvania customers. (TR 1529) Additionally, witness Szczygiel states there are no benefits derived from using any of AUF's customer lists in Florida, because Florida customer lists are not given to Home Services. (TR 1529) OPC witness Dismukes agrees with witness Szczygiel that if the expenses are recorded below-the-line, then the revenue should be recorded below-the-line as well. (TR 618) The amount applicable to the AUF operations is \$9,627. (TR 675) Based on the record, staff believes that OPC and AUF agree on this issue. Staff also agrees that the revenues and expenses should be properly recorded below-the-line. (TR 618, 1529)

Issue 33: Should any adjustments be made to remove out-of-period costs? (Stipulated)

Stipulation: Yes. To remove prior period expenses, allocated expense from Aqua America, Inc. totaling \$12,255 should be disallowed in this rate proceeding. The respective individual system adjustments are reflected on Page 26 of 50 and Page 27 of 50 in Exhibit 113 of the Direct Testimony of staff witness Winston. In addition, the following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Purchased Water	(\$20,531)	Out of Period Expense
Morningview	Chemicals	(\$50)	Out of Period Expense
Wastewater Systems			
Rosalie Oaks	Contractual Services – Testing	(\$120)	Out of Period Expense
Lake Suzy	Contractual Services – Testing	(\$190)	Out of Period Expense
Lake Suzy	Rental of Building / Real Property	(\$15,833)	Out of Period Expense
Florida Central Commerce Park	Materials & Supplies	(\$302)	Out of Period Expense
Lake Suzy	Contractual Services – Other	(\$941)	Out of Period Expense
Morningview	Purchased Power	(\$73)	Out of Period Expense
Village Water	Chemicals	(\$110)	Out of Period Expense

Issue 34: Should any adjustments be made to remove non-utility expenses?

Recommendation: Yes. Miscellaneous non-utility expenses should be reduced by \$24,012 to remove shareholders services expenses, and to reclassify an engineering study project for the Lake Suzy system. (Crawford, Springer)

Position of the Parties

AUF: Yes. AUF agrees with the adjustments contained in its response to the Staff Audit Report. (Ex. 170)

OPC: Shareholder services of \$32,134 should be recorded as miscellaneous non-utility expenses and contractual services—other should be reduced by \$32,134. Test year expenses should be reduced by \$2,695 for Lake Suzy sewer consistent with Staff Audit Finding 15.

AG: Adopts OPC's position.

Staff Analysis: In its filing, AUF included an expense of \$32,134 for certain shareholder expenses. This amount was included in Account 636, Shareholder Services Expenses in Contractual Services - Other. These shareholder services expenses were for a transfer agent, registrar, and investor communication services that included the annual stockholders' meeting, shareholders correspondence, stock certificate mailings, stock accounts maintenance, and salaries.

Audit Finding No. 12 provides a detailed explanation as to why these expenses should be disallowed and references Order No. PSC-96-1320-FOF-WS,⁴⁷ wherein the Commission disallowed the same type of expense. (EXH 115) In this Order, the Commission found that its WAW ROE leverage formula included an adjustment that compensated WAW utilities for not being publicly traded. To the extent SSU was publicly traded, it could either use the ROE leverage formula, which included this adjustment, or get express recovery of shareholder expenses, but not both. Since the ROE leverage formula was used for setting rates for SSU, shareholder expenses were disallowed.

In the instant case, AUF agrees with the recommendation in staff Audit Finding No. 12. Since the ROE leverage formula approved in Order No. PSC-08-0846-FOF-WS continues to include a similar adjustment, and in Issue 28 staff recommends the ROE leverage formula be used for setting AUF's ROE in this proceeding, AUF agrees with this adjustment to miscellaneous expenses.⁴⁸ (EXH 170, AUF BR 33)

Audit Finding No. 12 addressed the allocations of eight non-PSC jurisdictional systems (Castle Lake, Fairways, Kenwood North, Peace River, Sarasota, The Meadows, and West Citrus). As such, staff calculated the appropriate amount of allocations, excluding the non-jurisdictional systems. The difference between the \$32,134 total contained in the audit report and staff's total of \$21,317 is shown in table 34-A below.

⁴⁷ See Order No. PSC-96-1320-FOF-WS, p. 82, issued October 30, 1996, in Docket No. 950495-WS.

⁴⁸ See Order No. PSC-08-0846-FOF-WS, issued December 31, 2008, in Docket No. 080006-WS.

SHAREHOLDERS SERVICES SALARY EXPENSE ADJUSTMENT BY SYSTEM

County	System Name		Audit Finding 12		Total
			Schedule 2	Schedule 4	
Alachua	48 Estates-Water	W	23.70	48.40	(72)
Alachua	Arrendondo Estates	W	67.03	137.20	(204)
Alachua	Arrendondo Farms	W W	100.97	206.67	(308)
Alachua	Arrendondo Farms	W	102.37	209.54	(312)
Putnam	Beecher's Point	W	14.58	29.85	(44)
Putnam	Beecher's Point	W W	5.05	10.33	(15)
Lake	Carlton Village	W	67.75	137.90	(206)
	Castle Lake	W	30.43	62.18	(93)
Seminole	Chuluota	W	393.16	800.66	(1,194)
Seminole	Chuluota	W W	169.42	346.32	(516)
Lake	East Lake Harris Est.	W	49.64	101.61	(151)
	Fairways	W W	34.31	43.77	(78)
	Fairways	W	34.31	43.77	(78)
Lake	Fern Terrace	W	35.06	71.76	(107)
Seminole	FL Central Commerce	W W	18.09	36.92	(55)
Lake	Friendly Center	W	8.69	17.80	(26)
Polk	Gibsonia Estates	W	54.97	112.52	(167)
Lake	Grand Terrace	W	30.85	63.15	(94)
Lake	Haines Creek	W	31.13	63.72	(95)
Seminole	Harmony Homes	W	17.95	36.74	(55)
Putnam	Hermit's Cove	W	51.33	105.06	(156)
Lake	Hobby Hills	W	29.17	59.70	(89)
Lake	Holiday Haven	W	35.06	71.76	(107)
Lake	Holiday Haven	W W	31.13	63.72	(95)
Lake	Imperial Mobile Terrace	W	69.42	141.98	(211)
Putnam	Interlachen Lakes	W	80.50	164.55	(245)
Pasco	Jasmine Lakes	W	438.10	896.91	(1,335)
Pasco	Jasmine Lakes	W W	435.85	892.32	(1,328)
Volusia	Jungle Den	W	32.25	66.02	(98)
Volusia	Jungle Den	W W	38.43	78.65	(117)
	Kenwood North	W	13.74	28.13	(42)
Lake	King's Cove	W	58.76	120.37	(179)
Lake	King's Cove	W W	56.09	114.81	(171)
Brevard	Kingswood	W	17.95	36.74	(55)
Polk	Lake Gibson Estates	W	236.44	483.94	(720)
Polk	Lake Gibson Estates	W W	89.47	183.13	(273)
Highlands	Lake Josephine	W	160.30	327.77	(488)
Palm Beach	Lake Osborne Estates	W	131.54	269.24	(401)
Desoto	Lake Suzy	W	158.47	324.35	(483)
Desoto	Lake Suzy	W W	75.59	154.61	(230)
Highlands	Leisure Lakes	W	81.34	166.48	(248)

Highlands	Leisure Lakes	W W	79.09	161.89	(241)
Lake	Morningview	W	10.66	21.81	(32)
Lake	Morningview	W W	10.10	20.67	(31)
Brevard	Oakwood	W	64.79	132.61	(197)
Marion	Ocala Oaks	W	509.63	1,042.88	(1,553)
Polk	Orange Hill/Sugar Creek	W	68.16	139.50	(208)
Putnam	Palm Port	W	30.15	61.61	(92)
Putnam	Palm Port	W W	29.87	61.03	(91)
Pasco	Palm Terrace	W	332.64	680.85	(1,013)
Pasco	Palm Terrace	W W	287.49	588.42	(876)
Lake	Palms MHP	W	17.39	35.59	(53)
Putnam	Park Manor	W W	8.69	17.80	(26)
	Peace River	W	27.49	56.26	(84)
	Peace River	W W	26.65	54.54	(81)
Lake	Picciola Island	W	41.93	85.72	(128)
	Pine Valley	W	13.18	26.98	(40)
Lake	Piney Woods	W	50.20	102.76	(153)
Putnam	Pomona Park	W	49.64	101.61	(151)
Lake	Quail Ridge	W	26.93	55.11	(82)
Lake	Ravenswood	W	12.62	25.83	(38)
Putnam	River Grove	W	30.01	61.43	(91)
Polk	Rosalie Oaks	W	27.21	55.69	(83)
Polk	Rosalie Oaks	W W	27.21	55.69	(83)
	Sarasota	W	1,303.24	2,666.90	(3,970)
	Sarasota	W W	2,051.12	4,197.77	(6,249)
Highlands	Sebring Lakes	W	21.60	44.20	(66)
Putnam	Silver Lake Oaks	W	12.34	25.26	(38)
Putnam	Silver Lake Oaks	W W	12.06	24.69	(37)
Lake	Siver Lake/Western Shores	W	451.57	924.05	(1,376)
Lake	Skycrest	W	34.22	70.04	(104)
Lee	South Seas	W W	18.93	38.64	(58)
Putnam	St John's Highlands	W	27.77	56.83	(85)
Lake	Stone Mountain	W	2.80	5.74	(9)
Lake	Summit Chase	W	61.70	126.30	(188)
Lake	Summit Chase	W W	61.14	125.15	(186)
Washington	Sunny Hills	W	162.54	332.57	(495)
Washington	Sunny Hills	W W	50.49	103.33	(154)
Orange	Tangerine	W	78.55	159.69	(238)
	The Meadows	W	14.87	30.43	(45)
Sumter	The Woods	W	21.32	43.63	(65)
Sumter	The Woods	W W	20.19	41.33	(62)
Volusia	Tomoka/Twin Rivers	W	76.01	155.57	(232)
Lake	Valencia Terrace	W	99.29	203.22	(303)
Lake	Valencia Terrace	W W	97.75	199.96	(298)
Lake	Venetian Village	W	46.28	94.72	(141)
Lake	Venetian Village	W W	26.65	54.54	(81)

Polk	Village Water	W	51.33	104.84	(156)
Polk	Village Water	W W	9.82	20.09	(30)
Putnam	Welaka/Saratoga	W	43.47	88.98	(132)
	West Citrus	W	18.51	37.89	(56)
Putnam	Wootens	W	8.13	16.65	(25)
Pasco	Zephyr Shores	W	146.13	299.09	(445)
Pasco	Zephyr Shores	W W	145.14	297.19	(442)
	Subtotal		10,567.08	21,566.62	(32,134)
	Less: Non-Jurisdictional				
	Systems				(10,816)
	Total				(21,317)

Note: The highlighted areas represent non-PSC regulated systems.

Based on Audit Finding No. 15, AUF included \$2,695 in Account 731, Contractual Services - Engineering for the year ended December 31, 2007. The amount represents a 2005 preliminary Engineering Study project for the Lake Suzy system, which was abandoned. This issue has been stipulated. Therefore, the total reduction to non-utility expenses is \$24,012. This amount includes an adjustment of \$21,317, to disallow shareholders services expenses, and an adjustment of \$2,695 to reclassify the engineering study project for Lake Suzy that was subsequently abandoned.

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Issue 35: Should any adjustments be made to disallow fines and penalties assessed to the Utility?

Stipulation: Yes. To correct a misclassification of fines and penalties incurred by the Utility, Miscellaneous Expense should be reduced by \$61,736 for water and \$23,215 for wastewater. The respective individual system adjustments are reflected on Page 37 of Exhibit 113 of the Direct Testimony of staff witness Winston.

Issue 36: Should any adjustment be made for charges from affiliates?

Recommendation: No. No adjustment is needed for charges from affiliates. (Deason)

Position of the Parties

AUF: No. AUF's affiliated charges are reasonable and supported by the evidence in the record. OPC has not provided any credible evidence to support its recommended adjustments. In addition, OPC's attempts at using a comparative analysis are not only inappropriate for setting rates, its proposed analysis has serious flaws and mistakes.

OPC: Yes. Test year expenses should be reduced by \$641,156 for the company's water operations and by \$329,646 for the company's wastewater operations for affiliated charges which are excessive when compared to other Class A water and wastewater companies that operate in the State of Florida.

AG: Adopts OPC's position.

Staff Analysis: OPC asserts that the Commission should closely examine the relationship between AUF and its affiliates because in the absence of regulation, there is no assurance that affiliate transactions and allocations will not translate into unnecessarily high charges for AUF's customers. (TR 675-76)

While the Utility has claimed that there are economies of scale for the 82 systems, which is discussed by both Utility witnesses Franklin and Lihvarcik, OPC believes the affiliate relationship does not show any economies of scale associated with the AUF systems being part of a larger organization. (TR 690-91) OPC witness Dismukes opined that the evidence shows that the opposite is true – there are diseconomies of scale associated with being part of the AUF family.

OPC witness Dismukes discussed diseconomies in her comparative analysis. As shown on Exhibit 86, Schedule 12, when compared to all Class A combined WAW companies that operate in the State of Florida, witness Dismukes concluded that AUF's costs are substantially higher than the average - just the opposite of what would be expected if there were economies of scale. (TR 693)

According to OPC witness Dismukes, AUF's water O&M expense per ERC is \$293. Compared to the average of all Class A WAW companies of \$146, AUF's costs are more than 100 percent higher than the industry average. Of the 14 water companies depicted in Exhibit 86, Schedule 12, none have O&M costs per ERC higher than the company's costs. (TR 693; EXH 86, Schedule 14)

The same is true with respect to the Utility's wastewater operations. O&M expenses for 2007 were \$450 per ERC compared to the average of only \$232, or 94 percent higher than average. Of the 14 wastewater companies shown, only two have higher costs per ERC than AUF. (OPC BR 32)

According to OPC, other comparable companies that operate under the same or similar conditions as AUF are able to operate with much lower expense levels. The comparable group used by witness Dismukes provides a wide distribution of WAW companies that operate throughout the State of Florida. In all but two instances, AUF operates in the same counties as the comparison group.⁴⁹ (EXH 65, BSP 2463)

OPC asserts that the Commission should adopt the recommendations of witness Dismukes as the only credible analysis of the reasonableness of the charges from Aqua Services Inc. (ASI) and AAI to AUF. (OPC BR 34) The adjustment recommended by witness Dismukes is based upon a comparison of the cost for salaries and wages, including salaries and wages of officers, benefits, and contractual services-management fees compared to other Class A WAW companies. This comparison addresses the fundamental question of whether or not the labor-related charges from ASI combined with the AUF's labor costs (both direct and allocated within AUF) exceed the going market rate when compared to comparably sized companies. (TR 697)

Based on witness Dismukes analysis, OPC recommends test year expenses be reduced by \$641,156 for the Utility's water operations and by \$329,646 for the Utility's wastewater operations for affiliated charges which are excessive when compared to other Class A WAW companies that operate in the State of Florida.

According to the Utility, AAI is a holding company that has a number of operating subsidiaries, including AUF. Like other utility holding companies, AAI has a service company, ASI, which provides AUF with necessary services including accounting, engineering, customer service, communications, corporate secretarial, human resources, information services, legal, purchasing, rates and regulatory, and water quality. (TR 391, 1539-1541) The services that ASI provides to AUF are billed to AUF at cost. (TR 391) The record shows the costs allocated by ASI to AUF are both reasonable, necessary and below market. (TR 1542-1549; EXH 65, BSP 2829-2832) Furthermore, evidence in the record confirms that the executive compensation structure of AAI and its affiliates are at or below benchmarks compared to other utilities. (AUF BR 33-34)

AUF contends that OPC witness Dismukes does not take issue with the methodology whereby ASI's costs are allocated to AUF, nor does she address the reasonableness and the necessity of specific affiliated charges. Furthermore, witness Dismukes does not propose any adjustments to specific affiliated charges. (TR 1544-1545) Rather, she recommends that the Commission make a significant "blanket" adjustment of \$970,802 to test-year expenses for water and wastewater operations based on a general and unsupported claim that AUF's relationships with its parent AAI and ASI are not cost-effective.

According to AUF, the Commission has rejected this type of "blanket" adjustment by witness Dismukes in Order No. PSC-93-1288-FOF-SU, issued September 9, 1993, in Docket No. 920808-SU, In Re: Application for Rate Increase by South Fort Myers Division of Florida Cities Water Company in Lee County ("We find it is inappropriate to make a reduction when the record

⁴⁹ AUF operates in DeSoto and Highlands County. There are no Class A water and wastewater companies that operate in these counties.

does not support an argument that any specific [affiliate] charge is unreasonable."').⁵⁰ (TR 693) Additionally, Florida courts have made clear that it would be improper to rely solely on witness Dismukes' "comparative analysis" to test the reasonableness and the necessity of AUF's affiliated charges. In Sunshine Utilities of Central Florida v. Florida Public Service Commission 624 So. 2d 306 (Fla. 1st DCA 1993), the First District Court of Appeal held that a comparative analysis of the salaries of other utility executives did not constitute competent, substantial evidence to support a downward adjustment to the utility president's salary in a rate case. (AUF BR 34-35)

The Utility also argues that OPC witness Dismukes failed to:

demonstrate that the other utilities in her comparison group have 82 separate utility systems operating throughout Florida as does AUF. Furthermore, Ms. Dismukes makes no showing that her comparison group has system costs, system designs, service territories, customer demographics, or any other operating characteristics that are similar to AUF. Uncontradicted evidence in the record shows that the operations of the utilities in Ms. Dismukes' comparison group are "very different" from AUF's operations and AUF's relationship with its parent, AAI.

(TR 1546) AUF also contends that "Ms. Dismukes' recommended adjustment to affiliated charges based on a ratio of AUF expenses to revenues" is flawed, and that:

Ms. Dismukes overlooks the fact that none of AUF's systems have received a rate increase in over 12 years. Thus, an analysis of today's cost compared to revenues established over 12 years ago is improper.

(TR 1548; OPC BR 35) AUF argues that not only is:

OPC witness Dismukes' comparative analysis inappropriate for setting rates in this case, the schedules that witness Dismukes has attached as exhibits cannot be relied upon. Witness Dismukes' comparative analysis contains serious errors. The record shows that witness Dismukes' comparative analysis was pulled from different sources, had embedded inconsistencies, and contained mathematical errors.

(TR 1546-1547; AUF BR 35, Footnote 15))

Based on the record, according to the Utility, the cost allocated by ASI to AUF are both reasonable and necessary. The Utility argues that OPC's recommendation to adjust affiliated charges based on the purported cost structures of other business entities, while ignoring the actual cost of the Utility, violates fundamental principles of cost-of-service regulation and must be rejected. (AUF BR 36)

⁵⁰ See Order No. PSC-93-1288-FOF-SU, p. 27, issued September 7, 1993, in Docket No. 920808-SU, In Re: Application for rate increase by South Fort Myers Division of Florida Cities Water Company in Lee County.

It is the Utility's burden to prove that its costs are reasonable. See Florida Power Corp v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982). Additionally, In GTE Florida, Inc. v. Deason, 642 So. 2d 545, 548 (Fla. 1994) (GTE), the Florida Supreme Court established that the standard to use in evaluating affiliate transactions is "whether those transactions exceed the going market rate or are otherwise inherently unfair."

In order to determine the reasonableness of AUF's affiliate transactions, staff performed an audit of the affiliate transactions for the test year 2007 in accordance with Commission audit procedures. During the audit, staff obtained and reviewed the total expenses allocated to the individual systems from AAI and AUF. Total AAI and AUF allocation expenses allocated to the individual systems were traced to the general ledgers. Staff reviewed and recalculated the allocated expenses from AAI and AUF. Staff also sampled allocated expenses for the proper amount, period, classification, and whether the expense was utility-related, nonrecurring, unreasonable and/or imprudent. There was nothing found in the audit to suggest that the affiliate charges were unreasonable or imprudent.

Additionally, staff disagrees with OPC witness Dismukes' methodology for her recommended adjustments. Although AUF is considered a Class A utility, it should be noted that it is actually a collection of many different widely dispersed systems, most of which would be considered class C utilities if on a stand-alone basis. The comparison group proposed by witness Dismukes does not take this into account and inaccurately compares AUF to Class A single systems. Staff believes that the comparison analysis proposed by witness Dismukes does not provide an appropriate basis to warrant an adjustment being made.

In summary, based on staff's audit and review of the record, staff recommends that no adjustment is needed for charges from affiliates.

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Issue 37: Should any adjustments be made for abnormal relocation expenses? (Stipulated)

Stipulation: Yes. Relocation expenses should be reduced by \$14,228 to normalize the test year expense level.

Issue 38: Should any adjustments be made to advertising expense?

Recommendation: Yes. Advertising expense should be reduced by \$691. (Billingslea)

Position of the Parties

AUF: No.

OPC: Yes. The Utility included advertising expenses in the test year associated with image enhancement which the Commission has disallowed in the past. Therefore, test year expenses should be reduced by \$1,050.

AG: Adopts OPC's position.

Staff Analysis: The Company included \$1,050 in advertising expenses in the test year. (TR 727) AUF did not respond to OPC Interrogatory 44, which requested a breakdown of advertising and marketing expenses included in the test year and previous four years.

OPC witness Dismukes testified that the \$1,050 advertising expense was used as image enhancement and goodwill. OPC further notes that the Commission has disallowed all image enhancing advertising in the past. Pursuant to Order No. 24049,⁵¹ the Commission stated in pertinent part:

We agree with OPC that institutional or image advertising benefits the non-regulated portions of the business to a greater extent than the regulated operations and that the UTLD compensating payment is for benefits already funded by the ratepayers. We will continue our policy of excluding institutional or image advertising from the cost of service.

The advertisement in question appeared in the Florida Insider magazine. It states, in part:

Investing now in water quality . . . before the well runs dry. . . Aqua Utilities Florida is an investor-owned water and wastewater company whose business depends on sustainable water resources. Our Capital spending for pumps, pipes, wells and treatment plants totaled approximately \$30 million between 2005 and 2007 – and we'll continue to invest in Florida's future in 2008.

(TR 728)

AUF witness Szczygiel disagrees with OPC witness Dismukes' analysis of the message, testifying instead that "While I believe that advertisement references AUF as an investor-owned company, I think it is important for AUF to distinguish itself from prior owners and educate

⁵¹ See Order No. 24049, issued January 31, 1991, in Docket Nos. 891231-TL and 891239-TL, In Re: Petition of the Citizens of the State of Florida to permanently reduce the authorized ROE of United Telephone Company of Florida.

AUF consumers of the capital it is investing in the state.” (TR 1563) Szczygiel also testified that the advertisement also references the importance of protecting water as a resource. (TR 1563)

Staff agrees with witness Dismukes’ assessment of the image-enhancing nature of the advertisement. The advertisement is meant to impress upon consumers that AUF is an environmentally-conscious utility and a superior one; therefore, the consumer should invest in AUF. Clearly, the nature of the advertisement is to enhance the Utility’s image in a positive manner.

Staff recommends, consistent with past Commission practice, that the image enhancing advertising expenses of \$691⁵² included in the test year be disallowed.

⁵² The \$691 figure represents the jurisdictional amount included in the MFRs. When applying the jurisdictional percentage of 65.847 percent to the total amount of \$1,050, it yields the jurisdictional amount of \$691.

Issue 39: Should any adjustments be made to lobbying expenses?

Recommendation: Yes. O&M expenses should be reduced by \$32,632 to remove charges related to lobbying and/or acquisition efforts. (Fletcher)

Position of the Parties

AUF: Yes. AUF agrees to the adjustment to remove charges it incurred from Cynergy.

OPC: Yes. Test year expenses should be reduced by \$39,387.

AG: Adopts OPC's position.

Staff Analysis: AUF incurred \$39,387 for charges from Mr. George Lane and Cynergy. (TR 728; AUF BR 37; OPC BR 35) In response to OPC Interrogatory 217, the Utility stated the following:

AUF answers that George Lane was previously registered as a lobbyist until December 31, 2005, at which time he had five registered clients, one of which was AUF. George Lane has not been registered as a lobbyist since January 1, 2006.

George Lane was a rural marketing consultant and a media management specialist for AUF with more than 40 years experience with the Florida news media. His role had been to provide input on media articles, customer letters, managing situations where news media is involved and recommending newspaper outlets for AUF to place required regulation notices.

With Mr. Lane's knowledge of Florida, he provided background information on cities, towns and counties in which AUF would like to purchase water or wastewater systems. At times he would set up meetings with various department heads, or administrators to discuss these potential acquisitions. With his contacts throughout the state, Mr. Lane would facilitate a meeting if a community, developer, or builder required water or wastewater utility services.

AUF ceased to utilize the services of George Lane in mid 2007.

Cynergy currently provides legislative services for AUF. This includes monitoring and advising AUF of any pending or potential legislative actions and/or issues related to the water and wastewater industry either on the state or local level. Cynergy also participates in customer relation issues when requested.

(emphasis supplied by AUF) (EXH 65, BSP 266-267; TR 729)

OPC witness Dismukes testified that the charges from Mr. Lane and Cynergy are related to lobbying efforts and/or acquisition efforts both of which are not allowed by the Commission. (TR 729) According to witness Dismukes' Revised Schedule 29 to her testimony, the Utility recorded these costs as advertising expenses. (EXH 86) Witness Dismukes asserted that the

Commission does not allow lobbying charges to be recovered from ratepayers as such efforts are for the benefit of stockholders, not ratepayers. (TR 729-730) With regard to Mr. Lane's recommendations about newspaper outlets for regulation notices, OPC argues that there is no reason this could not have been handled by AUF employees, as was apparently done during part of 2007 and will be in the future, because Mr. Lane left AUF's employ in mid-2007. (OPC BR 35-36)

AUF witness Szczygiel testified that Mr. Lane's recommendations about newspaper outlets for regulation notices are normal business operations. (TR 1563) With regard to Mr. Lane's help in purchasing water and wastewater systems, witness Szczygiel contended that acquiring WAW facilities is beneficial for ratepayers and, therefore, this expense is reasonable. (TR 1563) In its brief, the Utility agreed with witness Dismukes' adjustment to remove charges it incurred from Cynergy; however, AUF argued that her adjustment is overstated because it removed non-jurisdictional amounts that were never included in the Utility's MFRs. (AUF BR 37)

The burden of proof in ratemaking cases in which a utility seeks an increase in rates rests on the utility. See South Fla. Natural Gas Co. v Pub. Serv. Comm'n, 534 So. 2d 695, 697 (Fla. 1988); Florida Power Corp. v. Cresse; Sunshine Utilities v Fla. Pub. Serv. Comm'n, 577 So. 2d 663, 666 (Fla. 1st DCA 1991).

As discussed above, all parties agree that the charges incurred by AUF from Cynergy should be removed. Staff notes that it is Commission practice to disallow acquisition costs.⁵³ Staff agrees with Ms. Dismukes that all time spent by Mr. Lane on acquisition efforts should be disallowed. Staff believes that the Utility has not met its burden of proof as to the jurisdictional nature of the systems acquired with the assistance of Mr. Lane. Further, in staff's opinion, AUF has not provided documentation to support the time the Utility alleges Mr. Lane spent on recommending newspaper outlets for regulation notices. However, staff agrees in part with AUF witness Szczygiel that Ms. Dismukes' adjustment is overstated because the lobbying charges the Utility incurred from Cynergy is for both jurisdictional and non-jurisdictional systems. Based on the above, staff recommends that O&M expenses be reduced by \$32,632. Staff adjustments for each jurisdictional system are reflected on the respective Schedule 4-C.

⁵³ See Order Nos. PSC-03-0602-PAA-SU, issued May 13, 2003, in Docket No. 020409-SU, In re: Application for rate increase in Charlotte County by Utilities, Inc. of Sandalhaven.; PSC-98-0524-FOF-SU, issued April 16, 1998, in Docket No. 971065-SU, In re: Application for a rate increase in Pinellas County by Mid-County Services, Inc.; and PSC-93-1713-FOF-SU, issued November 30, 1993, in Docket No. 921293-SU, In re: Application for a rate increase in Pinellas County by Mid-County Services, Inc.

Issue 40: Should any adjustments be made for executive risk insurance?

Recommendation: Yes. Consistent with Commission practice, AUF's test year expenses should be reduced by \$8,164 for its jurisdictional systems. (Fletcher)

Position of the Parties

AUF: No. The evidence in the record shows that Aqua America's Directors & Officers Liability Insurance Policy ("D&O Policy") is a prudent risk management practice that protects the regulated assets of AUF. (TR 1552-53) Thus, no adjustments should be made for executive risk insurance.

OPC: Yes. Executive risk insurance should be reduced by \$12,339.

AG: Adopts OPC's position.

Staff Analysis: During the test year, ASI, an AUF sister service company, incurred \$522,702 in insurance for its executives. In response to OPC Interrogatory 37, the Utility stated that its directors and officers liability insurance contains two types of coverage. The first reimburses AAI when it is legally obligated to indemnify corporate directors and officers for their acts and the second provides direct coverage to directors and officers when AAI is not legally obligated to indemnify them. (TR 733-734) In its response to OPC Interrogatory 36, AUF stated that no customer has ever filed a claim against a director or officer of the Utility. (TR 735)

OPC witness Dismukes testified that the stockholders should bear these costs because this insurance protects directors from financial losses that they might incur for wrong doing and any claim would most likely come from shareholders or employees. Witness Dismukes recommended that test year expenses should be reduced by \$12,399. (TR 735)

AUF witness Szczygiel testified that this insurance coverage provides a fund from which to pay claims covered under the policy, rather than having claims paid out of the general assets of the company. Witness Szczygiel asserted that, depending on the size and nature of a claim, absent an insurance policy, the Utility could face financial impairment. Such impairment could impact the Utility's ability to continue its business, which in turn, could potentially harm the ratepayers. In addition, witness Szczygiel contended that if there was no protection for individuals who serve as directors and officers of a company from such claims, it would be difficult, if not impossible, to retain qualified people to serve in that capacity. (TR 1553)

It is Commission practice to remove director or officer liability insurance because it has no primary benefit to the ratepayers.⁵⁴ Staff agrees with OPC witness Dismukes that AUF

⁵⁴ See Order Nos. PSC-07-0505-SC-WS, p. 44, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida; PSC-03-1440-FOF-WS, p. 84, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida; and PSC-99-1912-FOF-SU, pp. 20-22, issued September 27, 1999, in Docket No. 971065-SU, In re: Application for rate increase in Pinellas County by Mid-County Services, Inc.

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should reduce its total expenses by \$12,399; however, staff notes that only \$8,164 of that amount relates to the Utility's jurisdictional systems. Therefore, consistent with Commission practice, staff recommends that AUF's test year expenses be reduced by \$8,164 for its jurisdictional systems. Staff adjustments for each jurisdictional system are reflected on the respective Schedule 4-C.

Issue 41: Should any adjustments be made to contractual services-other and contractual services - testing expenses?

Recommendation: No. No adjustments are needed for contractual services-other and contractual services - testing expenses. (Deason, Roberts)

Position of the Parties

AUF: Other than the specific Audit Findings and adjustments to which AUF has agreed, no further adjustments are necessary or appropriate.

OPC: Yes. The Commission should reduce Contractual Services–Other by \$95,769 and Contractual Services – Testing by \$8,417.

AG: Adopts OPC’s position.

Staff Analysis: As shown on Exhibit 170, the Utility agrees to the following audit adjustments. These adjustments have already been stipulated per Order No. PSC-08-0807-PHO-WS:

- Consistent with AUF's response to Audit Finding No. 17, Contractual Services-Other should be reduced by \$11,841 for Village Water. See Order No. PSC-08-0807-PHO-WS, Page 54.
- Consistent with AUF's response to Audit Finding No. 11, Contractual Services-Other should be reduced by \$4,986 for Imperial Mobile Terrace. This amount has been stipulated. See Order No. PSC-08-0807-PHO-WS, Page 54.
- Consistent with AUF's response to Audit Finding No. 10, Contractual Services-Other should be reduced by \$10,065 for all systems. This amount has been stipulated. See Order No. PSC-08-0807-PHO-WS, Page 53.
- Consistent with AUF's response to Audit Finding No. 16, Contractual Services-Testing should be reduced by \$120 for Rosalie Oaks and \$190 for Lake Suzy. See Order No. PSC-08-0807-PHO-WS, Page 53.

In addition, the record shows that AUF agrees to the following adjustments recommended by OPC:

- The amortization of Fuel for Purchased Power should be reduced by \$355. (TR 1564) This adjustment is addressed in Issue 45.
- Stipulated Issue 47 -- The reclassification of legal expense should reduce the test year expenses for Village Water by \$25,572. (TR 1564) This adjustment is addressed in Stipulated Issue 47.

- The 5-year amortization of the Jasmine Lakes legal expenses should increase expenses by \$5,142. (TR 1564; OPC BR 39) This adjustment is addressed in Stipulated Issue 47.

Additionally, OPC contends that the following further adjustments need to be made:

- Leisure Lakes Water expenses should be reduced by \$2,348 for repairs and maintenance expenses that occurred during the test year that are not recurring. OPC witness Dismukes testified that the Utility deferred and amortized such expenses for several systems in 2005. However during the test year, the Utility expensed similar repair costs all in one year. Therefore, the repairs and maintenance expenses should be amortized over three years to normalize the costs consistent with the Utility's treatment of similar repairs. (TR 747)
- Florida Central Commerce Wastewater test year expenses should be reduced by \$11,447 due to several abnormal expenses in the test year, including a large pond clean-up, repairs, grounds and pond maintenance, major maintenance for a pump, and lift station cleaning. (TR 749)
- Jungle Den test year water expenses should be reduced by \$1,000 for the repair of a water pipe. Wastewater expenses should be reduced by \$840 for lift station maintenance and cleaning. Both of these expenses are not normal recurring expenses and therefore should be amortized over three years. (TR 750)
- Sunny Hills Wastewater test year expenses should be reduced by \$1,575 in connection with a cleaning/pumping of the chlorine contact chamber of the sewer plant, as it is not a recurring expense. (TR 747-748)
- During the test year the company included expenses associated with deferred maintenance that will be fully amortized by the end of the pro forma test year or should be amortized over a longer period of time. OPC witness Dismukes recommends that test year expenses be reduced by \$22,978 to reflect the fact that 14 projects will be fully amortized before year-end 2008, and for nine other projects, the company's amortization period was too short. (TR 737-738; EXH 86, Schedule 24)
- For contractual services-testing expenses, witness Dismukes testified that adjustments to the following systems should be made because test year expenses were abnormal compared to the 2005-07 three-year average: Fern Terrace Water \$474, Grand Terrace Water \$832, Jasmine Lakes Wastewater \$3,071, Lake Gibson Wastewater \$182, Pomona Park Water \$1,677, River Grove Water \$434, Zephyr Shores Water \$1,437. (TR 746)

AUF contends that OPC witness Dismukes' adjustments to expenses which she claims to be "abnormal" or "non-recurring" compared to prior years are inappropriate. (AUF BR 39)

Testimony in the record however shows that these expenses are not abnormal; in fact, many are budgeted annually by AUF at its various systems. (TR. 1564.) Moreover, close review of the record reveals that OPC witness Dismukes has only

conducted a "normalization" adjustment for those test year expenses which she deems abnormally high. She fails to make corresponding "normalization" adjustments when test year expenses are abnormally lower than those of prior years. The Commission has rejected Ms. Dismukes "heads I win, tails you lose" approach to normalization in prior rate cases. *See* Order No. PSC-93-1288-FOF-SW (the Commission specifically found that "Ms. Dismukes' adjustment should be rejected on the basis that you can't choose just one expense account to normalize and ignore the rest."). There is no valid reason for the Commission to accept that selective approach now.

(AUF BR 39-40)

The Utility further opposes OPC's proposed removal of deferred maintenance projects from test year expenses which OPC claims have been improperly amortized. (TR 735-38; AUF BR 40) AUF asserts that such claims are not supported by the record, and are refuted by AUF witness Szczygiel. The Utility states, that consistent with Commission practice, AUF amortizes deferral of maintenance projects to match project expense over the period of expected project benefits. (TR 1554-55) For example, the record shows that permit renewals are amortized over the life of the permit based on the issuance date. Although permit renewal expenses may be incurred prior to permit issuance, those expenses are not amortized until the permit is actually issued. (AUF BR 40) This is because it is not until the permit is issued that the duration and full cost of the permit is realized, and thus proper amortization can begin. (TR 1555) Additionally, the record shows that tank inspections that are required by DEP every five years are amortized over five years. The fact that some of the inspection cost may be fully amortized in 2008 does not warrant an adjustment to expenses. Exhibit 154 shows that there are numerous other tank inspections that will be required for other systems throughout the state. (EX 154) The record also shows that AUF will incur similar expenses in subsequent years. (TR 1554; AUF BR 40-41)

AUF also asserts that OPC's claims for additional adjustments are without merit. For example, OPC witness Dismukes recommends adjustments based on what she claims to be "abnormal" testing expenses for Fern Terrace, Grand Terrace, Jasmine Lakes, Lake Gibson, Pomona Park, River Grove and Zephyr Shores. (TR 746) The Utility states that these claims were refuted by AUF witness Szczygiel and that the record shows that these testing expenses are not abnormal. Instead, they are reasonable recurring costs that the Utility has incurred and will continue to incur in order to comply with DEP requirements and respond to normally occurring weather events. (TR 1557- 58; AUF BR 39)

Staff has reviewed the record and believes that all adjustments agreed to by the Utility should be made. However, staff believes that the further adjustments recommended by OPC are inappropriate as the costs incurred by AUF are recurring and reasonable.

Issue 42: Should any adjustments be made to purchased power expenses?

Recommendation: No. No adjustment is warranted for purchased power expenses. (Crawford)

Position of the Parties

AUF: No adjustment to purchased power expenses is necessary or appropriate.

OPC: Yes. Purchased Power Expense should be reduced by \$5,788.

AG: Adopts OPC's position.

Staff Analysis: Witness Dismukes believes AUF's flushing was unusually high for several systems, which has increased purchased power and chemical expenses. Dismukes' methodology compared the amount of flows with the level of flushing. The years examined were 2005, 2006 and the 2007 test-year. Witness Dismukes developed her recommendation by dividing the test year chemical and purchased power expenses by test-year flows to arrive at a chemical cost per gallon. In addition, she estimated the normal level of flushing, by averaging flushing of either the most recent two years or most recent three years. Further, the difference between the estimated normal level of flushing and test year flushing was multiplied by the chemical expense per gallon to arrive at an adjustment amount for each system. (TR 746) The total of witness Dismukes' recommended adjustment using the aforementioned methodology is a reduction of \$2,388, which includes \$1,993 for purchased power expenses.

Dismukes' second recommendation is to the Lake Josephine system. Rehabilitation work was performed at the Lake Josephine system, causing the system to be temporarily offline. After the work was completed, the Lake Josephine system was brought back online, and correlating line flushing contributed to increased purchased power expenses. Dismukes recommends the Commission reduce test-year expenses by \$3,795 to recognize the higher level of expense included in the test year relative to a more normal level. (TR 747) The sum total of purchase power expense witness Dismukes is recommending is \$5,788.

AUF attributes any extraordinary increases in flushing to water quality treatment procedures that are necessary to maintain regulatory compliance with DEP requirements. (AUF BR 41-42) AUF believes witness Dismukes' recommended adjustment would punish the Utility for remaining in compliance with regulatory rules. Witness Lihvarcik addressed the abnormal flushing issue raised by witness Dismukes in his rebuttal testimony. He stated in part:

For most of the systems that she has picked, the service lines are in an aged condition and prone to breaks. These systems require routine flushing to maintain water quality and chlorine residuals throughout the system and I would not characterize the flushing as high. In addition, some of the systems have dead end lines which require routine flushing to maintain chlorine residuals and water quality.

(TR 1205) AUF contends all increases in flushing are needed in order to comply with DEP regulations, and no adjustment is needed for purchased power expenses.

Operation and Maintenance of Public Water Systems Rule 62-555.350(2), F.A.C., states in pertinent part, "Dead-end water mains conveying finished drinking water shall be flushed quarterly or in accordance with a written flushing program established by the supplier of water; additionally, dead-end or other water mains conveying finished water shall be flushed as necessary whenever legitimate water quality complaints are received." Further, Rule 62-555.350(6), F.A.C., states in pertinent part: "If at any time the residual disinfectant concentration in any portion of a distribution system falls below the required minimum level, the supplier of water shall increase the disinfectant dose as necessary and flush said portion of the distribution system until the residual disinfectant concentration is restored to the required minimum level." Consequently, staff believes AUF's explanation for increased flushing is justifiable.

Staff has examined the table filed with witness Dismukes' testimony (TR 745), and finds the information skewed. Staff believes consistency cannot be accomplished by using a two-year average for some systems and using a three-year average for other systems. Also, flow information was not provided for the Palms Mobile Home Park system; thus, an accurate calculation cannot be made. Portions of the flushing information were not provided in witness Dismukes' table for Piccola Island, Skycrest, and Tomoka Twin/Rivers' systems. Accordingly, staff believes witness Dismukes' recommended adjustment of \$5,788 to purchased power expenses is inappropriate, and recommends that no adjustment be made.

Issue 43: Should any adjustments be made to sludge hauling expenses?

Recommendation: Yes. Sludge hauling expenses should be reduced for the Sunny Hills sewer system by \$350. (Wright)

Position of the Parties

AUF: No adjustment is necessary or appropriate. AUF's sludge hauling expenses are properly supported in the record. (TR. 393)

OPC: Yes. Sludge hauling expenses should be reduced for the Sunny Hills sewer system by \$350.

AG: Adopts OPC's position.

Staff Analysis: In her direct testimony, OPC witness Dismukes recommended a reduction in sludge hauling expenses for Sunny Hills in the amount of \$350. (TR 747) Witness Dismukes asserts that the cleaning/pumping of the chlorine contact chamber at the sewer plant is not a normal recurring expense, and should be normalized for ratemaking purposes. (TR 748)

AUF states that no adjustment is necessary or appropriate and AUF's sludge hauling expenses are supported in the record. (AUF BR 42)

Staff agrees with witness Dismukes that the expense incurred for Sunny Hills for cleaning/pumping of the chlorine contract chamber at the sewer plant should be normalized, and, therefore, the expense should be reduced by \$350.

Issue 44: Should any adjustments be made to maintenance expenses and materials and supplies expenses?

Recommendation: Yes. Materials and Supplies Expense should be reduced by \$4,684. (Mouring)

Position of the Parties

AUF: No adjustment is necessary or appropriate.

OPC: Yes. Materials and Supplies Expense should be reduced by \$3,829.

AG: Adopts OPC's position.

Staff Analysis: OPC witness Dismukes notes two adjustments related to expense accounts that had significant increases over the prior year without sufficient explanation from the Utility. (TR 748) These adjustments result in reductions to Materials and Supplies in the amount of \$197 for the Oakwood water system, and \$172 for the Imperial Mobile Terrace water system. (TR 748) Witness Dismukes cited in her testimony a portion of AUF's response to OPC Interrogatory 179:

Materials & supplies are purchased on an 'as needed' basis. These are items needed in the daily operations and maintenance of the systems that are not capital. Unexpected repairs and maintenance can make this account more variable than other more predictable expense items.

(TR 748) OPC recommends to the Commission that Materials and Supplies be reduced by \$197 for the Oakwood water system, and \$172 for the Imperial Mobile Terrace water system. (TR 748; OPC BR 41)

OPC is also recommending that the test year Materials and Supplies expense be reduced for the Imperial Mobile Terrace water system by the unamortized balance of an expense incurred for a hand evacuation of a 2-inch water main and the installation of gate valves with valve boxes and pads. (TR 748-49) The total amount of this expense was \$4,986, which OPC recommends be amortized over a three-year period. (TR 748) In witness Dismukes testimony, she also cites a portion of the Utility's response to OPC POD Request 214 relating to the Utility's policy regarding the appropriate amortization period for O&M repairs: "The Company practice for O&M type costs is to amortize them over a maximum of 3 years, as repairs or replacements are likely to recur beyond that length of time." (TR 737) Applying AUF's stated policy would result in a reduction to Materials and Supplies expense of \$3,324. (TR 748-49)

Further, the Utility included a \$408 expense associated with the updating of the O&M manual for the Jungle Den's wastewater system which will be fully amortized by the end of the test year. (EXH 86) However, OPC recommends that these expenses be amortized over a three-year period and that test year expenses be reduced by \$136 for the Jungle Den wastewater system. (OPC BR 127; EXH 86)

After careful consideration and analysis of the recommended adjustments put forth by OPC, and the lack of any specific rebuttal by AUF, staff does not believe that the Utility has met its burden of proof in including several of these expenses in materials and supplies expense. It is the Utility's burden to prove that its costs are reasonable. See Florida Power Corp v. Cresse.

Staff agrees with OPC that \$197 and \$172 should be removed from Materials and Supplies Expense for the Oakwood water and Imperial Mobile Terrace water systems, respectively. In addition, staff agrees with OPC that the \$408 charge associated with the updating of the O&M manual for the Jungle Dens wastewater system should be amortized. However, staff has determined that the appropriate amortization period for the non-recurring maintenance expense is five years, not the three-year period used by witness Dismukes in her adjustment. Rule 25-30.433(8), F.A.C., states in pertinent part, "non-recurring expenses shall be amortized over a five-year period unless a shorter or longer period of time can be justified." Staff believes that the Utility did not meet its burden of proof to use an amortization period less than five years. The result of using a five-year amortization period is a reduction of \$3,989 for Imperial Mobile Terrace and a reduction of \$326 for Jungle Den. As such staff recommends that the Materials and Supplies Expense be reduced by a total of \$4,684 (197+172+3,989+326).

Issue 45: Should any adjustments be made to fuel for power production expenses?

Recommendation: Yes. To amortize fuel related to the repair of a tank leak over a 3-year-period, fuel for power production expenses should be reduced by \$355 for the Utility's Ravenswood water system. No adjustment should be made for fuel purchased to test generators purchased and installed as part of AUF's hurricane preparedness program. (Fletcher)

Position of the Parties

AUF: No such adjustment is necessary or appropriate.

OPC: Yes. The Commission should reduce Fuel for Power Production Expense by \$7,450.

AG: Adopts OPC's position.

Staff Analysis: OPC witness Dismukes believes that adjustments to several systems should be made for fuel purchased for the Utility's hurricane preparedness program and a tank leak. (TR 743-744, 749)

Hurricane Preparedness Program

Witness Dismukes testified that AUF purchased and installed generators at several of its treatment plants as part of its hurricane preparedness program. (TR 743-744) In the Utility's response to OPC's discovery, AUF stated in pertinent part:

That as part of its hurricane preparedness program, the utility purchased and installed generators for its treatment plants. These purchases were to provide a back-up power source for these plants during times of power outages due to adverse weather conditions. The increased costs were due to the need to purchase fuel for the back-up generators. There was no capacity for an old generator. There are no cost reductions associated with the installation of the new generator.

(Emphasis added) (TR 743-744) Because the Commission typically requires that costs associated with hurricanes be amortized over four years, witness Dismukes recommended that incremental fuel associated with these generators should be amortized over four years for the following systems: 48 Estates, Chuluota, Friendly Center, Grand Terrace, Haines Creek, Hobby Hills, Holiday Haven, Lake Josephine, Lake Suzy, Leisure Lakes, Ocala Oaks, Picciola Island, Rosalie Oaks, The Woods, Sebring Lakes, South Seas, Summit Chase, and Sunny Hills. (TR 744)

AUF witness Szczygiel testified that witness Dismukes overlooked several important facts. First, the variance for these systems occurred for the purchase of fuel for generators that did not exist previously. Second, as a part of its hurricane preparedness program, fuel had to be purchased in order to test the generators by starting and running them. These tests are commonly performed during DEP and/or Department of Health inspections. Third, these generators are also used during emergency situations, in the event of power failure. (TR 1550) Moreover, witness Szczygiel asserted that witness Dismukes was referring to the Commission's past practice of

amortizing hurricane damage and repairs over a 4-year period, which does not apply here. (TR 1550-1551)

AUF witness Lihvarcik testified that the generators cannot merely be stored, unused, but must be started and tested. Witness Lihvarcik stated that in addition to hurricanes, Florida has numerous thunderstorms which produce lightning and may trigger use of these generators throughout the year. Fuel purchases are necessary for running the generators and for testing them periodically. (TR 1203) In support of his position, witness Lihvarcik cited to DEP Rule 62-555.350(2), F.A.C., which states in pertinent part:

(2) Suppliers of water shall keep all necessary public water system components in operation and shall maintain such components in good operating condition so the components function as intended. Preventive maintenance on electrical or mechanical equipment - including exercising of auxiliary power sources, checking the calibration of finished-drinking-water meters at treatment plants, testing of air or pressure relief valves for hydropneumatic tanks, and exercising of isolation valves - shall be performed in accordance with the equipment manufacturer's recommendations or in accordance with a written preventive maintenance program established by the supplier of water; however, in no case shall auxiliary power sources be run under load less frequently than monthly.

(Emphasis in original) (TR 1204) Mr. Lihvarcik testified that to disallow the fuel expense would unnecessarily penalize the Utility's efforts to comply with DEP standards and rules. (TR 1205)

Staff agrees with AUF witnesses Szczygiel and Lihvarcik, and believes no adjustments are necessary for the additional fuel purchased for the new generators. In so recommending, staff notes that "[i]t is the PSC's prerogative to evaluate the testimony of competing experts and accord whatever weight to the conflicting opinions it deems necessary." See Gulf Power Co. v. Florida Pub. Serv. Commission, 453 So. 2d 799, 805 (Fla. 1984). Therefore, staff recommends that no adjustments are necessary for the additional fuel purchased associated with the new generators.

Tank Leak

Witness Dismukes recommended that the Utility's test-year fuel for power production expenses for its Ravenswood water system be reduced because of additional fuel required due to a tank leak and for the repair of the leak. (TR 749) Using a three-year amortization period, witness Dismukes asserted that fuel for power production expenses should be reduced by \$355 for the Ravenswood water system. (TR 749) AUF witness Szczygiel agreed with witness Dismukes' adjustment for amortization of fuel due to the tank leak. (TR 1564) Thus, staff recommends that fuel for power production expenses be reduced by \$355 for the Ravenswood water system.

Conclusion

Based on the above, staff recommends that fuel for power production expenses should be reduced by \$355 for the Utility's Ravenswood water system in order to amortize fuel related to the repair of a tank leak over a three-year period. Moreover, staff recommends that no adjustment should be made for fuel purchased to test generators purchased and installed as part of AUF's hurricane preparedness program.

Issue 46: Should any adjustments be made for chemical expenses?

Recommendation: No. No adjustment is needed for chemical expenses. (Deason)

Position of the Parties

AUF: No adjustment is necessary or appropriate.

OPC: Yes. Test year chemical expenses should be reduced by \$395 for abnormal line flushing.

AG: Adopts OPC's position.

Staff Analysis: OPC witness Dismukes' testimony shows that the amount of flushing that occurred during the test year in several instances was more than double the prior years and in a number of cases was more than 10 times greater than prior years. (TR 745; OPC BR 40, 42)

Witness Dismukes' recommendation amortizes the additional costs associated with this abnormal event over three years. OPC asserts that for all systems where witness Dismukes recommends an adjustment for excessive line flushing, the Utility provided no rebuttal testimony. OPC recommends the Commission should adopt the recommendations of witness Dismukes and reduce chemical expenses. (TR 746; OPC BR 40, 42)

AUF states that the record is devoid of evidence that it has engaged in abnormal flushing activities. AUF further states that, to the contrary, testimony clearly demonstrates that flushing activities are an accepted water quality treatment protocol that is necessary in order to maintain regulatory compliance with DEP requirements. (TR 1084, 11, 12, 1205, 1558-59) AUF asserts that the adjustments recommended by OPC would, in effect, penalize its efforts to address regulatory compliance. (TR 1558-59)

As discussed in Issue 42, AUF believes OPC witness Dismukes' recommended adjustment would punish the Utility for complying with regulatory rules. Utility witness Lihvarcik addressed the abnormal flushing issue raised by witness Dismukes in his rebuttal testimony. Witness Lihvarcik stated in pertinent part:

For most of the systems that she has picked, the service lines are in an aged condition and prone to breaks. These systems require routine flushing to maintain water quality and chlorine residuals throughout the system and I would not characterize the flushing as high. In addition, some of the systems have dead end lines which require routine flushing to maintain chlorine residuals and water quality.

(TR 1205)

As stated in Issue 42, staff has reviewed OPC witness Dismukes' testimony, and finds the information skewed. Staff believes consistency cannot be accomplished by using a two-year average for some systems and using a three-year average for other systems. As such, staff

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believes witness Dismukes' recommended adjustment of \$395 to chemical expenses is inappropriate, and no adjustment is necessary.

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Issue 47: Should any adjustments be made to legal expenses? (Stipulated)

Stipulation: Legal expenses incorrectly booked to Village Water in the amount of \$25,572 should be removed. These expenses should have been charged to Jasmine Lakes; however, the amount should be amortized over five years. Jasmine Lakes' legal expenses should be increased by \$5,142.

Issue 48: Should any adjustment be made to salaries and wages?

Recommendation: Yes. Salaries and benefits should be reduced by \$40,654 for water and \$54,347 for wastewater. Corresponding adjustments should be made to decrease payroll taxes by \$3,110 for water and \$4,158 for wastewater. (Wright)

Position of the Parties

AUF: No.

OPC: Yes. Test year salaries and wages should be reduced by \$300,521. In addition, if the Commission does not adopt Ms. Dismukes' recommended adjustment for excessive affiliate charges, test year salaries and wages should be reduced by \$320,796.

AG: Adopts OPC's position.

Staff Analysis:

Corporate Development and Acquisitions

OPC witness Dismukes recommends excluding the Utility wages and benefits of Mr. Carl Smith in the amount of \$93,541, and the charges allocated by ASI for Mr. Kropilak of \$3,953, from test-period expenses. This is because their job descriptions indicate that the functions they perform are not normal utility functions, but are instead associated with acquisition efforts. (TR 730) In response to OPC Interrogatory 19, the Utility provided the following job descriptions:

Carl Smith, Director of Corporate Development at Aqua Utilities Florida, Inc. is responsible for the acquisition of water and wastewater systems at Aqua Utilities Florida, Inc. Carl also acts as AUF's Tapping Agent and coordinates main extensions for areas outside the company's service territory. Additionally, Carl is responsible for working with developers on new satellite systems in Florida.

Mark Kropilak, Senior Vice President-Corporate Development, is an employee of Aqua Services, Inc. Mark is responsible for reviewing potential acquisitions in all states to determine if the acquisition is an appropriate fit for the company. . . Mark also provides assistance in structuring deals and preparing the necessary documentation.

(TR 730)

Witness Dismukes states that the 26 systems or companies that AAI acquired in 2006 resulted in additional revenue of \$9.6 million of which \$7.9 million is attributable to non-regulated acquisitions. (TR 731) Witness Dismukes also states that in 2007, AAI acquired 27 systems, of which six were in Florida and that, in total, these acquisitions result in additional revenue to AAI of \$27.9 million. (TR 731)

Witness Dismukes testifies that the Commission disallowed the costs associated with the personnel that were responsible for acquisitions in Docket No. 950495-WS, which involved many of the same WAW systems that are part of AUF. (TR 732)

Witness Szczygiel argues that witness Dismukes reasoning is flawed and overlooks the customer benefits to be derived from acquisitions. (TR 1537) He states that witness Dismukes recognizes in her testimony that acquisitions allow utility costs to be spread over a greater customer base and that she advocates the addition of newly acquired customers to AUF's customer count that should be accounted for in AUF's next rate case. (TR 1537) Witness Szczygiel testifies that the Corporate Development position is actively involved with other non-acquisition related dockets at the Commission. (TR 1538) He explains that the position works with the Commission staff on customer complaints throughout the year, and has worked with the Bureau Chief of rate cases, as well as the supervisor of certification. (TR 1538) Witness Szczygiel states that Mr. Smith's timesheets for the test year ended 2007, indicates that approximately 76 percent of his work hours were spent on matters other than acquisitions and corporate development. (TR 1538)

Staff recommends that 24 percent (100 percent less 76 percent) of Mr. Smith's \$93,541 salary and benefits, or \$14,783 (after further applying a jurisdictional percentage of 65.847) should be removed from test year expenses. Staff also recommends \$3,953 of Mr. Kropilak's salary allocated from ASI to AUF should be removed from test year expenses. These charges relate to acquisition and corporate development activity which should be recorded below-the-line and have been disallowed by the Commission in past proceedings as referenced above. Also, the associated payroll taxes for Mr. Smith and Mr. Kropliak of \$1,433 should be removed from test year expenses.

Meter Readers

Witness Dismukes stated that AUF had seven employees responsible for meter reading. (TR 701) She states that according to AUF, upon conversion to radio frequency (RF) meters, only two employees will be responsible for obtaining meter readings, and the remaining five employees will spend their time performing maintenance work, answering customer service calls, and responding to daily calls. (TR 701-702) Witness Dismukes states the Utility intends to only use two meter readers in the future, but made no adjustment to reflect the cost savings resulting from the other five meter readers that it will no longer use. (TR 703) Witness Dismukes states that in the absence of a demonstration by the Utility that the five displaced meter readers will be efficiently absorbed in other positions, she recommends that the Commission reduce test year expenses by \$55,813 associated with these five meter readers. (TR 703)

Witness Griffin states that AUF made a decision to aggressively replace all of the aging meters with new RF meters. (TR 1486) He states that this decision was made not only to address its customers' concerns, but to ensure efficient and accurate meter readings. (TR1486) Witness Griffin testifies that the other five employees will be able to address any maintenance issues that may not have been previously addressed, and it will further reduce operating costs since these issues will now be resolved by AUF employees instead of outside contractors. (TR 1486)

Based on the record, staff believes there will be savings associated with the new RF meters. According to the Utility's filing, AUF did not make any reductions to contractual services expenses as a result of the reassignment of the meter readers to address maintenance issues. It is the Utility's burden to prove that its requested expenses are reasonable. See Florida Power Corp. v. Cresse. Because AUF failed to recognize any reduction in contractual services expenses, staff recommends that test year expenses for the five meter readers of \$36,751 (\$55,813 times the jurisdictional percentage of 65.847) be reduced in order to reflect the cost savings associated with the installation of the new RF meters. Accordingly, a corresponding adjustment should be made to reduce payroll taxes by \$2,811.

South Seas Contract Operator

Witness Szczygiel testified that in January 2008, AUF entered into a new contract for plant operations oversight at its South Seas wastewater treatment plant. (TR 394) Witness Szczygiel agreed that the adjustment to increase the expenses for a new operator at South Seas amounted to \$102,276. He explained that the South Seas operations are rather remote relative to the other operations, and it was felt that it was the best decision to hire a contractor to oversee that plant. (TR 415) Witness Szczygiel testified that the test year expenses were reallocated to another system but was not sure which system these expenses were reallocated to. (TR 415 - 417)

OPC believes the Commission should remove \$39,514 from South Seas associated with the employee that is no longer providing services to South Seas. (OPC BR 45) OPC states that it is clear from the testimony of witness Szczygiel that no adjustment was made to test year expenses to remove these salaries, wages, and benefits from South Seas. (OPC BR 45)

Staff recommends a \$39,514 adjustment to remove expenses related to the employee that is no longer providing service to South Seas as a result of hiring a new contract operator for South Seas. Witness Szczygiel testified that he was not sure where the expenses related to the employee no longer providing service was allocated. (TR 417) He states that he had no adjustment that would show the allocation of these expenses. (TR 417) Because the Utility did not carry its burden of proof, staff, therefore, recommends that \$39,514 plus related payroll taxes of \$3,023 be removed from test year expenses to reflect that these expenses are no longer being incurred by South Seas.

Prior Period Adjustment – Stipulated

Employee Pension and Benefits related to prior period expenses allocated to AUF from AAI in the amount of \$1,540 was stipulated and therefore should be removed.

Conclusion

Staff recommends that 24 percent (100 percent less 76 percent) related to Mr. Smith's \$93,541 salary and benefits or \$14,783 (after further applying a jurisdictional percentage of 65.847) and \$3,953 of Mr. Kropilak's salary allocated from AUF should be removed from test year expenses along with the related payroll taxes of \$1,433. These charges relate to acquisition

and corporate development activity which should be recorded below-the-line and have been disallowed by the Commission in past proceedings as stated above. Staff further recommends that an adjustment to remove test year expenses related to meter reader salaries and benefits of \$36,751 and related payroll taxes of \$2,811 to recognize the savings being realized by the installation of new RF meters. Finally, an adjustment to remove test year expenses that are being replaced by a new contract operator for South Seas of \$39,514 and related payroll taxes \$3,023 be made. The total salaries and wages adjustment removing test year expenses is \$95,001, with \$40,654 related to water and \$54,347 related to wastewater. The corresponding adjustment to payroll taxes is \$3,110 for water and \$4,158 for wastewater.

Issue 49: Should any adjustments be made to miscellaneous expenses?

Recommendation: Yes. However, all adjustments to miscellaneous expenses have been addressed in Issue 51 and Stipulated Issue 33. As such, no further adjustments to miscellaneous expenses are necessary. (Fletcher)

Position of the Parties

AUF: No position stated.

OPC: Yes. Citizens agree with staff.

AG: Adopts OPC's position.

Staff Analysis: In its brief and Order No. PSC-08-0807-PHO-WS (Prehearing Order), p. 31, OPC stated: “[c]onsistent with Staff Audit Findings 10 and 14, miscellaneous expenses should be reduced by \$24 and \$1,345, respectively.” (TR 751; EXH 113, pp. 22, 36; OPC BR 46) Also, in the Prehearing Order, p. 32, OPC stated the \$1,345 adjustment for unamortized debt issuance costs was addressed in Issue 51. In addition, on page 53 of that same order, the Commission approved Stipulated Issue 33, for which the \$24 adjustment mentioned above was included in the \$12,255 adjustment. (EXH 113, p. 24) As such, staff recommends that no further adjustments to miscellaneous expenses are necessary.

Issue 50: Should any adjustment be made to bad debt expense?

Recommendation: Yes. Consistent with Commission practice, the total jurisdictional bad debt expense is \$99,205 based on the individual 3-year averages for each jurisdictional system. Accordingly, AUF's total requested bad debt expense of \$259,692 should be reduced by \$160,487. (Fletcher)

Position of the Parties

AUF: No. OPC recommended an adjustment for bad debt expense, but neither the law nor the evidence presented in this case support that recommendation.

OPC: Yes. The company's test year bad debt expense is overstated due to numerous billing problems, meter misreads, and temporary suspension of collection efforts. Bad debt expense should be reduced by \$106,049.

AG: Adopts OPC's position.

Staff Analysis: In its filing, AUF reflected historical test year bad debt expense of \$136,011 for the Utility's jurisdictional systems. (EXH 180) AUF also requested a pro forma increase in bad debt expense of \$123,681 due to the Utility's proposed rate increase. (EXH 180) This represents a total requested jurisdictional bad debt expense of \$259,692.

OPC witness Dismukes testified that the Utility experienced an abnormally high bad debt expense during the test year. (TR 739-742) Witness Dismukes believes a couple of factors contributed to AUF's test-year bad debt expense. (TR 740) First, she stated that AAI's 2007 Annual Report disclosed that during certain periods in 2007, collection efforts were temporarily discontinued in some of its divisions in connection with the installation of a new billing system which resulted in higher bad debt expense. (TR 740) Second, witness Dismukes contended that the Utility experienced significant billing problems associated with the change in the billing system and the installation of new meters, which in turn, led to higher bad debt expense during the test year. (TR 740)

In an effort to normalize bad debt expense, witness Dismukes compared the ratio of bad debt to revenues of AUF to a group of 12 Class A WAW utilities. (TR 741-743; EXH 86, Schedule 25) Witness Dismukes adjusted the Utility's bad debt expense by the difference in the bad debt to revenue ratio of her comparison group with AUF's individual system ratios, which represented a reduction of \$106,049 on a total jurisdictional basis. (TR 741-743; EXH 86, Schedule 25) Witness Dismukes asserted that her comparison approach is consistent with the Commission's decision in St. George Island Utility Company, Ltd.'s 1994 rate case, Docket No. 940109-WU, wherein that utility's bad debt expense was compared to that experienced by other Class B utilities.⁵⁵ (TR 743)

⁵⁵See Order No. PSC-94-1383-FOF-WU, pp. 44-45, issued November 14, 1994, in Docket No. 940109-WU, In Re: Petition for interim and permanent rate increase in Franklin County by St. George Island Utility Company, Ltd.

AUF witness Szczygiel testified that the Utility has an established practice in place for terminating service of customers for non-payment and assigning the accounts to collection agencies. (TR 1560-1568) Witness Szczygiel asserted that AUF's accounting policy calls for bad debt expense to be set at the sum of all accounts written in a year plus the change in open accounts receivable greater than 90 days multiplied by 70 percent. (TR 1560) In rebuttal to witness Dismukes' testimony regarding the temporary discontinuance of collection efforts in some AAI divisions, witness Szczygiel stated that those divisions were in states other than Florida. (TR 1561) Witness Szczygiel testified that the collection activities in Florida were suspended in the last quarter of 2006; however, all collections processes were back in place by January 2007. (TR 1561)

Witness Szczygiel disagreed with the use of witness Dismukes' comparison group because her analysis lacks support on the bad debt policies and business practices for those Class A companies. (TR 1560) In its brief, AUF asserted that it is Commission practice to use a three-year or four-year average to test the reasonableness of a utility's bad debt expense for ratemaking purposes. (AUF BR 45) Witness Szczygiel stated that the Utility's three-year and four-year averages of bad debt percentages, on total jurisdictional basis, were 1.8 percent and 2.6 percent, respectively. (TR 1559)

The burden of proof in ratemaking cases in which a utility seeks an increase in rates rests on the utility. See South Fla. Natural Gas; Florida Power Corp. v. Cresse; Sunshine Utilities.

With regard to AUF's pro forma bad debt expenses resulting from the Utility's proposed rate increase, staff agrees that bad debt expense could increase as a result of an approved rate increase. However, staff believes that AUF failed to satisfy its burden of proof that its requested pro forma bad debt expenses are reasonable. First, other than providing testimony to rebut witness Dismukes' recommended bad debt expense adjustment, the Utility failed to provide specific support for its assertion that the test year bad debt expense level would rise as a result of a rate increase. Second, witness Szczygiel testified that all Florida collection activities have been in place during the 2007 test year. (TR 1561) Third, in accordance with its approved tariffs, the Utility has approved customer deposits for all of its jurisdictional systems. Fourth, pursuant to Rule 25-30.311(7), F.A.C., a utility may require, upon reasonable written notice of not less than 30 days, an additional deposit, in order to secure payment of current bills. However, the total amount of the required deposit should not exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice.

Not only is collecting a customer deposit to recover this two-month period of service consistent with the Commission's past practice, it is also consistent with one of the fundamental principals of ratemaking, which is ensuring that the costs of providing service is recovered from the cost causer.⁵⁶ If utilities do not adequately collect deposits to cover the cost of providing service, the result would be an increase in its bad debt expense. Ultimately, the appropriate

⁵⁶ See Order Nos. PSC-07-0813-TRF-WU, p. 3, issued October 10, 2007, in Docket No. 070366-WU, In re: Application to amend water tariff to allow collection of customer deposits by O&S Water Company, Inc.; and PSC-07-0789-PAA-SU, p. 19, issued September 27, 2007, in Docket No. 070074-SU, In re: Application for staff-assisted rate case in Okeechobee County by The Vantage Development Corporation.

amount of bad debt expense is included in the Utility's revenue requirement, and is, therefore, included in the service rates charged to the general body of ratepayers. As such, staff believes proper oversight of aging accounts receivable by AUF, coupled with a sufficient level of customer deposits, would mitigate a possible rise in bad debt expense resulting from a rate increase in this proceeding.

Staff agrees with OPC witness Dismukes that the Commission has used comparison groups in the past to determine the appropriate level of bad debt expense for ratemaking purposes. Staff has identified two cases where the Commission adopted the use of a comparison group. One case was the 1994 rate case for St. George Island Utility Company, Ltd., which witness Dismukes cited in her testimony.⁵⁷ In that case, witness Dismukes testified to the use of a comparison of other Class B utilities to establish an appropriate level of bad debt expense. Another case was a 1991 rate case by Florida Cities Water Company in which a comparison group of similar Class A utilities was used.⁵⁸

Staff, however, disagrees with the use of witness Dismukes comparison group that she developed in this instant case. First, in the 1991 rate case by Florida Cities Water Company, the Class A utilities in the comparison group were similar. With respect to the current case, the utilities in witness Dismukes' comparison group are located in nine counties: Broward, Lake, Lee, Marion, Martin, Orange, Pasco, Pinellas, and Seminole Counties. (EXH 65, BSP 2463) Staff believes that there are varying socioeconomic factors, such as the cost of living, that might affect the bad debt expense of a given utility. For instance, the cost of living in Washington County would be significantly lower than Broward County, a county associated with Ms. Dismukes' comparison group, but not one of AUF's jurisdictional counties. When selecting the utilities in her comparison group, witness Dismukes admitted that she did not consider any socioeconomic factors for the comparison group customer bases, nor the customer bases of AUF's jurisdictional system customer bases. (EXH 65, BSP 2380-2381)

Second, with the exception of Utilities, Inc. of Florida (UIF), the remaining utilities in Ms. Dismukes' comparison group are located in a single county; whereas, UIF has water and/or wastewater systems located in five counties. Based on the water and wastewater revenue requirements approved in its 2006 rate case,⁵⁹ UIF's combined systems consisted of four Class C utilities and four Class B utilities. Unlike UIF's 50/50 split between Class B and C utilities, AUF's combined jurisdictional systems equate to 62 Class C utilities, 18 Class B utilities, and two Class A utilities. It is important to note that AUF only has two Class A utilities.

⁵⁷ See Order No. PSC-94-1383-FOF-WU, pp. 44-45, issued November 14, 1994, in Docket No. 940109-WU, In Re: Petition for interim and permanent rate increase in Franklin County by St. George Island Utility Company, Ltd.

⁵⁸ See Order No. PSC-92-0811-FOF-WS, p. 14, issued August 12, 1992, in Docket No. 911194-WS, In re: Application for a rate increase in Collier County by FLORIDA CITIES WATER COMPANY, Golden Gate Division.

⁵⁹ See Order No. PSC-07-0505-SC-WS, pp. 89, 90, 97, 104, 105, 112, 119, and 120, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

Staff agrees with AUF that it is Commission practice to use a three-year or four-year average to test the reasonableness of a utility's bad debt expense for ratemaking purposes.⁶⁰ Based on staff's search of Commission orders since 1992, the Commission has set bad debt expense using the three-year average in three electric cases,⁶¹ two gas cases,⁶² and one water and wastewater case.⁶³ The Commission has set bad debt expense using the four-year average in one electric case,⁶⁴ three gas cases,⁶⁵ and one water and wastewater case.⁶⁶ Also, the Commission has set bad debt expense using the five-year average in one gas rate case.⁶⁷

Staff believes that witness Szczygiel's calculated 3-year and 4-year averages of bad debt percentages, on a total jurisdictional basis, of 1.8 percent and 2.6 percent, respectively, should not be used to compare the reasonableness of the bad debt expense levels of the Utility's individual WAW systems. First, consistent with the Commission's decision in the 2006 UIF rate case, staff believes that AUF's individual system averages should be used to determine their respective bad debt expense levels for ratemaking purposes. Second, the Utility's total jurisdictional bad debt ratios in 2004 through 2007 were 4.76 percent, 1.33 percent, 2.47 percent, and 1.62 percent, respectively. Because the great disparity between the 2004 ratio and the ratios for 2005 through 2007, staff believes that the individual three-year averages should be used to determine the bad debt expenses for each system.

Consistent with Commission practice, staff calculated total jurisdictional bad debt expense of \$99,205 using the individual 3-year averages for each jurisdictional system. Therefore, staff recommends that AUF's total requested bad debt expense of \$259,692 should be

⁶⁰ See Order No. PSC-04-1110-PAA-GU, p. 22, issued November 8, 2004, in Docket No. 040216-GU, In re: Application for rate increase by Florida Public Utilities Company.

⁶¹ See Order Nos. PSC-94-0170-FOF-EI, p. 20, issued February 10, 1994, in Docket No. 930400-EI, In Re: Application for a Rate Increase for Marianna electric operations by Florida Public Utilities Company; PSC-93-0165-FOF-EI, pp. 69-70, issued February 2, 1993, in Docket No. 920324-EI, In Re: application for a rate increase by Tampa Electric Company; and PSC-92-1197-FOF-EI, p. 48, issued October 22, 1992, in Docket No. 910890-EI, In Re: Petition for a rate increase by Florida Power Corporation.

⁶² See Order Nos. PSC-92-0924-FOF-GU, p. 6, issued September 3, 1992, in Docket No. 911150-GU, In re: Application for a rate increase by PEOPLES GAS SYSTEM, Inc.; and PSC-92-0580-FOF-GU, pp. 30-31, issued June 29, 1992, in Docket No. 910778-GU, In Re: Petition for a rate increase by West Florida Natural Gas Company.

⁶³ See Order No. PSC-07-0505-SC-WS, pp. 41-42, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

⁶⁴ See Order No. PSC-08-0327-FOF-EI, pp. 59-60, issued May 19, 2008, in Docket No. 070304-EI, In re: Petition for rate increase by Florida Public Utilities Company.

⁶⁵ See Order Nos. PSC-04-0128-PAA-GU, pp. 34-35, issued February 9, 2004, in Docket No. 030569-GU, In re: Application for rate increase by City Gas Company of Florida; PSC-01-0316-PAA-GU, p. 20, issued October 27, 2003, in Docket No. 030569-GU, In re: Application for rate increase by City Gas Company of Florida; and PSC-03-0038-FOF-GU, p. 8, issued January 6, 2003, in Docket No. 020384-GU, In re: Petition for rate increase by Peoples Gas System.

⁶⁶ See Order No. PSC-04-0820-PAA-WS, p. 13, issued August 23, 2004, in Docket No. 030444-WS, In re: Application for rate increase in Bay County by Bayside Utility Services, Inc.

⁶⁷ See Order No. PSC-04-1110-PAA-GU, p.22, issued November 8, 2004, in Docket No. 040216-GU, In re: Application for rate increase by Florida Public Utilities Company. (In this case, the Commission deviated from the use of a three-year or four-year average because the five-year average resulted in a more reasonable test year bad debt expense level.)

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reduced by \$160,487. Staff adjustments for each jurisdictional system are reflected on the respective Schedule 4-C.

Issue 51: Should any adjustments be made for unamortized debt issuing costs?

Recommendation: No. Staff agrees with AUF that standby letters of credit should be properly recorded in account 675, Miscellaneous Expenses. (Springer)

Position of the Parties

AUF: No.

OPC: An adjustment to unamortized debt issuance cost of \$1,345 should be made.

AG: Adopts OPC's position.

Staff Analysis: OPC witness Dismukes agrees with Audit Finding No. 14 that states the standby letters of credit expenses were used to obtain various loans for the Utility. (TR 751; EXH 113) AUF disagrees with the audit analysis. (EXH 140) AUF states that the letters of credit are not debt and the fees charged on them should not be classified as debt issuance costs. (EXH 140) Based on the information contained in the record, staff agrees with AUF that standby letters of credit should not be considered debt issuance costs and thus the amounts should be properly recorded in account 675 - Miscellaneous Expenses. (EXH 140)

Issue 52: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$1,501,609. The four-year amortization results in test year rate case expense of \$375,402, which increases the annual amortization amount by \$34,402. (Mouring, Fletcher)

Position of the Parties

AUF: The appropriate amount of rate case expense is \$1,778,586.

OPC: The company's requested rate case expense of \$1,778,586 is inflated and should be reduced by \$979,984 for a maximum allowable amount of \$798,602.

AG: Adopts OPC's position.

Staff Analysis:

Aqua's Argument

AUF initially submitted in their MFRs \$1,364,000 in rate case expense, for an annual amortization expense of \$341,000. After the hearing, AUF updated their actual and estimated rate case expense and submitted it in Late-Filed Exhibits 195 and 217. In its update, AUF requested a total rate case expense of \$1,782,586. (EXH 195 & 217) This results in an increase of \$418,586 to the initial amount in the MFRs. Based on the Utility's requested rate case increase, the four-year amortization test year rate case expense would be \$445,647, increasing the MFRs amortization amount by \$104,647. (EXH 195 & 217)

AUF believes that the increase in rate case expense was primarily due to two driving factors: having 82 separate systems involved with the current rate case, and the considerable amount of time required to respond to the massive number of discovery requests propounded by OPC. (TR 815-825, 1568-1572) The Utility estimates that no less than 1,561 interrogatories and 625 requests for PODs were propounded by OPC in this case. (TR 1572) AUF goes on to state that although the Prehearing Officer granted OPC's request to expand its discovery, the Prehearing Officer also specifically warned of increased rate case expense. (AUF BR 48) AUF notes that in response to OPC's rate case expense schedule (EXH 194), AUF has included downward adjustments associated with costs for the prior rate case as well as costs associated with deficiencies. (EXH 195 and 217; AUF BR 48) AUF concludes that the Utility's substitution of counsel, protocol regarding discovery, ROE issues, witness substitution, preparation of required billing analysis, and outside counsel hourly rates are appropriate and necessary expenses incurred for preparing and supporting this rate case. (AUF BR 48-49) AUF asserts that they should be entitled to recover in rates the entire \$1,782,586 as set forth in Late-Filed Exhibits 195 and 217. (AUF BR 49)

OPC's Argument

OPC notes that in response to witness Dismukes testimony, AUF has removed \$75,667 in legal and consulting fees that were deemed to be unreasonable. (TR 775-779; EXH 195) OPC states that although AUF had agreed to remove \$34,416 related to MFR deficiencies, the Utility failed to identify and remove all costs associated with responding to staff's deficiencies. (OPC BR 47-48) OPC identified additional costs associated with responding to MFR deficiencies totaling \$45,954, which OPC believes should further reduce rate case expense. (OPC BR 48)

OPC also states that all costs associated with the Utility bringing unnecessary employees to the service hearings should also be disallowed. (TR 751-752) OPC cites that the expenses associated with the billing analysis performed by Mr. Prettyman are a result of the Utility's past billing problems and thus should not be borne by the ratepayers. (TR 752) OPC recommends a reduction in the amount of \$67,950 to rate case expense as a result of the billing analysis that could have been handled in-house. This adjustment was derived from the total number of hours billed, times the difference in the hourly rates of Mr. Prettyman and the average hourly cost had the analysis been conducted by AUF employees, i.e. \$175 per hour versus \$100 per hour. (EXH 194; TR 753, 777) OPC also identifies \$6,984 in expenses incurred by the law firm Holland & Knight, LLC (H&K) pertaining to the production of hard copies of documents that OPC had requested be submitted electronically. (TR 753, 777; EXH 195; OPC BR 48) OPC also notes \$10,785 in legal expenses related to Lake Suzy ownership matters that should be disallowed. (TR 776-77)

OPC additionally states that though AUF had agreed to remove \$5,072 from rate case expense, the Utility failed to identify and remove all costs associated with Mr. Rendell's involvement with this rate case. OPC asserts that an additional reduction of \$3,565 be made based on invoices contained in the Utility's rate case expense update. (EXH 195; OPC BR 48-49) OPC has also identified \$2,353 in legal expenses pertaining to the Law firm H&K monitoring and possible intervention in the Commission's leverage formula proceeding that should be disallowed. (OPC BR 49) OPC also identifies \$160 in legal fees associated with the substitution of counsel, which OPC believes should be borne by the Utility and not the ratepayers. (OPC BR 49; EXH 195) Lastly, OPC notes that the Utility has included considerable estimated hours to complete the case; OPC has found these estimations to be unreasonable and has recommended the following disallowances: 1) \$8,200 for Mr. Ward, as his hours were budgeted at 242 to complete the case and OPC believes that, given his role in the proceeding, 160 is more reasonable; 2) \$12,800 for Mr. Pasceri who estimated 240 hours and OPC believes 80 hours is more reasonable; 3) \$13,200 for Mr. Griffin who budgeted 252 hours and OPC believes 120 is more reasonable; and 4) \$9,520 for DTF Solutions, which budgeted 199 hours and OPC believes 80 hours is more reasonable. (TR 779; EXH 195)

OPC's disallowances total \$181,381 above and beyond the \$75,667 agreed to by AUF. (OPC BR 49) OPC also asks the Commission to consider this to be a minimum disallowance as not all of OPC's disallowance recommendations have been quantified. (OPC BR 49) Finally, OPC recommends that the Commission only pass on 50 percent of the total rate case expense to the customers, and the remaining 50 percent be borne by the shareholders. (OPC BR 49) OPC witness Dismukes testified in part:

Customers do not directly benefit from a rate case and are not the party asking for rates to be increased. AQUA is the party asking for rates to be increased. Furthermore, the beneficiary of increased rates is predominately the company's stockholders. A primary motivation for filing a rate increase is to increase shareholder wealth.

(TR 757)

OPC continues on to state that other jurisdictions practice sharing rate case expense between the ratepayers and the shareholders. (OPC BR 49-50) OPC recommends that the Commission adopt the recommendation of witness Dismukes and allow a maximum rate case expense of \$798,602. (OPC BR 50; EXH 194)

Staff Analysis

AUF included in its MFRs, an estimate of \$1,364,000 for current rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On December 24, 2008, the Utility submitted a revised estimate of rate case expense of \$1,778,586, representing the amount necessary to complete the case. (EXH 195 & 217) However, the tabulation of the projected future billing from ASI provided in the lead table of Late-Filed Exhibit 195 appears to be incorrect. The \$42,036 total shown in the summary table appears to be understated by \$4,000 compared to the summation of the projected future bills shown in the detailed table of the exhibit. The components of the corrected estimated rate case expense are as follows:

	<u>MFR Estimated</u>	<u>Actual</u>	<u>Additional Estimated</u>	<u>Revised Total</u>
Legal – Rutledge/Holland & Knight	\$275,000	\$223,159	\$103,820	\$326,978
Consultants – Ward, Pasceri, Guastella & Assoc., AUS, Griffin, Moul, DTF Solutions, Inc. Service Company	709,000	750,355	97,512	847,867
Other	190,000	228,174	46,036	274,210
Total Rate Case Expense	<u>\$1,364,000</u>	<u>\$1,546,909</u>	<u>\$270,094</u>	<u>\$1,782,586</u>

In Late-Filed Exhibit 195, AUF made several adjustments to rate case expense based upon the proposed reductions and disallowances put forth by OPC in Late-Filed Exhibit 194. These include the removal of expenses from the consultants: legal services relating to deficiencies in the amount of \$10,545; Timothy P. Ward relating to deficiencies in the amount of \$900; Ronald J. Pasceri relating to deficiencies in the amount of \$3,200; Guastella & Associates (Guastella) relating to deficiencies in the amount of \$2,535; AUS Consultants relating to deficiencies in the amount of \$10,500; DTF Solutions relating to deficiencies in the amount of \$4,496; as well as a \$2,240 reduction for ASI employee Brian Devine regarding deficiencies.

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. Also, it is the Utility's burden to justify its requested costs. See Florida Power Corp. v. Cresse. Further, the Commission has broad discretion with respect to allowance of rate case expense; however, it would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the costs incurred in the rate case proceedings. See Meadowbrook Util. Sys., Inc. v. Fla. Pub. Serv. Comm'n, 518 So. 2d 326, 327 (Fla. 1st DCA 1987). As such, staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our review, staff believes several adjustments are necessary to the revised rate case expense estimate.

Legal

Initially, AUF included in its MFRs, \$275,000 in rate case expense associated with Rutledge, Ecenia, Purnell & Hoffman, P.A. (Rutledge), the law firm formerly representing AUF. Based on its review of invoices, staff believes several adjustments should be made to Rutledge's actual costs.

For the first adjustment concerning Rutledge, staff noted that the firm listed 0.50 hours as time spent on the draft notice of substitution of counsel. Staff believes that these costs should not be borne by the ratepayers and, \$160 should be removed from rate case expense. In addition, Rutledge spent approximately 2.1 hours on matters relating to a deficient test year letter, and, \$645 should be removed from rate case expense. Also, Rutledge spent approximately 1.9 hours responding to customer concerns regarding the participation of Troy Rendell in the current rate case. Staff believes that all costs associated with Mr. Rendell's involvement should be disallowed. As a result, \$608 should be removed from rate case expense. Staff believes the ratepayers should not have to bear any of the above noted costs. Thus, staff recommends that legal costs associated with Rutledge be reduced by \$1,413.

Second, AUF included in its MFRs \$275,000 in rate case expense associated with H&K, the law firm currently representing AUF in this rate case. On December 24, 2008, the Utility submitted an update of actual and estimated rate case expense of \$326,978 in Late-Filed Exhibits 195 & 217. Based on its review of invoices, staff believes several adjustments should be made to H&K's actual costs. In the updated rate case expense, Late-Filed Exhibit 195, H&K included in its expenses, costs associated with Lake Suzy totaling approximately 21.5 hours resulting in \$6,225 that should be removed from rate case expense. H&K also included approximately 21.6 hours resulting in \$7,481 that was related to issues arising from the involvement of Troy Rendell in the current rate case that should be removed. In addition, approximately 13.3 hours were recorded by H&K related to MFR deficiencies resulting in \$4,557 in expenses that should be removed from rate case expense. H&K also included approximately four hours for matters pertaining to the annual establishment of ROE for WAW utilities, addressed in Docket No. 080006-WS, resulting in \$1,341 that should be removed from rate case expense. Also, there was approximately 1.5 and 1.6 hours related to the substitution of witnesses and of counsel, respectively, resulting in \$255 and \$584 expenses that should be removed from rate case expense. H&K also included approximately 0.7 hours for Extranet training, which resulted in \$98 of rate case expense that should be removed as it is unclear why this cost should be borne by

the ratepayers. H&K's invoices also included approximately 9.5 hours relating to other activities including the preparation of supplemental materials and time spent working with Extranet that result in \$1,587 that should not be borne by the ratepayers. Finally, two of the invoices submitted by H&K were incomplete, leaving \$3,881 and \$23,662 worth of rate case expense unaccounted for. Rate case expense should be reduced by \$27,543 to remove these two expenses. Staff believes the ratepayers should not have to bear these aforementioned costs. Thus, in light of the \$10,545 reduction made by the Utility in regards to responding to deficiencies, a further reduction of \$39,126 should be made, resulting in a net reduction to legal costs of \$49,671.

Finally, staff believes that the Utility's estimated legal costs of \$103,820 are excessive. H&K did not provide a detailed breakdown of the activities or duties to be performed in the 395 future projected hours, nor any time allocations. Staff has taken the average monthly hours reported by H&K (889 hours/7 months = 127 hours/month) and carried that forward for what staff believes is a reasonable duration for this rate case of three months. The result is a reduction of 14.0 hours billed at \$365 per hour, totaling \$5,110 that should be removed from rate case expense. Also, H&K indicated that among their other duties they are to prepare post-hearing pleadings. Because it is not known whether the Utility will file a post-hearing pleading, such as a motion for reconsideration of the Final Order or an appeal, staff believes that it would be premature to include this cost in rate case expense. It has been Commission practice not to include the allowance of cost estimates for reconsideration or appeals in rate case expense.⁶⁸ Because a post-hearing pleading is considered a possibility, not a certainty, rate case expense should be reduced by 80 hours, which is consistent with prior Commission practice. This results in a reduction of rate case expense of \$29,200 (80x\$365/hr). If a post-hearing pleading is filed, a determination will be made at a later time, upon request, as to the reasonableness of the amounts requested and whether inclusion of those amounts are appropriate.

Consultants

Based on its review of the rate case expense support documentation provided by AUF, staff believes several adjustments are necessary for the numerous consultants that were retained by the Utility.

First, AUF included \$150,000 in its MFRs for accounting services provided by Ronald J. Pasceri. In Late-Filed Exhibits 195 and 217, the Utility submitted an update of actual and estimated rate case expense of \$145,728. Based on staff's review of invoices, staff believes that the \$3,200 AUF removed from rate case expense pertaining to deficiency responses is insufficient. Based on staff's review of the invoices, a total of \$5,364 should be removed from rate case expense as it related to responding to deficiencies. Staff believes that an additional reduction of \$2,164 (\$5,364-\$3,200=\$2,164) is necessary to achieve the net reduction to rate case expense of \$5,364. Staff believes the ratepayers should not have to bear these costs. Further, staff believes that the Utility's estimated accounting costs of \$19,219 are excessive and

⁶⁸ See Order No. PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc., and Order No. PSC-09-0057-FOF-SU, issued January 27, 2009, in Docket No. 070293-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

unwarranted. The Utility provided no detailed breakdown of Mr. Pasceri's projected future involvement in this rate case. It appears that much, if not all, of Mr. Pasceri's duties have already been performed based on comments recorded in the MFRs. As such, \$19,219 should be removed from rate case expense. Thus, staff recommends that rate case expense be reduced by \$21,383.

Second, AUF included \$120,000 for engineering services provided by Guastella. In Late-Filed Exhibits 195 & 217, the Utility submitted an update of actual and estimated rate case expense of \$169,175. Based on staff's review of invoices, staff believes that the \$2,535 removed from rate case expense, pertaining to deficiency responses, is insufficient. Based on staff's review of the invoices, a total of \$13,815 should be removed from rate case expense as it related to responding to deficiencies. Staff believes that an additional reduction of \$11,280 ($\$13,815 - \$2,535 = \$11,280$) is necessary to achieve the net reduction to rate case expense of \$13,815. Mr. Guastella charged the Utility 936.3 hours at an average hourly rate of \$180 an hour. Staff reviewed several past rate proceedings in an attempt to determine what hourly rates have been allowed by the Commission. From this review, staff believes that in WAW cases, the Commission generally has accepted hourly rates for engineers ranging from \$75 to \$140 per hour. Therefore, staff believes that Mr. Guastella's hourly rate is excessive. While AUF's decision to retain Mr. Guastella for his expertise is reasonable, it does not automatically follow that the customers should have to bear the full costs for his services. Staff has previously reduced Mr. Guastella's hourly rate (See Order No. PSC-97-1225-FOF-WU, issued October 10, 1997, in Docket No. 970164-WU; and Order No. PSC-01-0327-PAA-WU, issued February 6, 2001, in Docket No. 000295-WU). Staff finds that Mr. Guastella's hourly rate is high compared to other engineering and rate consultants who practice before the Commission. Staff finds that an hourly rate of \$140 equal to engineering consultant Mr. Seidman's rate should be allowed. Based on the 936.3 hours charged by Mr. Guastella, this results in a decrease to engineering fees of \$37,135 ($\140×936.3). The same \$140 hourly rate should be applied to the estimated future rate case expense indicated in Late-Filed Exhibit 195, which staff finds to be prudent, resulting in a further reduction to rate case expense of \$980. Thus, staff recommends that rate case expense be reduced by \$49,395 ($\$11,280 + \$37,135 + 980$) for the engineering services provided by Guastella.

Third, AUF included \$164,000 for consulting services provided by AUS Consultants (AUS). In Late-Filed Exhibits 195 & 217, the Utility submitted an update of actual and estimated rate case expense of \$165,264. Based on staff's review of invoices, staff believes that the \$10,500 removed from rate case expense pertaining to deficiency responses, is insufficient. In addition to the \$10,500 removed for deficiency responses, \$4,638 should also be removed for an invoice not included in Late-Filed Exhibit 217. Thus, staff recommends that rate case expense be reduced by \$4,638.

Fourth, AUF included \$0 for consulting services provided by Paul Moul (Moul). In Late-Filed Exhibits 195 and 217, the Utility submitted an update of actual and estimated rate case expense of \$21,000. Based on staff's review of invoices, staff believes that the entire \$13,515 of stated rate case expense for Moul's services be removed from rate case expense because the invoice is not included in Late-Filed Exhibit 217. In addition, without any supporting documentation of the duties already performed, nor any detailed estimate of future services to be

provided, staff recommends that the \$7,485 of estimated future rate case expense also be removed. Thus, staff recommends that rate case expense be reduced by \$21,000.

Finally, AUF included \$30,000 for consulting services provided by DTF Solutions (DTF). In Late-Filed Exhibits 195 and 217, the Utility submitted an update of actual and estimated rate case expense of \$70,504. Based on staff's review of invoices, staff believes that the \$4,496 removed from rate case expense pertaining to deficiency responses is insufficient, and a total of \$6,196 should be removed from rate case expense as it relates to responding to deficiencies. Staff believes that an additional reduction of \$1,700 ($\$6,196 - \$4,496 = \$1,700$) is necessary to achieve the net reduction to rate case expense of \$6,196. Staff believes the ratepayers should not have to bear these costs. Further, staff believes that the Utility's estimated consulting costs of \$15,958 are excessive and unwarranted. The last work performed by DTF was in October of 2008. The Utility provided no detailed breakdown of DTF's projected future involvement in this rate case. It appears that much, if not all, of DTF's duties have already been performed based on the duties reflected in the MFRs. As such, \$15,958 should be removed from rate case expense. Thus, staff recommends that rate case expense be reduced by \$17,658.

ASI

First, AUF included \$190,000 in Utility time for ASI assistance in the rate case. Then, in Late-Filed Exhibits 195 and 217, the Utility submitted an up-to-date actual and estimated rate case expense of \$276,450 consisting of an actual amount of \$230,414 and an estimate of remaining costs of \$46,036. Also, in Late-Filed Exhibits 195 and 217, the Utility removed \$2,240 of rate case expense related to responding to deficiencies. After reviewing the timesheets provided by the Utility in Exhibit 171, as well as the Late-Filed Exhibit 217, staff believes that further adjustments are needed. The following ASI employees have rate case expense associated with hours worked that is not supported by the timesheets provided by the Utility: J.R. Daubert 16 hours at \$47 per hour totaling \$752, Brian Devine 48 hours at \$40 per hour totaling \$1,920, Kelly Burns 50 hours at \$38 per hour totaling \$1,900, Kim Joyce 115 hours at \$80 per hour totaling \$9,200, David Shank 2 hours at \$72 per hour totaling \$144, and Chad Nardelli approximately 61 hours at \$49 per hour totaling \$3,012. It is Commission practice to rely on time records to support Utility time spent on rate case matters.⁶⁹ As such, staff recommends that the rate case expense be reduced by \$16,928.

In addition, after reviewing Late-Filed Exhibits 195 and 217, staff believes the Utility's updated amount of estimated future expense for ASI needs to be adjusted. No detailed description or breakdown was provided for any of the ASI employees' future services. Staff believes that some of the estimates of future expense are not reasonable and should be adjusted. Staff has adjusted the amount of hours based on the average monthly hours that have been incurred for each employee and applied to the estimated future duration of this rate case. These adjustments are as follows: Kelly Burns - reasonable estimate to complete the case is approximately 40.9 hours at \$38 per hour versus the 50.0 hours estimated by the Utility resulting

⁶⁹ See Order Nos. PSC-07-0130-SC-SU, p. 31, issued February 15, 2007, in Docket No. 060256-SU, In re: Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.; and PSC-07-0205-PAA-WS, p. 27, issued March 6, 2007, in Docket No. 060258-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp.

in an adjustment of approximately 9.1 hours and a reduction of \$345; Mary Hopper - reasonable estimate to complete is approximately 116.7 hours at \$78 per hour versus the 250.0 hours estimated by the Utility, resulting in an adjustment of approximately 133.3 hours and a reduction of \$10,395; Kim Joyce - reasonable estimate to complete is approximately 106.6 hours at \$80 per hour versus the 250.0 hours estimated by the Utility, resulting in an adjustment of approximately 143.4 hours and a reduction of \$11,469, and the complete removal of all \$988 of estimated future expense for Paul Moul as there is no support documentation of any kind for his involvement in this rate case. As such, staff recommends that the rate case expense be reduced by \$23,198.

Other

The Utility originally filed in its MFRs \$190,000 for Other rate case expenses. Then, in Late-Filed Exhibits 195 and 217, the Utility submitted an up-to-date actual and estimated rate case expense of \$333,531 consisting of an actual amount of \$310,805 and an estimate for remaining costs of \$22,726. After reviewing the invoices, staff believes that adjustments should be made. In Late-Filed Exhibit 195, the Utility recorded \$30,929 for Travel & Florida Meetings/Hearings; however, no documentation providing a detailed description of these expenses has been provided. Moreover, it would appear that any travel expenses have been subsumed into the invoices for Legal, Consultants, and ASI. As such staff recommends that all \$30,929 be disallowed from rate case expense. Also, \$9,005 has been recorded as "Other expenses." No documentation providing a detailed description of these expenses has been provided. As such, staff recommends that all \$9,005 be disallowed from rate case expense. Staff recommends a total reduction of rate case expense of \$39,934.

In addition, after reviewing the Late-Filed Exhibits 195 and 217, the Utility's updated amount of estimated future expense for "Other" needs to be adjusted. The Utility estimated future Travel & Florida Meetings/Hearings in the amount of \$9,071; however, the only documentation that has been provided to support this is an itemized summary of credit card charges made by Timothy Ward relating to the Florida hearing totaling \$1,070. As such, staff believes that the estimated Travel & Florida Meetings/Hearings should be reduced by \$8,001 ($\$9,071 - 1,070 = 8,001$). Also, \$3,995 has been estimated for future "Other" expenses. Because there is no detailed description of what these charges represent, nor any indication as to how the Utility arrived at this estimate, staff believes that the entire \$3,995 should be disallowed. In total, staff is recommending that "Other" rate case expense be reduced by a total of \$11,996.

In summary, staff recommends that rate case expense be decreased by \$280,977 for all of the aforementioned unsupported and unreasonable rate case expense. The appropriate total rate case expense is \$1,501,609. A breakdown of rate case expense is as follows:

Expenses by Category	MFR Estimated	Utility Revised Actual & Estimated	Staff adjustment	Allowed Total
Legal – Rutledge/Holland & Knight	\$275,000	\$326,978	(\$74,849)	\$252,130
Consultants – Ward, Pasceri, Guastella & Assoc., AUS, Griffin, Moul, DTF Solutions, inc.	709,000	847,867	(114,073)	733,794
ASI - Service Company	190,000	274,210	(40,126)	234,084
Other	190,000	333,531	(51,930)	281,601
Total Rate Case Expense	<u>\$1,364,000</u>	<u>\$1,782,586</u>	<u>(\$280,977)</u>	<u>\$1,501,609</u>
Annual Amortization Amounts	<u>\$341,000</u>	<u>\$445,647</u>	<u>(\$70,244)</u>	<u>\$375,402</u>

Therefore, rate case expense should be increased by \$34,402 over the MFR requested amount of \$341,000. Based on a four-year amortization period, the total annual rate case amortization is \$375,402.

Issue 53: Should an adjustment be made to the Utility's normalization adjustments?

Recommendation: Yes. Staff's recommended adjustments are shown in the following table:

Staff Recommended Adjustments to the Utility's Normalization Adjustments	
Reduce Acct. 741 to reduce land lease expense related to Lake Suzy	\$4,441
Reduce Accts. 634/734 to remove normalization of SSI employees	\$4,886
Reduce Accts. 636/736 to remove normalization of ACO	\$24,875
Reduce Accts. 636/736 to remove maintenance costs of AUF's retired billing system	\$23,228
Reduce Accts. 601/701 to reduce payroll costs to correct AUF's normalization calculation	\$694
Reduce FICA taxes for the impact of correcting the payroll normalization calculation	\$53
Reduce Accts. 601/701 to reduce 4 percent payroll increase to 2.39 percent to AUF employees	\$268
Reduce FICA taxes for impact of reducing payroll increase from 4 to 2.39 percent	\$21
Reduce Accts. 634/734 to reduce payroll increase from 4 to 2.39 percent for ASI and Accts. 636/736 to reduce 4 percent payroll increase to 2.39 for ACO	\$1,306
Reduce Accts. 634/734 for tax impact of reducing payroll increase to 2.39 percent for ASI and Accts. 636/736 for tax impact of reducing payroll increase to reduce 2.39 percent for ACO	\$101

(Roberts, Wright)

Position of the Parties

AUF: The Lake Suzy test year land lease amount should be reduced by \$4,283. AUF's normalization adjustments are fully supported by the record and no additional adjustments are necessary.

OPC: Yes, a number of adjustments should be made.

AG: Adopts OPC's position.

Staff Analysis: There are several normalization issues that have been brought forth by staff witness Dobiac and OPC witness Dismukes including: a land lease for the Lake Suzy wastewater system, payroll taxes, the Service Company's headcount, AUF customer operations cost, old billing system supporting by Severn Trent, wage increases, and related Federal Insurance Contributions Act (FICA) tax adjustments.

Lake Suzy Land Lease

In Audit Finding No. 18, staff witness Dobiac disclosed that AUF entered into a settlement agreement with the prior owner of Lake Suzy, Mr. Dallas Shepard, regarding the wastewater land. As part of the settlement, AUF sold Mr. Shepard 5.97 acres for \$100,000. (TR 951) The settlement agreement required AUF to pay retroactive rent payments of \$15,833 for the period, June 2005 through December 2006, and annual rent payments of \$10,000 for calendar

year 2007. (EXH 113; TR 951) As part of the sale, the Utility incurred legal and other costs of \$33,649. (TR 952) The net proceeds from the sale were \$66,352 (\$100,000-\$33,649). (TR 952) Witness Dobiac also indicated that the Utility valued the land at \$173,434 at the time of the sale and calculated a loss of \$107,083 (\$173,434-\$66,352). (TR 952) AUF is amortizing this loss over twenty-five years. (TR 952) However, witness Dobiac asserted that the net proceeds should be compared to the value included in rate base in Docket No. 96077-WS,⁷⁰ and recommends the recording of the gain on the sale, in Account 414, in the amount of \$3,934 (\$66,352 - \$62,381). (TR 952) In addition, witness Dobiac recommends the gain on the sale and the amortization expense be removed and amortized over the same twenty-five year period, resulting in the removal of \$157 in amortized gain. (TR 953):

Gross Proceeds from Sale of 5.97 acres	\$100,000
Less: Legal Expenses from Sale	(33,649)
Net Proceeds from Sale	<u>\$66,352</u>
The net proceeds from the sale	\$66,352
The amount included in rate base for the sale	(62,381)
Gain to be booked to Account 414	<u>\$3,934</u>
The gain is amortized over 25-year period	<u>\$157</u>

OPC witness Dismukes testified that the adjustment proposed by AUF reduces test year expenses for Lake Suzy by \$22,615. (TR 714) Witness Dismukes testified that pursuant to her examination of the workpapers supporting AUF's normalization adjustments, it became apparent that the Utility reduced this amount by an alleged loss on the sale of the related property. (TR 714) Witness Dismukes further asserted that AUF has not justified why customers should absorb this loss or that a loss was incurred. (TR 714) Witness Dismukes stated after removing the loss and including the gain on the lease payment, test year expenses should be reduced by \$27,056 (OPC BR 50):

Ms. Disumukes' Rent Expense Adjustment	\$27,056
Utility's MFRs Normalization Adjustment	(22,615)
MFR Adjusted Amount for Land Lease	\$4,441
Additional AUF Adjustment to reflect Current Lease Expense	(4,284)
Remaining Amount Represents Amortization of Gain	<u>\$157</u>

AUF witness Szczygiel points out that the amounts in witness Dismukes testimony are different: one specifies \$26,890, and Schedule 29, KHD-1, specifies \$27,056. (TR 1529-1530; EXH 86) However, witness Dismukes' work papers state that the Lake Suzy expense adjustment is \$27,056. (TR 1530) The Utility calculated a normalization adjustment of \$22,615. (TR 1530) AUF submitted in its MFRs, a total of \$14,283, and the Utility agrees that an additional adjustment of \$4,283 is appropriate. (TR 1530) According to AUF, the on-going lease expense should be \$10,000 annually (TR 1530):

Amount Booked in Account 741 (Rental of Building/Real Property)	\$36,899
Utility's MFRs Normalization Adjustment	(22,615)

⁷⁰ See Order No. PSC-97-0540-FOF-WS, issued May 12, 1997, in Docket No. 96077-WS, Application for staff-assisted rate case in DeSoto County by Lake Suzy Utilities, Inc.

MFR Adjusted Amount for Land Lease	\$14,284
Agreed-upon Annual Lease Amount by all Parties	<u>(\$10,000)</u>
Agreed-upon Adjustment to reflect Current Lease Expense	\$4,284
Agreed-upon Annual Lease Amount by only OPC and Staff	<u>157</u>
Total Staff Recommended Adjustment	<u>\$4,441</u>

Staff agrees with staff witness Dobiac and OPC witness Dismukes; AUF should have imputed a gain on the sale for Lake Suzy. The only issue separating the Utility, OPC, and staff is the amortization of the gain calculated to be \$157. It is the Utility's burden to prove that its costs are reasonable. See Florida Power Corp v. Cresse. The Utility has failed to justify that a loss has even occurred. Staff believes that the Utility should include the amortization of the \$157 gain. Staff recommends that AUF's test year Real Property expense for Lake Suzy should be reduced by \$4,441. This adjustment includes \$157 for the amortization on the gain.

Payroll Taxes, Service Company Headcount, and Aqua Customer Operations Cost

In its filing, AUF reflected normalization adjustments to its 2007 test year. (EXH 154) In its brief, AUF indicated that it has provided support for its adjustments and assert that no other reductions are warranted. (AUF BR 49) In its brief, OPC states that it has made adjustments to entirely remove property taxes, personnel expenses, and customer operations. (OPC BR 50-52)

OPC witness Dismukes testified that AUF's normalization adjustment of \$247,827 relates to allocated payroll taxes from the administration department. (TR 715) AUF also normalized cost increases allocated from ASI resulting from increases in headcounts. AUF's normalization adjustment for these cost allocations is \$7,420. (TR 715) An additional increase of \$37,777 was proposed by Aqua to normalize customer operation costs. (TR 715) This last adjustment was made by taking the fourth quarter expenses and multiplying it by four. (TR 715) Witness Dismukes recommends that the Commission reject these adjustments as the Utility failed to supply sufficient documentation to support these adjustments. (TR 717)

AUF witness Szczygiel testified that he disagrees with witness Dismukes that AUF did not provide supporting documentation for these adjustments. (TR 1530) Witness Szczygiel outlines AUF's normalization adjustments in Exhibit 154. (EXH 154) In addition, while preparing the MFRs, it was discovered that during the test year, payroll taxes from the administration department were not allocated by the accounting department to various systems. (TR 1531) Although the expenses were recorded in an account that should have been allocated, these expenses were inadvertently not allocated. (TR 1531) Although they were recorded on the books of AUF, they were not included in the financial statements or MFRs of the individual systems. (TR 1531) An adjustment was necessary to show the allocation of these payroll taxes, which is an ongoing business expense. (TR 1531) In addition, witness Szczygiel agrees with witness Dismukes that he took the fourth quarter Aqua customer operation charges and normalized them for the test year 2007. (TR 1532) He asserted that it would not only recognize any change with the headcount, but the actual services billed. (TR 1532) Moreover, witness Szczygiel agrees with the 2007 excess normalization adjustment but does not agree with witness Dismukes when she applied only 9/12 of the salary actually received, effective April 1, 2008. (TR 1533) This adjustment is not for the purpose of restating the actual salary amounts for 2008, but is a pro forma adjustment to reflect these salaries on a prospective basis to coincide with the

actual rates in place. (TR 1533) To do otherwise would under-state AUF's true on-going salary expense and cause an under-recovery. (TR 1533)

With respect to payroll taxes, staff analyzed the amount of payroll taxes included in AUF's MFRs. Based on its MFRs, AUF reported a negative value for payroll taxes. This supports witness Szczygiel's assertion that the Utility did not allocate payroll taxes from the administration department. To ensure that AUF's payroll tax normalization adjustment was justified, staff calculated the total direct salaries included in the MFRs and multiplied this by 7.65 percent, the current FICA rate. Based on staff's calculation, AUF's payroll tax normalization adjustment is reasonable and staff recommends that no adjustment be made.

While AUF witness Szczygiel testified that he provided OPC with workpapers for all of AUF's proposed normalization and pro forma adjustments, staff does not believe the workpapers provided justify all of AUF's proposed adjustments. It is the Utility's burden to prove that its costs are reasonable. See Florida Power Corp v. Cresse. Therefore, staff agrees with OPC witness Dismukes that the ratepayers should not have to bear this apparent increase in expenses.

Staff disagrees with AUF's proposed adjustment to normalize employee headcount increases that occurred during the test year 2007. (TR 1532) AUF did not justify why it needed to increase the number of employees of ASI, or how these increases would benefit AUF ratepayers. As AUF has included a net adjustment of \$4,886 for employee increases, (\$7,420 total normalized increase less the non-jurisdictional component of \$2,534) staff has removed \$4,886 from Contractual Service-Management Fee.

In addition, staff rejects AUF's proposed normalization associated with its customer operations. Again, AUF has not justified why these cost increases are necessary or how these increases would benefit Florida ratepayers. As a result, staff has removed \$24,875, for the jurisdictional portion associated with AUF's proposed normalization adjustment. The non-jurisdictional portion, \$12,902, was removed by AUF as reflected in the MFRs.

Severn Trent

OPC witness Dismukes testified that the cost associated with the old billing system provided by Severn Trent is included in the test year and should be removed. (TR 715) Witness Dismukes stated that the costs are duplicative as the services are being provided by Aqua Customer Operations (ACO). (TR 715-716) Witness Dismukes proposed the removal of \$29,035 in test year expenses as they are duplicative and non-recurring expenses. (OPC BR 52)

AUF witness Szczygiel testified that important information is on the old billing system and it should be maintained. (TR 1551) Witness Szczygiel claims that pursuant to Rule 25-30.335(7), F.A.C., AUF must maintain records for each customer account for the most current two years. (TR 1551-1552) Furthermore, witness Szczygiel asserted that it is necessary to incur this expense to remain in compliance with Commission rules, at least through the end of 2008. (TR 1552) While AUF does not believe this is a duplicative expense, if the Commission believes an adjustment should be made, witness Szczygiel testified that it should be amortized over five years as a non-recurring expense and not removed entirely. (TR 1552)

Staff agrees with AUF witness Szczygiel that the test year costs were necessary to comply with Rule 25-30.335(7), F.A.C. However, after two years from the date Severn Trent ceases having any oversight over the Utility's billing system, their services should no longer be needed in order to comply with the record retention requirement mentioned in Rule 25-30.335(7), F.A.C. In accordance with Rule 25-30.433(8), F.A.C., staff believes these costs are non-recurring and should be amortized over a five-year period. Based on the \$29,035 amount included in AUF's MFRs, the yearly amortization is \$5,807. Staff has included \$5,807 in test year expenses for the yearly amortization. As a result, staff recommends that test year expenses be reduced by \$23,228 ($\$29,035 - \$5,807 = \$23,228$).

2007 Four-Percent Wage Increase

OPC witness Dismukes testified that the methodology used by the Utility to normalize the increase actually overstates the amount of the increase. (TR 718) AUF has essentially compounded the impact of the pay increase effective on April 1, 2007, by increasing the salary amount as of December 31, 2007, by one percent. (TR 718) However, the correct method would be to apply four percent to the salary amount before the increase. (TR 718) The Utility then carried this error into its 2008 pro forma adjustment by starting with an inflated salary, then increasing it again by four percent for the 12 months of 2008. (TR 718) Based on witness Dismukes's calculation, AUF's normalization adjustment should be reduced by \$694 and the associated FICA taxes should be reduced by \$53. AUF agrees with witness Dismukes' adjustment. (TR 1532) Staff also concurs that adjustments should be made to reduce AUF salaries by \$694 and reduce the associated payroll taxes by \$53.

AUF argues that its normalization adjustment to recognize the four percent increase given in 2007 is appropriate. Witness Szczygiel testified that he disagrees with witness Dismukes' assertion that AUF did not provide support for its normalization adjustments. Witness Szczygiel argues that AUF supplied OPC with workpapers for all of its normalization adjustments. (TR 1530)

Staff believes that AUF has failed to justify its four percent increase. No support was provided to justify why four percent was appropriate. Simply providing documents of calculations does not constitute support. Staff, however, recognizes that the Utility should be entitled to give its employees a cost of living increase. Staff has applied the Commission's 2008 price index of 2.39 which is based on the Gross Domestic Product increase for the year ending September 2007.⁷¹ Staff calculated the impact of reducing the four percent increase to 2.39 for AUF's employees and ASI employees, as well as ACO employees. Based on staff's calculation, salaries for AUF employees should be reduced by \$268; and, salaries for ASI and ACO employees should be reduced by \$1,306. Associated payroll taxes should be reduced by \$21 for AUF employees and \$101 in total for ASI and ACO employees.

⁷¹ See Order No. PSC-08-0104-PAA-WS, issued February 18, 2008, in Docket No. 080005-WS, Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by waster and wastewater utilities pursuant to Section 367.081(4)(a), F.S.; and Consummating Order No. PSC-08-0140-CO-WS, issued March 5, 2008.

Conclusion

Based on the above discussion, staff recommends the following adjustments be made to AUF's normalization adjustments:

Staff Recommended Adjustments to the Utility's Normalization Adjustments	
Reduce Acct. 741 to reduce land lease expense related to Lake Suzy	\$4,441
Reduce Accts. 634/734 to remove normalization of SSI employees	\$4,886
Reduce Accts. 636/736 to remove normalization of ACO	\$24,875
Reduce Accts. 636/736 to remove maintenance costs of AUF's retired billing system	\$23,228
Reduce Accts. 601/701 to reduce payroll costs to correct AUF's normalization calculation	\$694
Reduce FICA taxes for the impact of correcting the payroll normalization calculation	\$53
Reduce Accts. 601/701 to reduce 4 percent payroll increase to 2.39 percent to AUF employees	\$268
Reduce FICA taxes for impact of reducing payroll increase from 4 to 2.39 percent	\$21
Reduce Accts. 634/734 to reduce payroll increase from 4 to 2.39 percent for ASI and Accts. 636/736 to reduce 4 percent payroll increase to 2.39 for ACO	\$1,306
Reduce Accts. 634/734 for tax impact of reducing payroll increase to 2.39 percent for ASI and Accts. 636/736 for tax impact of reducing payroll increase to reduce 2.39 percent for ACO	\$101

Issue 54: Should an adjustment be made to the Utility's pro forma expense adjustments?

Recommendation: Yes. The Utility's pro forma expense adjustments should be reduced by \$394,627 (\$388,952 for pro forma O&M expenses and \$5,675 for pro forma payroll taxes). (Hudson, Fletcher)

Position of the Parties

AUF: No. No adjustments should be made

OPC: Yes.

AG: Adopts OPC's position.

Staff Analysis:

Four Percent Wage Increase and related payroll taxes for AUF

AUF included in its MFRs a pro forma adjustment of \$70,095 to reflect a four-percent wage increase effective April 1, 2008. (EXH 180) OPC witness Dismukes testified that the adjustment is overstated because of an inflated salary error carried forward from its 2007 normalization adjustment, and, its assumption that the four-percent wage increase would be effective four months early. (TR 718-719) As discussed in Issue No. 53, AUF witness Szczygiel testified at deposition that he is in agreement with OPC witness Dismukes' methodology for the 2007 normalization adjustment, because her methodology provides more precision. (TR 1532; EXH 158)

With respect to the pro forma adjustment for the four-percent wage increase, OPC witness Dismukes testified that the Utility normalized the April 1, 2008, wage increase back to January 1, 2008, as if the increase would be effective the entire 2008, and not just nine months. (TR 718) She further indicated that the Utility's methodology overstates the adjustment. (TR 719) AUF witness Szczygiel testified that the adjustment was not for the purpose of restating the actual salaries for 2008, but to reflect the appropriate salaries on a going forward basis to coincide with the implementation of the rates. (TR 1533) He further testified that witness Dismukes' methodology with regard to the pro forma adjustment would understate the Utility's true ongoing salary expense and cause an under-recovery. (TR 1533) Staff agrees with AUF witness Szczygiel's methodology for calculating the pro forma adjustment to include 12-months. However, staff does not believe the Utility has justified the four-percent wage increase.

While staff believes that AUF did not support its four-percent increase, staff recognizes that the Utility should be entitled to a cost of living increase, and this can be achieved by applying the Commission 2009 price index of 2.55 percent.⁷² Based on the above, staff recommends that the pro forma adjustment for wage increases should be reduced by \$21,073, and the related payroll taxes should be reduced by \$1,612.

⁷² See Order No. PSC-08-01404-PAA-WS, issued February 18, 2008, in Docket No. 080005-WS, In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

Four-Percent Wage Increase and related payroll taxes for ASI and ACO

AUF also proposed pro forma adjustments to recognize a four-percent wage increase for ASI and ACO of \$12,783 and \$5,423, respectively, along with related FICA taxes. (EXH 180) The Utility failed to provide the workpapers supporting how these adjustments were calculated. (OPC BR 53) AUF witness Szczygiel indicated in his rebuttal, that he provided pro forma workpapers, the support documentation, and schedules, supporting these adjustments. (EXH 168; TR 1565) AUF witness Szczygiel contends that this support for an ASI and ACO four-percent wage increase can be found in the file named OPC_POD-Set3_#147_Supplemental Attachment 2 of 3 (Potential O&M Expenses Adjustments.xls).xls., and he indicated that the hard copy was enclosed with the filing of his rebuttal testimony. (EXH 168) Staff reviewed all the exhibits of AUF witness Szczygiel's rebuttal testimony and found that other than page one of Exhibit 168 (Pro Forma Workpapers Listing -- labeled at the bottom with "OPC_POD_Set#_#147_Supplemental Attachment 2 of 3 (Potential OM Expenses Adjustments.xls).xls"), no other justification for the four-percent wage increase was provided. (EXH 168) Staff does not believe that this page is adequate to support the adjustments for ASI and ACO.

Therefore, staff agrees with OPC that the Utility has not provided adequate support documentation for its pro forma four-percent wage increase adjustment for ASI and ACO. The burden of proof in ratemaking cases in which a utility seeks an increase in rates rests on the utility. See South Fla. Natural Gas; Florida Power Corp. v. Cresse; and Sunshine Utilities. Staff believes that the Utility has not met its burden of proof in justifying the four-percent wage increase for ASI and ACO because providing a document that simply lists the adjustment is not support for the adjustment. Based on the above, staff recommends that AUF's four-percent wage increase for ASI and ACO of \$12,783 and \$5,423. The related FICA taxes of \$978 and \$415 should be removed for ASI and ACO, respectively.

Market Based Adjustment

AUF witness Livharcik testified that AUF has issues with attracting and retaining qualified facility operators and utility technical personnel. (TR 1206) AUF witness Livharcik indicated that AUF contracted Saje Consulting Group (Saje) to complete a Market Based Study which included evaluating AUF's current salaries and making recommendations as to where salaries should be increased. (TR 1206-1207) As result of the study, AUF applied a 10-percent across-the-board increase to its facility operators and utility technical personnel. Therefore, the Utility included in its MFRs an adjustment of \$95,166 for a market-based salary increase, as well as, an increase of \$5,162 for FICA taxes related to the market-based salary increase. (EXH 180)

OPC witness Dismukes testified that at the 10-percent increase proposed by the Utility, using the low, middle, and high end of the market-based ranges, all 42 employees would exceed the low end of the range, 36 would exceed the mid-point of the range, and 6 would exceed the high end. (TR 720) OPC witness Dismukes further indicated that even without any market-based increase, every position listed would exceed the low end of the market-based ranges. (TR 720) OPC witness Dismukes also testified that given the economic conditions of today and the Utility's failure to demonstrate that its salaries are below normal, it did not seem reasonable to assume a blanket 10-percent increase across all positions. (TR 720) Therefore, OPC witness

Dismukes recommended that the Commission allow an increase of four percent consistent with the increases allowed for other employees and that the pro forma market based increase be removed. (TR 720)

AUF witness Szczygiel contends that witness Dismukes has provided no evidence to disprove the Utility's position that it is paying below market rates. (TR 1533) AUF witness Szczygiel further testified that witness Dismukes is ignoring AUF's legitimate business objective of attracting and maintaining well-trained and effective employees. (TR 1533) AUF witness Livharcik believes that Saje's recommendations should be implemented so that the Utility may continue to attract, retain, and maintain a stable workforce. (TR 1207)

AUF witness Livharcik testified that Saje's market based study and the subsequent market based increase were consistent with past Commission decisions. (TR 1208) In its brief, AUF stated that the Commission had found that an electric utility had taken the appropriate action to assure that its employee salaries are on the same level as other utility employees so that the utility would be competitive in hiring and retaining well-trained and effective employees.⁷³ (AUF BR 50)

In analyzing OPC witness Dismukes' comparison of the Utility's salaries at the low, middle, and high end, staff believes witness Dismukes used the benchmarks already in place and not the recommendations of the market-based study conducted by Saje. AUF witnesses Livharcik and Szczygiel both provided the market-based study as an exhibit to their rebuttal testimony. (EXH 147; EXH 159). The salary recommendations included a starting salary range and ending salary range by years of experience, as well as, a mid-point salary for the facility operator and utility technicians positions.

Staff compared the facility operators and utility technicians' position's salaries to the recommendations of the consulting group after the Utility's across the board increase. Out of the 42 positions, 21.4 percent would earn below the recommended low end, 23.8 percent would earn between the low end to middle end, 23.8 percent would earn between the middle to high end, and 31 percent would earn above the high end. Staff also did an analysis comparing the facility operators and utility technician positions' salaries to the recommendations of Saje prior to the Utility's across-the-board increase. Out of a total of 42 positions, 33.33 percent would earn below the recommended low end, 47.6 percent would earn between the low to middle end, 19 percent would earn between the middle to high end, and no position would earn above the high end.

AUF's across the board increase causes 31 percent of these positions to earn above the high end and 23.8 percent earn between the middle to high end of the salary range. As shown by the percentages at the various levels, the 10-percent increase makes AUF's exceedingly competitive at the expense of the ratepayers. Staff agrees with AUF that it should be competitive with its salaries in order to attract and retain qualified operators. However, staff agrees with

⁷³ See Order No. PSC-08-0327-FOF-EI, p. 54, issued May 19, 2008, in Docket Nos. 070300-EI, In re: Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company and 070304-EI, In re: Petition for rate increase by Florida Public Utilities Company.

OPC witness Dismukes that given the current economic conditions a 10-percent across-the-board increase for all positions is unwarranted.

When comparing the salaries of the facility operator and utility technicians to the respective recommendation of Saje prior to any market based increase, staff determined that, of the 42 positions, 33 percent (or 14 positions) were earning below the low range. Staff identified three classifications of the positions where the majority of employees within the classification fell below the low range of the position salary. These positions include the Utility Technicians I, II, and III. Therefore, staff recommends that these three classifications of positions be granted a market based increase of 10 percent. Staff recognizes that with the 10-percent increase, 5 positions previously below the low range would move above the low range. The remaining positions that were below the low range would move closer to exceeding the low range. Staff recommends that the market based increase be limited to those positions where the salaries are below the low range of Saje's recommendation and not to allow increases to those positions that are already competitive.

Based on the above, the pro forma adjustment for market based salary increases should be reduced by \$53,111 and the related FICA taxes should be reduced by \$4,063. Also, AUF proposed pro forma salary increases for a Lake County facility operator and a Sebring Lakes facility operator and the salaries included the market based increase. Consistent with the above, these positions should be reduced by \$2,397 and \$3,640 for the Lake County and Sebring Lakes facility operator, respectively.

Rates Manager Salary and Office Rent

AUF included in its MFRs a pro forma adjustment of \$62,555 to reflect the jurisdictional salary of the new Rates Manager position, as well as a pro forma adjustment of \$5,531 for the jurisdictional rent of the Rates Manager's office space. (EXH 180) The Utility indicated that the primary functions of the Rates Manager are to ensure regulatory compliance, serve as the primary contact for AUF with the Commission Clerk, respond to customer inquiries, handle index and pass through filings, and provide assistance in rate cases and other regulatory proceedings. (AUF BR 51) In his rebuttal testimony, AUF witness Szczygiel testified that the Rates Manager's duties also involve certification matters, accounting requirements of the Utility and assisting with the annual budgeting process. (TR 1536) AUF contends that since the regulatory industry is highly specialized, it would be imprudent for not only AUF but other regulatory utilities not to have a position of this nature. (AUF BR 51)

OPC witness Dismukes testified that she questioned to what degree this position will benefit ratepayers. (TR 721-722) The Rates Manager filed testimony in this rate proceeding; however, his testimony was later adopted by AUF witness Smeltzer. (TR 721) OPC witness Dismukes also indicated that customers had valid concerns about the Rates Manager's involvement in the instant rate proceeding considering his past employment with the Commission. (TR 721) Further, witness Dismukes testified to the Rates Manager's salary being capitalized as deferred rate case expense as indicated in AUF's response to OPC Interrogatory 165. (TR 721-722; EXH 65, BSP 234-238) For all the reasons above, OPC stated that the Rates Manager position should be removed. (OPC BR 54)

In his rebuttal testimony, AUF witness Szczygiel testified that having a Rates Manager will provide definitive benefits to ratepayers by ensuring efficient utility regulatory operations and facilitating consistent and more timely rate cases that would prevent rate shock and encourage prudent investment to the benefit of AUF's customers. (TR 1536) AUF witness Szczygiel indicated that OPC witness Dismukes failed to make note of the Florida Ethics Commission ruling that there was nothing inappropriate with the Rates Manager participating in the instant rate case. (TR 1536) AUF witness Szczygiel contended that at the time the budget was prepared, the accounting for the position was not fully developed. (TR 1536-1537) AUF witness Szczygiel further testified that as an employee, whose duties include working on rate cases, it would be appropriate to recover the salary through salary expenses and not rate case expense. (TR 1537)

In response to OPC Interrogatory 165, AUF indicated that the Rates Manager's time was budgeted for 25 percent being charged to acquisitions. (EXH 65, BSP 234-236) At his deposition, AUF witness Szczygiel testified that the Rates Manager participated in acquisitions that were completed prior to his arrival, but needed additional work. Witness Szczygiel testified that the Rates Manager also works with the Florida management team relative to acquisition opportunities. (EXH 65, BSP 2827) He also testified that one of the Rates Manager's duties does include involvement with future Utility acquisitions but it only accounts for zero to five percent of his time. (EXH 65, BSP 2828)

Staff believes acquisitions accounts for more than the zero to five percent that was indicated by AUF witness Szczygiel. Staff considers the Rates Manager's work on rate cases to account for a significant amount of his time. However, since rate cases are not an annual occurrences, staff believes more of his time will be spent on acquisitions. As indicated in AUF witness Szczygiel's deposition, the Rates Manager has worked on acquisitions since his arrival. (EXH 65, BSP 2828) Staff believes the 25 percent that AUF indicated in its response to OPC Interrogatory 165 is the appropriate amount of time to charge to acquisitions.

Staff agrees with OPC that the Rates Manager's position should be removed. In his deposition, AUF witness Szczygiel indicated that the Rates Manager position did not previously exist. (EXH 65, BSP 2862-2863). According to AUF witness Szczygiel, the functions of the Rates Manager were not being performed or they were performed less than satisfactory. (EXH 65, BSP 2863) One of the Rates Manager's duties is the handling of index and pass-through filings. Staff believes the index and pass-through filings are not a complicated task. It may be tedious considering the number of systems. However, it is only an annual occurrence. Considering that AUF has consistently filed and received indexes and pass-throughs prior to hiring the Rates Manager, staff believes this duty does not warrant hiring a new employee.

The Rates Manager duties encompasses customer inquiries. AUF has a new manager of customer service in its Leesburg office who handles all service orders, meter reading, and interface with corporate customer operations. (TR 428) Staff believes the Rates Manager's customer inquiries duty is duplicative of the newly hired customer service manager. The Rates Manager's duties also involve accounting requirements of the Utility and assisting with the annual budgeting process. As discussed below, staff is recommending no adjustment to the Utility's Controller position. The Controller's functions include overseeing all utility accounting

functions, providing timely financial reports to regulators and timely budget information. (AUF BR 51) Staff believes these duties for the Rates Managers are duplicative of the Controller. Although the Rates Manager is assisting with the annual budgeting process, staff does not believe it warrants hiring a new employee.

Overall, the duties of the Rates Manager are too broad in scope to ascertain any true benefit to the ratepayers or are duplicative of the duties of other employees. The burden of proof in ratemaking cases in which a utility seeks an increase in rates rests on the utility. See South Fla. Natural Gas; Florida Power Corp. v. Cresse; and Sunshine Utilities. Staff believes that the Utility has not met its burden of proof in justifying how the hiring of Rates Manager was warranted or how it benefits Florida customers. Staff recommends that the pro forma adjustments of \$62,555 and \$5,531 be removed for the Rates Manager's salary and office rent, respectively.

Controller

AUF included a pro forma adjustment of \$49,385 to reflect a salary for its Controller position. (EXH 180) AUF witness Szczygiel testified that the position was vacant during the test year and filled in March of 2008. OPC witness Dismukes testified that the Utility failed to show that the position is needed or would be beneficial to customers. (TR 722) AUF witness Szczygiel testified at his deposition that another employee was pulling double duty by taking on the duties of the Controller. (EXH 65, BSP 2853-2854) OPC's brief stated that the Utility was functioning adequately without the position since the position had been vacant from early 2007 to March of 2008, when the new Controller was hired. (OPC BR 54)

Staff disagrees with OPC's position that because the position was not filled until 2008 means the Utility was functioning without this position. Although the Utility was functioning without a Controller for approximately one year, there is no evidence in the record to measure whether or not the employee pulling double duty was performing all the duties at 100 percent. Staff believes the Controller position is a vital position for the Utility and having this position is not uncommon in the majority of organizational structures. Therefore, staff recommends no adjustment for the Controller's salary.

Purchased Water and Wastewater

AUF witness Szczygiel testified that the Utility has experienced significant increases to its purchased WAW expenses from various cities and counties, and adjustments were necessary to reflect current costs. (TR 392-393) In its MFRs, the Utility included pro forma adjustments of \$271 for Zephyr Shores purchased wastewater; \$55,766 for Lake Gibson Estates purchased wastewater, and \$94,443 for Lake Suzy purchased water. (EXH 180)

Staff agrees that the Utility should make adjustments to reflect the increases in purchased water and purchased wastewater expenses. However, staff disagrees with the amount of the adjustment. In review of the supporting schedules provided in response to OPC POD No. 2, staff found a calculation error. (EXH 65, BSP 1700-1709) When calculating the monthly change in expense as a result of the increase, AUF used the consumption for January for the entire year. Staff recalculated the monthly change using each month's respective consumption. Based on

this recalculation, staff recommends that purchased wastewater be reduced by \$28 for Zephyr Shores and increased by \$2,332 for Lake Gibson Estates.

AUF has a bulk water agreement with DeSoto County for purchased water for its Lake Suzy system. (EXH 187) The Utility has included in its MFRs an adjustment of \$94,443 which reflects an increase in purchased water expense for Lake Suzy. (EXH 180) OPC's brief contended that AUF witness Szczygiel, the sponsor of the adjustment, testified he had not looked at the bulk water agreement and was not even certain if the adjustment was calculated correctly. (OPC BR 56; TR 409-412)

Witness Szczygiel testified that the bulk water agreement with DeSoto County is a take and pay contract which obligates the Utility to pay for consumption regardless or whether or not it is used. (TR 413; OPC BR 56). Effective October 1, 2008 for the fiscal year 2009, the purchased water increased by \$7,870 for usage of .302 millions of gallons per day (MGD). (EXH 187) OPC's brief indicated that the 2009 purchased consumption is more than three times the test year usage of .1040 MGD. (OPC BR 56) AUF's MFRs reflect an average annual growth rate of 1.4 percent. (EXH 180) AUF witness Szczygiel testified that he did not know the specifics behind the agreement with regard to the Utility paying for more than it uses when the system has shown little growth. (TR 413-414)

OPC's brief stated that Lake Suzy's pro forma adjustment should be removed because the Utility has not met its burden of proof. (OPC BR 57) Staff agrees with OPC. Other than the actual bulk water agreement itself, there is no evidence in the record that demonstrates the Utility decision to enter into a take and pay contract was a prudent decision. The burden of proof in ratemaking cases in which a utility seeks an increase in rates rests on the utility. See South Fla. Natural Gas; Florida Power Corp. v. Cresse; and Sunshine Utilities. Based on the above, staff is recommending that AUF's \$94,443 pro forma adjustment to Lake Suzy's purchased water be removed.

Sludge Removal

According to witness Szczygiel, the exclusive disposer for sludge in Pasco County is Pasco County Utilities. (TR 393) At the time the Utility filed its testimony, Pasco County's sludge disposal fee had increased to \$0.0994 per gallon of sludge disposed at its facility. The rate was approved by the County Commissioners in July 2007, and took effect on October 1, 2007. (TR 393) Witness Szczygiel testified that an adjustment was made to recognize the increase for sludge hauling and disposal for its Pasco County systems. (TR 393) AUF included in its MFRs an adjustment of \$16,057 and \$13,597 for its Jasmine Lakes and Palm Terrace systems, respectively. (EXH 180)

Staff agrees with the Utility that its sludge hauling expense should be increased to reflect the increase in rates by Pasco County Utilities. However, Pasco County Utilities rates increased on October 1, 2008, to \$.10650 per gallon. (EXH 65, BSP 1880) Staff believes that by not using the 2008 sludge disposal rate, sludge disposal expense would be understated. Based on the 2008 rates and the Utility's historical gallons, staff is recommending that sludge removal expense be increased by \$2,093 and \$1,751 for Jasmine Lakes and Palm Terrace, respectively.

Transportation

In its MFRs, AUF included a pro forma adjustment of \$42,156 to transportation expense. (EXH 180) AUF witness Szczygiel testified that the adjustment was necessary to recognize the continuing increase in the cost of fuel not experienced during the test year. (TR 392) The Utility used a projected price of \$3.36 which it obtained from the United States Energy Information Administration Short-Term Energy Outlook Report dated March 2008 and found on the U.S. Government Energy Statistics website. AUF then applied that price to its historical number of gallons purchased. (TR 392, 418)

AUF witness Szczygiel agreed in his deposition that, subsequent to his calculation, the retail gasoline prices have shown a downward trend. (EXH 65, BSP 2817) Witness Szczygiel indicated that the information obtained from the website was appropriate to use for projected prices of retail gasoline. (EXH 65, BSP 2814; TR 407) Witness Szczygiel testified that prices have come down due to the change in the market relative to oil prices. (TR 408) He further testified that he had no objections to using the website based on today's market. (TR 408) However, witness Szczygiel did not make any changes to his pro forma transportation expense to reflect today's market. (TR 408)

Based on the most recent United States Energy Information Administration Short-Term Energy Outlook Report dated December 2008, retail gasoline prices are expected to be an annual average of \$2.03 per gallon. (EXH 188) Staff has recalculated transportation expense based on the updated projection and determined the expense to be lower than the historical test year. Therefore, staff recommends that the Utility's pro forma transportation expense adjustment of \$42,156 be removed.

Aqua Connects

The Utility initiated a new program developed to educate and communicate with its customers through meetings called Aqua Connects. (TR 394) AUF included a pro forma adjustment of \$39,508 in its MFRs for this new program. The Utility's Aqua Connects' guidebook explains the three situations when the Aqua Connects program will be used: to welcome new customers where Aqua purchased water systems; to nurture relationships with customers well ahead of rate cases; and, in a contentious rate case, educate the customers. It further states that customers, whether existing or new, can benefit from attending an Aqua Connects event by learning about the complete scope of the Utility's work. Further, the events will create good will in communities and additionally will explain the necessity of a rate increase when appropriate. (EXH 86, Schedule 22 at 5).

In its brief, AUF asserted that the purpose of Aqua Connects is not image enhancement. The Utility indicated that the meetings are held to foster good communications with customers by educating customers on water usage, water conservation, along with customer contact information in the event of billing questions and emergencies. It further asserted that the program provides a beneficial forum for complaint resolution by providing customers with access to employees with live billing resolution authority. (AUF BR 51-52).

OPC witness Dismukes testified that there may be some educational aspects to the Aqua Connects program. However, it appears the purpose of the meetings is for public relations and image enhancement. (TR 724) She also indicated that the three situations when the program is to be used is further indication of the Utility's plan to enhance its image, create an environment of acceptance, or create goodwill to make customers more accepting of a rate increase or a acquisition by AUF. (TR 724)

Staff believes the first guideline is image enhancement. The other two guidelines that the Utility includes in its guidebook for having a meeting are duplicative of events that take place in the course of a rate proceeding before the Commission. In a normal rate proceeding, the Utility is required to notice customers of a pending rate case. Also, service hearings are held which are also attended by Utility representatives. Staff does not believe that customers should have to pay for services that are already afforded them through the normal rate case proceeding. It has been Commission practice to disallow costs that serve to improve the image of the Utility, resulting in direct benefit to the Utility's shareholders, not to the customers.⁷⁴ Therefore, while staff agrees with OPC that the program has some educational aspects, staff believes the primary purpose is public relations and image enhancement. Staff recommends that pro forma expenses should be reduced by \$36,508 to reflect the disallowance of the Aqua Connects program.

Other Pro Forma Adjustments

The Utility included an adjustment of \$3,290⁷⁵ for allocations from ASI related to 2008 increases in head count. In addition, the Utility made an adjustment of \$8,709⁷⁶ related to the employee benefits associated with the increased head counts. Further, the Utility made an adjustment of \$39,088⁷⁷ related to additional 2008 ACO employee benefits. (EXH 180; TR 726) OPC witness Dismukes testified that she was unable to locate any workpapers supporting these adjustments. (TR 726) OPC witness Dismukes further indicated that all proposed adjustments where the Utility has failed to provide supporting workpapers and documentation should be disallowed. (TR 726)

AUF witness Szczygiel testified in his rebuttal that the workpapers were provided for these adjustments in response to OPC's POD No. 3. (TR 1565-1567) AUF witness Szczygiel indicated the workpapers had been provided for these adjustments; however, he provided Exhibit 168 & 169 to support the \$8,709 pro forma adjustment for ASI benefits and \$39,088 pro forma adjustment for ACO, respectively.

Staff agrees with OPC that these pro forma adjustments should be disallowed because the Utility did not provide the supporting documentation for these adjustments. In Exhibits 168 &

⁷⁴ See Order Nos. PSC-97-0618-FOF-WS, issued May 30, 1997, in Docket No. 960451-WS, In re: Application for rate increase in Duval, Nassau, and St. Johns Counties by United Water Florida Inc.; and PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS.

⁷⁵ OPC witness Dismukes adjustment reflected the total company of \$4,996. Staff's adjustment is the jurisdictional adjustment of \$3,290 (\$4,996 x 65.85%).

⁷⁶ OPC witness Dismukes adjustment reflected the total company of \$13,227. Staff's adjustment is the jurisdictional adjustment of \$8,709 (\$13,227 x 65.85%).

⁷⁷ OPC witness Dismukes adjustment reflected the total company of \$59,362. Staff's adjustment is the jurisdictional adjustment of \$39,088 (\$59,362 x 65.85%).

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169, witness Szczygiel did provide a summary of ASI and ACO pro forma adjustment for the employee benefits. However, staff believes there should be additional schedules to support the numbers in the exhibit. The burden of proof in ratemaking cases in which a utility seeks an increase in rates rests on the utility. See South Fla. Natural Gas; Florida Power Corp. v. Cresse; and Sunshine Utilities. Based on the above, the following adjustments should be removed: \$3,290 for additional allocations for ASI's 2008 head count; \$8,709 for ASI's allocated increases in employee benefits; and, \$39,088 for additional 2008 ACO employee benefits.

Conclusion

Based on the above, the Utility's pro forma expense adjustments should be reduced by \$394,627 (\$388,952 for pro forma O&M expenses and \$5,675 for pro forma payroll taxes).

Issue 55: Should any adjustments be made to test year depreciation expense?

Recommendation: Yes. Depreciation Expense should be reduced by \$12,161, to reflect total test year depreciation expenses. (Crawford)

Position of the Parties

AUF: No adjustment is necessary or appropriate.

OPC: Yes. Depreciation expense should be adjusted consistent with adjustments to plant in service.

AG: Adopts OPC's position.

Staff Analysis: AAI allocated to AUF, \$17,352 in depreciation expenses associated with Account 403 - Depreciation Expenses. The amount allocated from AAI is related to plant recorded on the ASI's books, although the plant was not in the service territory of AUF. In Audit Finding No. 19 sponsored by witness Winston, four specific questions were asked by the auditors. The answers provided by witness Szczygiel are below:

1. **Question:** Are these plant items already included in the allocation from Aqua America, Inc., to Aqua Utilities Florida, Inc., along with depreciation?
Response: No, these are other Service Company assets.
2. **Question:** Provide total Aqua America, Inc., plant in service and the allocated portion to the states including Florida.
Response: Aqua America, Inc. plant in service associated with these depreciation expenses is not being allocated, just the depreciation expenses are being allocated.
3. **Question:** Why is this depreciation expense accrual included with Operation and Maintenance Expenses instead of depreciation expenses?
Response: Since this plant is recorded on the Service Company books, not the Florida or Aqua Utilities Florida, Inc. books, it is treated as a management fee instead of depreciation.
4. **Question:** Is there a corresponding entry included in accumulated depreciation that is also being allocated to Aqua Utilities Florida, Inc? If so, please provide.
Response: There is no corresponding accumulated depreciation being allocated, only the depreciation expenses.

(EXH 113)

AAI allocated the depreciation expenses to AUF, excluding plant in service to AUF. If the plant in service allocated to AUF by AAI, genuinely represents a benefit to AUF customers,

then plant in service, depreciation and accumulated depreciation all should have been allocated to AUF systems.

Rule 25-30.140, F.A.C., provides that depreciation expense is the periodic charge to allocate the original cost of a depreciable group of assets over the life of those assets. Since the plant in service is a service company asset, and there is no reasonable benefit to the customers of AUF, the depreciation expense included should be disallowed.

An abbreviated list of expense adjustments by system is supplied on Schedule 55-A. (EXH 113, pp. 49-50). The difference between the \$17,352 total contained in the audit report and staff's total of \$11,495 is a result of the 8 non-Commission regulated systems (Castle Lake, Fairways, Kenwood North, Peace River, Pine Valley, Sarasota, The Meadows, and West Citrus) being excluded from staff's total.

**Table 55-A
 DEPRECIATION EXPENSE ADJUSTMENT BY SYSTEM**

County	System Name		Audit Finding 19 Schedule 2
Alachua	48 Estates-Water	W	(38.92)
Alachua	Arrendondo Estates	W	(110.10)
Alachua	Arrendondo Farms	WW	(165.84)
Alachua	Arrendondo Farms	W	(168.14)
Putnam	Beecher's Point	W	(23.95)
Putnam	Beecher's Point	WW	(8.29)
Lake	Carlton Village	W	(111.22)
	Castle Lake	W	(49.98)
Seminole	Chuluota	W	(645.48)
Seminole	Chuluota	WW	(278.22)
Lake	East Lake Harris Est.	W	(81.54)
	Fairways	WW	(54.58)
	Fairways	W	(54.58)
Lake	Fern Terrace	W	(57.58)
Seminole	FL Central Commerce	WW	(29.71)
Lake	Friendly Center	W	(14.28)
Polk	Gibsonia Estates	W	(90.29)
Lake	Grand Terrace	W	(50.67)
Lake	Haines Creek	W	(51.13)
Seminole	Harmony Homes	W	(29.48)
Putnam	Hermit's Cove	W	(84.30)
Lake	Hobby Hills	W	(47.91)
Lake	Holiday Haven	W	(57.58)
Lake	Holiday Haven	WW	(51.13)
Lake	Imperial Mobile Terrace	W	(114.01)
Putnam	Interlachen Lakes	W	(132.20)

Pasco	Jasmine Lakes	W	(719.56)
Pasco	Jasmine Lakes	W W	(715.88)
Volusia	Jungle Den	W	(52.98)
Volusia	Jungle Den	W W	(63.11)
	Kenwood North	W	(22.57)
Lake	King's Cove	W	(96.51)
Lake	King's Cove	W W	(92.13)
Brevard	Kingswood	W	(29.48)
Polk	Lake Gibson Estates	W	(388.34)
Polk	Lake Gibson Estates	W W	(146.95)
Highlands	Lake Josephine	W	(263.26)
Palm Beach	Lake Osborne Estates	W	(216.05)
Desoto	Lake Suzy	W	(260.27)
Desoto	Lake Suzy	W W	(124.14)
Highlands	Leisure Lakes	W	(133.59)
Highlands	Leisure Lakes	W W	(129.91)
Lake	Morningview	W	(17.51)
Lake	Morningview	W W	(16.58)
Brevard	Oakwood	W	(106.41)
Marion	Ocala Oaks	W	(837.01)
Polk	Orange Hill/Sugar Creek	W	(111.94)
Putnam	Palm Port	W	(49.52)
Putnam	Palm Port	W W	(49.06)
Pasco	Palm Terrace	W	(546.34)
Pasco	Palm Terrace	W W	(472.18)
Lake	Palms MHP	W	(28.56)
Putnam	Park Manor	W W	(14.28)
	Peace River	W	(45.14)
	Peace River	W W	(43.76)
Lake	Picciola Island	W	(68.87)
	Pine Valley	W	(21.65)
Lake	Piney Woods	W	(82.46)
Putnam	Pomona Park	W	(81.54)
Lake	Quail Ridge	W	(44.22)
Lake	Ravenswood	W	(20.73)
Putnam	River Grove	W	(49.29)
Polk	Rosalie Oaks	W	(44.68)
Polk	Rosalie Oaks	W W	(44.68)
	Sarasota	W	(2,140.45)
	Sarasota	W W	(3,368.80)
Highlands	Sebring Lakes	W	(35.47)
Putnam	Silver Lake Oaks	W	(20.27)
Putnam	Silver Lake Oaks	W W	(19.81)
Lake	Siver Lake/Western Shores	W	(741.66)
Lake	Skycrest	W	(56.20)
Lee	South Seas	W W	(31.09)

Putnam	St John's Highlands	W	(45.61)
Lake	Stone Mountain	W	(4.61)
Lake	Summit Chase	W	(101.35)
Lake	Summit Chase	WW	(100.42)
Washington	Sunny Hills	W	(266.95)
Washington	Sunny Hills	WW	(82.92)
Orange	Tangerine	W	(128.95)
	The Meadows	W	(24.42)
Sumter	The Woods	W	(35.01)
Sumter	The Woods	WW	(33.17)
Volusia	Tomoka/Twin Rivers	W	(124.84)
Lake	Valencia Terrace	W	(163.07)
Lake	Valencia Terrace	WW	(160.54)
Lake	Venetian Village	W	(76.01)
Lake	Venetian Village	WW	(43.76)
Polk	Village Water	W	(84.29)
Polk	Village Water	WW	(16.12)
Putnam	Welaka/Saratoga	W	(71.40)
	West Citrus	W	(30.40)
Putnam	Wootens	W	(13.36)
Pasco	Zephyr Shores	W	(240.00)
Pasco	Zephyr Shores	WW	(238.40)
	Subtotal		(17,351.60)
	Less: Non-Jurisdictional		
	Systems		(5,856.33)
	Total		(11,495.27)

Note: The highlighted areas represent non-PSC regulated systems.

Staff witness Dobiac proposed three additional test year depreciation expense adjustments. (TR 948-949) The adjustments are: (1) Reduce Sebring Lakes' water depreciation expense by \$640 for lack of support documentation, (2) Reduce Lake Osborne's water depreciation expense by \$84 for lack of support documentation, and (3) Increase Imperial Mobile Terrace's water depreciation expense by \$58. AUF has agreed with the first and second adjustments to reduce Sebring Lakes' water depreciation expense by \$640 and to reduce Lake Osborne's water depreciation expense by \$58 in the AUF's response to Audit Finding No. 4. (EXH 170, p. 2) The adjustment to increase Imperial Mobile Terrace's water system by \$58, is addressed in Issue 14, and is accompanied by an adjustment to depreciation expense as a fallout issue.

To summarize, the total adjustment to test year depreciation expenses is a negative \$12,161. Inclusive in the negative \$12,161 total is the negative \$11,495 adjustment to depreciation expense for plant in service, and one adjustment each to Sebring Lakes water, Lake Osborne water, and Imperial Mobile Terrace's water systems of negative \$640, negative \$84, and positive \$58, respectively.

Issue 56: Should any adjustments be made to test year amortization of CIAC expense?

Stipulation: Yes. Amortization of CIAC should be increased by \$176,456, which is reflected as a decrease to depreciation expense. In addition, the Utility's reduction to amortization of CIAC on non-used and useful depreciation expense should be removed. This reflects a total decrease to depreciation expense of \$12,368 for water and \$126 for wastewater.

Issue 57: Should any adjustments be made to property taxes?

Recommendation: Yes. The Utility's property taxes should be decreased by \$33,570 for water and \$11,339 for wastewater. Based on those adjustments the total property taxes relating to pro forma plant additions should be \$21,531 for water and \$5,284 for wastewater. (Deason)

Position of the Parties

AUF: No adjustment is necessary or appropriate.

OPC: Yes. Property tax adjustments should be made consistent with adjustments to plant in service.

AG: Adopts OPC's position.

Staff Analysis: AUF asserts that its property taxes are properly stated in its MFRs and are supported in the record. (TR 1565-67) Moreover, support for AUF's property taxes was provided to OPC and to staff in response to discovery. (EXH 65, BSP 223-224, 1704);(AUF BR 52)

AUF's filing reflected property taxes relating to pro forma plant additions of \$55,040 for water and \$16,571 for wastewater. As discussed in Issue 4, staff has recommended several adjustments to pro forma plant. Based on those recommended adjustments, staff has recalculated the property taxes relating to pro forma plant additions based on each system's millage rate reflected in AUF's MFRs. Based on staff's recalculation of property taxes, staff recommends the Utility's property taxes be decreased by \$33,570 for water and \$11,339 for wastewater. Based on those adjustments the total property taxes relating to pro forma plant additions should be \$21,531 for water and \$5,284 for wastewater. All adjustments to property taxes are reflected on Schedule 4-C of each system.

Issue 58: What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?

Recommendation: The test year pre-repression WAW operating losses are \$886,100 for water and \$489,724 for wastewater. (Billingslea)

Position of the Parties

AUF: The appropriate test year pre-repression water and wastewater operating income or loss before any revenue increase is subject to the resolution of other issues in the proceeding.

OPC: The appropriate pre-repression water and wastewater operating income before any revenue increase is \$219,425 (excluding Tomoka/Twin Rivers) for water and negative \$106,215 for wastewater.

AG: Adopts OPC's position.

Staff Analysis: Based on the adjustments discussed in previous issues, staff recommends that the test year operating losses before any provision for increased revenues is \$886,100 for water and \$489,724 for wastewater. The test year operating losses before any provision for increased revenues by plant is shown in the attached individual operating income schedules. The schedules for WAW operating income are attached as Schedules Nos. 4-A, and 4-B for each individual system in alphabetical order.

Docket No. 080121-WS
Date: February 11, 2009

Issue 59: What is the appropriate pre-repression revenue requirement for the December 31, 2007 test year?

Recommendation: The appropriate pre-repression revenue requirement for the December 31, 2007 test year is \$9,158,396 for water and \$6,075,516 for wastewater. (Fletcher, Billingslea, Mouring)

Position of the Parties

AUF: The appropriate test year pre-repression revenue requirement for the December 31, 2007 test year is subject to the resolution of other issues in this proceeding.

OPC: The appropriate pre-repression water and wastewater operating income before any revenue increase is \$893,528 (excluding Tomoka/Twin Rivers) for water and negative \$1,065,388 for wastewater.

AG: Adopts OPC's position.

Staff Analysis: Consistent with staff's recommendation of rate base, cost of capital, and net operating income adjustments, staff recommends the total pre-repression revenue requirement is \$9,158,396 for water and \$6,075,516 for wastewater. The pre-repression revenue requirement for each of the Utility's WAW systems are reflected in Schedule Nos. 2, 4-A, and 4-B.

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Issue 60: What, if any, is the appropriate methodology to calculate a repression adjustment?

Recommendation: The appropriate methodology to calculate a repression adjustment is to apply a price elasticity factor of -0.3 to residential water consumption greater than 5,000 gallons per month. (Lingo)

Position of the Parties

AUF: If AUF's proposed two-tiered inclining block rate structure is approved, the appropriate repression adjustment should be -.2. If, however, a three tier inclining block rate structure is approved, the appropriate repression adjustment should be -.4.

OPC: OPC does not take issue with the use of -.2 price elasticity of demand for water usage in excess of 5,000 gallons per month proposed in the company's filing. No greater price elasticity of demand should be allowed.

AG: Adopts OPC's position.

Staff Analysis: According to witness Smeltzer, AUF originally contemplated proposing an adjustment of -0.4 per 1 percent increase applied only to the residential discretionary usage. However, upon further analysis, this amount of repression created conflicts with subsidy levels in the rate structure. Therefore, to address affordability, AUF proposed an adjustment of -.2 per 1 percent increase applied to the discretionary usage. (TR 135; EXH 65, BSP 2633) Witness Smeltzer also proposed setting the threshold for discretionary usage at 5,000 gallons per month, because he believes it represents the statewide average usage of residential customers. (TR 1356)

Witness Yingling was the Southwest Florida Water Management District's (SWFWMD or District) project manager for a recently completed statewide study of water price elasticities for single family residential customers. This was the largest known study of single family residential water use in the United States. (TR 1320) The summary results of the study, which are attached to his testimony, indicate that when customers have substitutes available, the price elasticities range from -0.39 to -0.84, while corresponding elasticities without substitutes range from -0.28 to -0.65. (EXH 126) Witness Yingling testified that not taking into account the repression effect of estimated price elasticities in ratemaking creates the risk of falling short of revenue requirements. (TR 1333-1334)

Witness Stallcup testified that he would ordinarily say a response rate, or price elasticity of demand, of -0.2 is too low. Based on staff's analysis of customer response rates in prior cases, the average response rate is an approximate 4 percent reduction in discretionary usage for every 10 percent increase in price. Therefore, he believes that a price elasticity of -0.4 would be a better estimate of how AUF's customers will react to an increase in rates. He further testified that since the Utility is apparently willing to accept a lower response rate as a business decision to help achieve the goal of rate consolidation, he recommends that the Commission accept the Utility's proposed value of -0.2 for the price elasticity of demand for discretionary usage. (TR 1386-1387) Adoption of a repression factor of -0.2 for usage above 5,000 gallons will help reduce customer bills, while at the same time enhance the ability to consolidate rates. (TR 1405, 1407)

Witness Stallcup further testified that setting a threshold between nondiscretionary and discretionary water consumption is important because customers will reduce their non-essential consumption in response to price changes, while essential consumption remains relatively unresponsive to price changes. He testified that 5,000 gallons per month as a threshold for differentiating between nondiscretionary and discretionary usage is appropriate, because it represents a "middle ground" between the discretionary threshold levels of both the small retirement communities and suburban systems served by AUF. (TR 1387-1388) Witness Walker testified that 5,000 gallons is a reasonably conservative quantity for essential domestic use. (TR 963)

In his rebuttal testimony, witness Smeltzer said that if the Commission ultimately adopts a three-tiered conservation rate structure, the repression factor should be changed from a value of -0.2 to -0.4 to address the greater volatility in customers' water bills due to changing usage patterns. (TR 1451) Witness Smeltzer further specified that witness Yingling cites a price elasticity factor range of -.23 to -.81, suggesting that the -0.4 factor is a better match than the -0.2 factor initially recommended by AUF. (TR 1452)

During his deposition, witness Smeltzer reiterated that if the Commission adopts a 3-tiered rate structure, a price elasticity factor of -0.4 is appropriate to address greater volatility in customers' bills. (EXH 65, BSP 2632, 2635) Although he testified that increasing the repression factor to -0.4 would increase the resulting rates, he also testified that the subsequent gallons billed would decline, so the customer's bill would essentially remain the same. Witness Smeltzer further testified that while increasing price elasticity from -0.2 to -0.4 does technically increase rates, if it is used properly and derived properly, it doesn't increase the bill. (EXH 65, BSP 2634-2636) Witness Smeltzer testified, however, that he has never personally measured a customer or customers' consumption changes in response to changes in rates. (EXH 65, BSP 2638; TR 1467-1468)

Both witnesses Yingling and Stallcup discuss rate structure as well as repression; however, neither witness has provided testimony that discusses or supports the notion that a greater price elasticity factor should be applied to more aggressive rate structures. Although there are areas of disagreement between witnesses Smeltzer and Stallcup, they both agree, albeit for different reasons, that 5,000 gallons per month represents an appropriate level of nondiscretionary usage. They also agree that: a) a price elasticity factor of -0.2 won't allow the utility full revenue requirement recovery; and b) a price elasticity factor of -0.4 has negative implications regarding affordability concerns.

The results of the statewide price elasticity study presented by witness Yingling indicate that the minimum price elasticity value to be expected is -0.28, or approximately -0.3. (EXH 126) Staff believes that the minimum expected price elasticity value of approximately -0.3 represents a compromise between the competing concerns of: a) a price elasticity value of -0.2 and full revenue requirement concerns; versus b) a price elasticity value of -0.4 and the related affordability concerns. Based on the foregoing, staff recommends that the appropriate methodology to calculate a repression adjustment is to apply a price elasticity factor of -0.3 to residential water consumption greater than 5,000 gallons per month.

Issue 61: What, if any, limits should be imposed on subsidy and affordability values that could result if stand-alone rates are converted to a consolidated rate structure?

Recommendation: Staff recommends that the appropriate subsidy and affordability limits for the water system should be \$5.89 and \$65.25, respectively. Staff recommends that the appropriate subsidy and affordability limits for the wastewater system should be \$5.89 and \$82.25, respectively. However, based on preliminary analysis, due to the wide range of stand-alone rates for the wastewater systems, and absent a reallocation of revenue requirements from the wastewater system to the water system, staff believes it may not be possible to find a workable subsidy and affordability combination for the wastewater systems.

With respect to the rate consolidation issue, several methodologies have been proposed by both AUF and staff witnesses. Because the final rate consolidation methodology proposed by witness Stallcup regarding revenue requirement reallocation is a departure from the Commission's ratesetting methodology, staff requests the Commission's permission to consider that methodology when calculating rates. In determining the appropriate subsidy and affordability values, the Commission should weigh the countervailing considerations of both: 1) the magnitude of the wastewater subsidy versus overall wastewater affordability; and 2) the fairness consideration of reallocating wastewater revenue requirements to the water system. (Lingo, Fleming)

Position of the Parties

AUF: Subsidy and affordability values are not hard and fast rules; instead, they are guidelines to be used by the Commission when it first considers developing a fair and reasonable consolidated rate structure.

OPC: No position.

AG: Adopts OPC's position.

Staff Analysis: A great deal of testimony was presented on the topics of subsidies and affordability. Witness Smeltzer testified on direct examination that one of the benefits of a consolidated rate structure is that it can protect customers from unaffordable rates. (TR 1342) He testified that: (1) AUF's proposal of a statewide uniform rate structure is consistent with and in furtherance of the specific rate structure goals and objectives – including affordability and rate continuity/stability – previously established by the Commission; and that (2) AUF has addressed both the competing objectives of affordability and fairness, to the extent subsidies exist. (TR 1350) Witness Smeltzer further testified that many of the systems purchased by AUF have experienced infrastructure problems, and that these problems can be most efficiently addressed with minimal rate impact to its customers through a uniform rate structure that spreads these costs among all of AUF's customers subject to the Commission's jurisdiction. (TR 1354)

Witness Franceski testified on direct examination that AUF's proposed rate calculations take into consideration the guidelines on subsidies and affordability discussed by witness Stallcup's testimony in Docket No. 060368-WS. (TR 1370) Witness Franceski also testified that

for wastewater, the various systems' resulting rates after applying subsidy and affordability caps would not allow recovery of the revenue requirement. (TR 1370-1371)

On cross examination, witness Franceski testified that the subsidy and affordability guidelines discussed by witness Stallcup in the prior AUF rate case were taken into account by AUF in this docket. These consisted of a subsidy guideline of \$5.90, and affordability guidelines of \$71 for water and \$90 for wastewater. (TR 1374-1375) However, witness Franceski testified that some of AUF's proposed consolidated rates contained in its MFRs exceed those guidelines. (TR 1375)

Witness Stallcup testified that subsidies are created when low average cost systems are combined with high average cost systems. The result is that the customers of the low cost systems will be paying a subsidy, resulting solely from the imposition of rate consolidation. It is important that the Commission consider subsidies because Section 367.081(2)(a)1, F.S., states that in setting rates for water or wastewater systems, "the commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory." On cross examination, witness Stallcup testified that the Commission has approved uniform rates for all or almost all of the electric and gas utilities in the state, and that the ratemaking statutes for electric and gas utilities has a prohibition similar to the prohibition contained in the water and wastewater statute. The electric and gas statutory prohibition regarding rates being unduly discriminatory has not stopped the Commission from adopting uniform rates for electric and gas utilities. (TR 1409, 1411-1413) He further testified that, because of the extreme values of the stand-alone rates involved in this case, there is particular merit to rate consolidation. (TR 1410) In order to ensure that rates resulting from consolidation are not unfairly discriminatory across customer groups, witness Stallcup testified that the Commission must evaluate the subsidies resulting from rate consolidation to determine whether the rates satisfy the requirements of the statute. (TR 1396-1397)

Witness Stallcup testified that, based on prior Commission decisions: (1) a subsidy of \$5.90 per month or greater is excessive and is not consistent with the requirements of Section 367.081(2)(a)1, F.S.; and that (2) monthly bills for water of \$73.52 and wastewater of \$91.90 can be considered as appropriate maximum amounts for the purposes of defining affordability. (TR 1398) Witness Stallcup further testified in part that: (1) increasing the subsidy threshold will increase the number of systems that can be grouped together for rate consolidation purposes; and (2) increasing the affordability threshold will decrease the subsidies paid by customers of the lower cost systems. (TR 1399-1400) Witness Stallcup testified that the statewide uniform rate structure methodology proposed by witness Smeltzer appears to address the issue of affordability for the Utility's water systems, but it ignores any consideration of excess subsidies. There are other alternatives that could achieve the desirable outcomes of rate consolidation, while also addressing the issues of excessive subsidies and affordability. (TR 1400-1402)

Witness Smeltzer testified on rebuttal that the Commission has already determined that it is appropriate to consider a number of goals and objectives in evaluating a proposed rate structure, including: (1) the affordability of rates for all customers; (2) ease of administration; (3) customer acceptance and understandability; (4) fairness (the degree to which subsidies will occur); (5) rate continuity/stability for all customers; (6) conservation and resource protection;

(7) revenue stability and predictability for the utility; and (8) impact of rate structure on future acquisitions. (TR 1455) Witness Smeltzer further testified that the subsidization levels referenced by witness Stallcup from prior Commission orders are somewhat arbitrary, and that subsidies change throughout time depending on numerous factors, including capitalization needs. (TR 1457, 1460) The focus should really be on fairness, not on a specific dollar amount. Witness Smeltzer testified that he agreed with witness Stallcup that there is no single right or wrong answer for determining the appropriate subsidy values. A utility's rate design can be divided in a myriad of different ways to address many issues. (TR 1457)

Witness Stallcup was the only witness who offered an opinion on actual recommended values for affordability and subsidy limits. Witness Stallcup testified that, based on prior Commission decisions, a subsidy of \$5.90 per month or greater is excessive, and that monthly bills for water of \$73.52 and wastewater of \$91.90 can be considered as appropriate maximum amounts for the purposes of defining affordability. (TR 1398) Witness Franceski testified on direct that AUF's proposed rate calculations take into consideration the guidelines on subsidies and affordability discussed by witness Stallcup's testimony in Docket No. 060368-WS. (TR 1370)

Staff believes that affordability is subjective in nature – what constitutes affordability to one person may represent unaffordability to another person. In an attempt to make the discussion of affordability more objective, staff compiled data from all water and wastewater rate cases decided by the Commission during the period 2004 through 2008. Using the Commission-approved rates for each utility, staff calculated the monthly water bills at 7,000 gallons of water consumption (the AUF average monthly residential consumption) and 6,000 gallons of wastewater consumption (based on a monthly cap of 6,000 gallons), and presented the results in the table entitled "Analysis of Recommended Affordability Limits" (Affordability Table) shown on the following page.

AQUA UTILITIES FLORIDA, INC.				
DOCKET NO. 080121-WS				
ANALYSIS OF RECOMMENDED AFFORDABILITY LIMITS				
Utility	Docket No.	Type	Bills From Commission-Approved Rates	
			Water (7 Kgal)	Wastewater (6 Kgal)
Keen Sales	040254-WU	SARC	\$38.70	
Tymber Creek	040300-SU	SARC		\$40.75
Indiantown Company	040450-WS	F/S	\$22.49	\$41.99
Holiday (Phase 2)	041145-WU	SARC	\$22.50	
Timberwood	050274-WS	SARC	\$49.11	\$41.57
Plantation Bay	050281-WS	F/S	\$31.35	\$39.17
Dixie Groves	050449-WU	SARC	\$32.01	
Park (Phase 2)	050563-WU	F/S	\$41.46	
County-Wide	050862-WU	SARC	\$26.27	
Gold Coast	060246-WS	F/S	\$33.45	\$45.43
Utilities, Inc. of Florida – Marion	060253-WS	F/S	\$19.15	\$31.74
Utilities, Inc. of Florida – Seminole	060253-WS	F/S	\$20.63	\$44.89
Utilities, Inc. of Florida – Orange	060253-WS	F/S	\$24.70	
Utilities, Inc. of Florida – Pasco	060253-WS	F/S	\$31.04	\$67.76
Utilities, Inc. of Florida – Pinellas	060253-WS	F/S	\$31.40	
Mid-County Services	060254-SU	F/S		\$34.82
Tierra Verde	060255-SU	F/S		\$71.65
Alafaya	060256-SU	F/S		\$36.92
Cypress Lakes	060257-WS	F/S	\$32.59	\$49.44
Sanlando	060258-WS	F/S	\$8.03	\$21.39
Lake Placid	060260-WS	F/S	\$38.07	\$47.32
Utilities, Inc. of Pennbrooke	060261-WS	F/S	\$16.82	\$33.31
Utilities, Inc. of Sandelhaven (Phase 2)	060285-SU	F/S		\$56.20
Crooked Lake Park	060406-SU	SARC		\$33.93
Colonial Manor	060540-WU	F/S	\$53.03	
Useppa Island	060575-WS	SARC	\$79.55	\$115.99
Pasco Utilities	060599-WU	SARC	\$19.97	
Crystal Lake Club	060747-WS	SARC	\$14.89	\$15.98
Vantage Development	070074-SU	SARC		\$34.43
L W V	070177-WU	SARC	\$22.71	
K W Resort	070293-SU	F/S		\$42.33
Holiday	070394-WU	SARC	\$65.45	
Hidden Cove	070414-WS	SARC	\$23.57	\$36.44
Plantation Landings	070416-WS	SARC	\$16.36	\$25.80
Anglers Cove West	070417-WS	SARC	\$49.12	\$40.41
Raintree	070627-WU	SARC	\$23.50	
Orangewood Lakes	070680-WS	SARC	\$18.18	\$50.78
Wedgfield	070694-WS	F/S	\$53.15	
Miles Grant	070695-WS	F/S	\$52.34	\$74.72
W. P.	070722-WS	SARC	\$56.75	\$45.66
Colony Park	080104-SU	SARC		\$28.08
Averages			\$33.39	\$44.60
Standard Deviation = Std Dev			\$16.26	\$19.16
Average Plus Std Dev of 1.96 = Recommended Affordability			\$65.26	\$82.15
Average Plus Standard Deviation of 1.0			\$49.65	\$63.76
Average Plus Standard Deviation of 1.65			\$60.22	\$76.21
Sources: Commission Orders for the cases listed above.				

Implicit in the rates approved by the Commission in all cases is the Commission's determination that the resulting bills are affordable. An analysis of the results in the table based on prior Commission decisions reveals that the average water bill from the cases presented is \$33.39, while the corresponding wastewater bill is \$44.60. In the Affordability Table, the calculated standard deviation is \$16.26 for the water systems and \$19.16 for the wastewater systems. The standard deviation measures the spread of the data on either side of the average. Based on the respective system averages plus 1.96 standard deviations (which captures approximately 95 percent of the variation), the affordability limits are \$65.26 for the water system and \$82.15 for the wastewater system. Rounding each of these values to the nearest \$0.25 results in recommended affordability values of \$65.25 for the water system and \$82.25 for the wastewater system. All other factors being equal, staff believes these values, based on historical Commission decisions, are reasonable.

Subsidization is inherent in any rate structure. It clearly costs more to serve a customer who is remote from the treatment plant than one who is immediately adjacent. Once the subsidization concept is accepted, the question becomes: What level of subsidization is acceptable? Again, what may seem appropriate to one person may seem inappropriate to another. Witness Stallcup is the only witness who offered testimony regarding appropriate subsidy values. He testified that, based on prior Commission decisions, the maximum subsidy amount should be no greater \$5.89 for each system. (TR 1398) Witness Stallcup further testified that the ultimate decision to determine what subsidy is appropriate is a policy decision for the Commission to make. (TR 1413)

Based on staff's analysis of previous cases, staff believes the recommended affordability values from the Affordability Table of \$65.25 for the water system and \$82.25 for the wastewater system, coupled with witness Stallcup's recommended subsidy limit of \$5.89 for both the water and wastewater systems, represent reasonable limits. In order to calculate, to the extent possible, affordability and subsidy values that result from the instant case, staff used the recommended revenue requirements for each system in its analysis. Based on staff's analysis of water systems in this case, staff believes its recommended affordability values of \$65.25 for the water system, coupled with witness Stallcup's recommended subsidy limit of \$5.89, still represent reasonable limits. However, the results from our analysis of the wastewater systems are startling.

For the utility's wastewater systems in the instant case, the residential stand-alone bills, based on residential average usage of 3,700 gallons per month, range from \$30.67 for the Summit Chase system to \$281.49 for the Beecher's Point system. There would be 10 systems with monthly bills that would exceed the recommended wastewater affordability limit of \$82.25. In fact, those 10 systems would have monthly bills greater than \$100: 5 systems would have bills ranging from \$100 to \$150, 4 systems would have bills ranging from \$150 to \$200, and the Beecher's Point bill would be \$281.49.

Furthermore, based on staff's recommended residential monthly wastewater gallonage cap of 6,000 gallons, the disparity of the bills increases -- the bill for the Summit Chase system would be \$41.67, while the bill for Beecher's Point would be \$390.21. There would be 12 systems with monthly bills greater than \$100: 5 systems would have bills ranging from \$100 to

\$150, 3 systems would have bills ranging from \$150 to \$200, 3 systems would have bills ranging from \$200 to \$300, and the Beecher's Point bill would be \$390.21.

Residential customers account for approximately 95% of the customer base for these 12 systems. (EXH 180, Revised Schedules E-3) Staff believes the wastewater bills for the systems discussed in the two paragraphs above are, based on any measure, unaffordable. The tremendous disparity in stand-alone wastewater bills indicates that implementing both the wastewater subsidy limit of \$5.89 and the affordability limit of \$82.25 discussed above would be wholly inadequate to combine (band) all of the wastewater systems such that all bands have affordable rates, and AUF would not recover its revenue requirement for the wastewater systems.

A total of six rate consolidation options were presented by witnesses in this case. Witness Stallcup testified during cross examination regarding the various methodologies that had been presented. (TR 1427) There are two methodologies contained in direct testimony sponsored by AUF witnesses. The first methodology is based on the stand-alone rates as they exist now. (TR 1427) However, as discussed previously, stand-alone rates result in unaffordable rates for many systems, especially for the wastewater systems. The second methodology contained in AUF testimony is fully consolidated statewide rates. (TR 1427) While this methodology appears to adequately address the issue of affordability, it ignores any consideration of the adverse effects of excessive cross-subsidies. (TR 1400-1401)

Witness Stallcup also mentioned a consolidation methodology presented by AUF witness Franceski. Witness Stallcup testified that this alternative contained in witness Franceski's rebuttal testimony is worthy of consideration. (TR 1427) However, witness Stallcup earlier testified that he believed the manner in which repression was incorporated into the methodology was in error. (TR 1421) Staff believes that correcting for this error is straight forward and should not exclude witness Franceski's methodology from consideration. This methodology allows for the subsidy limits to be exceeded for a few systems with relatively low rates. This would permit more systems to be combined into any given rate group and result in a fewer number of rate groups.

Witness Stallcup further testified regarding two additional alternatives in his own testimony. Both of witness Stallcup's methodologies result in rates in between the rates based on AUF's stand-alone and fully consolidated proposals. The first of these methodologies is the capband methodology used in the Southern States rate case, where systems are grouped together based on similar costs to serve, and bills are capped at the maximum affordability level. (TR 1437, 1439) Because the groupings are based on similar costs to serve, the level of subsidization between customers within each consolidated group are minimized. (TR 1439) The second methodology referred to by witness Stallcup is the "portfolio method," wherein high cost systems are combined with low cost systems in order to reduce affordability concerns. The result is the consolidated rate of the combined systems will be slightly greater than what the low cost system would otherwise pay. (TR 1437, 1442)

The final rate consolidation methodology addressed by witness Stallcup during cross examination at the hearing was the possibility of reallocating some of the wastewater revenue recovery to the water system, should the Commission believe that the wastewater rates without

the reallocation are prohibitively unaffordable. (TR 1427, 1437) This methodology would bring down the rates for the wastewater systems, while increasing the rates, to a lesser extent, for the water systems. (TR 1438) The reallocation methodology may be used in conjunction with any one of the other consolidation methodologies presented. (TR 1444) Given the extraordinary circumstances regarding the magnitude and resulting unaffordability of wastewater rates for the 12 wastewater systems whose bills would be in excess of \$100 per month, based on preliminary analysis, staff believes witness Stallcup's reallocation methodology may be the only methodology that adequately addresses both subsidy and affordability concerns for the respective water and wastewater systems

Ultimately, the determination of these limits for the respective water and wastewater systems should be based on an analysis using the Commission's approved revenue requirements for the applicable systems. Based on the foregoing discussion, staff recommends that the appropriate subsidy and affordability limits for the water system should be \$5.89 and \$65.25, respectively. Staff recommends that the appropriate subsidy and affordability limits for the wastewater system should be \$5.89 and \$82.25, respectively. However, based on preliminary analysis, due to the wide range of stand-alone rates for the wastewater systems, and absent a reallocation of revenue requirements from the wastewater system to the water system, staff believes it may not be possible to find a workable subsidy and affordability combination for the wastewater systems.

With respect to the rate consolidation issue, several methodologies have been proposed by both AUF and staff witnesses. Because the final rate consolidation methodology proposed by witness Stallcup regarding revenue requirement reallocation is a departure from the Commission's ratesetting methodology, staff requests the Commission's permission to consider that methodology when calculating rates. In determining the appropriate subsidy and affordability values, the Commission should weigh the countervailing considerations of both: 1) the magnitude of the wastewater subsidy versus overall wastewater affordability; and 2) the fairness consideration of reallocating wastewater revenue requirements to the water system.

Issue 62: Is it appropriate to consider subsidy limits based on stand-alone rate structures since the majority of the Utility's systems have not had stand-alone rates for over 15 years?

Recommendation: Yes, it is appropriate to consider subsidy limits based on stand-alone rates. (Lingo)

Position of the Parties

AUF: No.

OPC: No position.

AG: Adopts OPC's position.

Staff Analysis: Witness Smeltzer testified that in 1995, the Commission implemented the capband rate structure for FWSC, the successor to SSU.⁷⁸ Of the 82 systems in this case, 44 systems had been under a succession of uniform, modified stand-alone and capband rate structures since 1993. (TR 1346-1348) Witness Smeltzer testified, therefore, that a comparison of strict stand-alone rates and the related subsidies for the prior FWS systems is inappropriate since stand-alone rates have not existed for those systems for approximately 15 years. (TR 1348) Witness Smeltzer further testified that subsidy comparisons on a prospective basis serve no useful purpose since various subsidy levels have already been merged. (TR 1459)

Witness Szczygiel testified on rebuttal that 38 of AUF's 44 former Florida Water systems had been subsidized by other systems throughout Florida. (TR 1548) The capband rate structure approved in Docket No. 950495-WS combined 95 water systems and 43 wastewater systems into 8 rate groups for the water systems and 6 rate groups for the wastewater systems. Each of these groups consisted of systems with similar costs, but recognized that cross subsidies would occur within each group.⁷⁹ When the groups were fragmented, the loss of subsidy resulted in these systems failing to produce revenues that recover their costs on a stand-alone basis. (TR 1548-1549) The Utility therefore concluded that it would be inappropriate to calculate subsidies based upon stand-alone rates. (TR 1348)

Since 1995, 44 of the original 138 systems owned by SSU are now owned by AUF. (TR 1348) These 44 systems represent slightly less than one third of the total number of systems included in the original capband rate structure. Because the 44 systems referenced above represent a minority proportion of the original SSU systems, staff does not believe that basing a subsidy analysis in the instant case on the old rate groupings from the SSU case would be appropriate. Furthermore, witness Szczygiel testified on rebuttal that 38 of the 44 old SSU systems were being subsidized by other SSU systems throughout Florida. (TR 1548) Since the interdependence between the systems receiving subsidies versus the systems paying subsidies

⁷⁸ See Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS, In re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Deval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

⁷⁹ Id.

has been broken, staff believes there is little benefit associated with retaining the rate groupings based on that interdependency.

In addition, the Utility's method of calculating its proposed rates appears to directly contradict its position on this issue. Witness Franceski was responsible for calculating AUF's proposed consolidated rate structure. (TR 1369, 1373) Witness Franceski testified that AUF's proposed rate structure began with calculating the stand-alone rates for each system based on the individual revenue requirement per system. Staff believes this contradicts witness Smeltzer's testimony that: 1) a comparison of stand-alone rates and the related subsidies for the prior FWSC systems is inappropriate since stand-alone rates have not existed for those systems for approximately 15 years; and that 2) subsidies based upon stand-alone rates would be a step backward from the Commission's stated goal of uniform rates. Staff agrees with witness Franceski that the use of the individual revenue requirement per system is the appropriate basis for the calculation of rates.

AUF's proposed rate calculations take into consideration the guidelines on subsidies and affordability discussed in staff witness Stallcup's testimony in Docket No. 060368-WS. (TR 1370) Staff agrees with AUF's approach in this regard as well.

Staff believes that it would be more appropriate to base its subsidy analysis on the stand-alone rates of AUF's current systems. This methodology is consistent with AUF's methodology as testified to by witness Franceski and recognizes the change in the relationship among systems since 1995. Furthermore, this would allow rate groupings to be created that would reflect the current costs of the systems at issue in this case, and form a better basis for moving towards statewide uniform rates.

Therefore, staff recommends that it is appropriate to consider subsidy limits based on stand-alone rates.

Issue 63: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: Regarding aspects other than rate consolidation, the appropriate rate structure for the utility's water systems is a three-tiered inclining block rate structure, with usage blocks for residential monthly consumption of: a) 0-5 kgals; b) 5.001-10 kgals; and c) usage in excess of 10 kgals. The usage block rate factors should be 1.0, 1.25 and 3.0, respectively. The general service gallonage charge rate should be based on the uniform gallonage charge. The pre-repression base facility charge cost recovery should be 35 percent. The appropriate rate structure for the Utility's wastewater systems is the base facility/gallonage charge rate structure. The general service gallonage charge should be 1.2 times the corresponding residential gallonage charge. The pre-repression base facility charge cost recovery should be 50 percent.

Regarding rate consolidation, consistent with Commission decisions in prior cases, statewide single tariff rates should be the long term goal for AUF. However, based on record evidence, staff does not believe the Utility has met its burden concerning its request for a single cost of service; therefore, the request should be denied. The extent to which the WAW systems should be combined is dependent on the Commission's vote on Issue 60. Accordingly, to what extent the WAW systems should be combined will be addressed in Staff's Memorandum to be filed on March 5, 2009. (Lingo)

Position of the Parties

AUF: The appropriate rate structures for the Utility's water and wastewater systems is a state wide uniform consolidated rate structure.

OPC: No position.

AG: Adopts OPC's position.

Staff Analysis: The Utility's current rate structure for the vast majority of its water systems is the base facility charge (BFC)/uniform gallonage charge rate structure. The rate structure for the vast majority of its wastewater systems is the BFC/gallonage charge rate structure. (EXH 180) This issue involves both: a) the Utility's request for a statewide uniform rate and a single cost of service; and b) with respect to other aspects of rate structure, what is appropriate for the water and wastewater systems. A separate discussion of each topic follows.

AUF's Request for a Statewide Uniform Rate and Single Cost of Service

In his direct testimony, witness Smeltzer proposed a state-wide uniform rate structure for AUF's water and wastewater systems, adding that AUF addressed both the competing objectives of affordability and fairness, to the extent subsidies exist. (TR 1350) Witness Smeltzer testified that AUF is proposing a uniform water rate, with repression, that will result in a bill of \$40.92 for all water systems at 5,000 gallons of usage. For the wastewater systems, AUF is proposing uniform wastewater rates which result in a bill of \$88.91 at 5,000 gallons of usage. (TR 1351-1352) Witness Smeltzer testified that AUF's proposal for statewide uniform rates builds on the

Commission's movement toward full uniform rates when, in 1996, it approved the capband rate structure for many of the systems in this proceeding. (TR 1351)

Witness Smeltzer further testified that, in part to recognize AUF's goal of uniform rates, AUF requests that: a) it no longer be required to allocate expenses and common plant among the various Commission-regulated systems; b) all future index and pass-through applications be developed and filed on a utility-wide basis; and c) all future annual reports and rate filings should be prepared and filed on a consolidated basis. (TR 1352) Witness Smeltzer testified concerning further considerations regarding consolidated rates and the numerous reasons why a consolidated rate structure is an important goal for AUF in this case. The reasons cited regarding the importance of the rate consolidation issue include: a) the Commission's identified goals for rate structures for multi-system utilities; b) a consolidated rate structure provides greater efficiencies; c) it allows for streamlined billing and continuity in rates; and d) it facilitates cost efficient compliance with the Safe Drinking Water Act standards by recovering the capital costs from all customers, thereby eliminating system-specific rate shock. (TR 1353)

During his deposition, witness Smeltzer reiterated the reasons why AUF believes there are benefits that would flow to customers as a result of a single cost of service. (EXH 65, BSP 2645-2647) Witness Smeltzer specified, however, that although a single cost of service and a single tariff rate would be the ideal outcome, AUF did provide an alternative set forth in witness Franceski's rebuttal testimony that outlines a single cost of service with two or three rate groupings. These groupings would be moved to the statewide rate over time. (EXH 65, BSP 2649-2650) In almost all of the states AUF operates in, the Utility has either one statewide cost of service, or a more regionally-based cost of service where there are multiple large systems within a jurisdiction in different parts of the state. (EXH 65, BSP 2650)

In Issue 61 of this recommendation, the Commission must vote on what, if any, limits should be imposed on subsidy and affordability values that could result if AUF's rates are converted to a consolidated statewide rate structure for its respective WAW systems. Therefore, to what extent the WAW systems should be combined will be addressed in Staff's Memorandum to be filed on March 5, 2009. With regard to AUF's request for a single cost of service, witness Smeltzer testified that he could find no evidence offered by any party in this case which addresses or rebuts AUF's single cost of service proposal. (TR 1455; EXH 65, BSP 2641)

Witness Smeltzer testified that AUF's uniform rate and single cost of service proposal will allow for more affordable rates, and make regulation simpler, more efficient, and less costly to its customers. (TR 1360) During cross examination, witness Smeltzer testified regarding the different accounting processes that would be streamlined under a single cost of service, plus the related likely reduction in Utility personnel time spent on these tasks. However, witness Smeltzer testified that it was unlikely that these savings would translate into cost savings to the Utility. (TR 1363-1364). When asked if the cost savings from switching to a single cost of service had been quantified, witness Smeltzer testified, "[w]hen we look at the prospects of a single cost of service, it's really a big picture public policy decision." (TR 1364)

Staff disagrees with witness Smeltzer. Staff believes it is highly likely that reductions in utility personnel time spent on tasks will quickly and directly result in cost savings to the Utility on a prospective basis. A reduction in these costs should have the direct effect of reducing both

AUF's requested revenues and the resulting rates paid by its customers. Witness Szczygiel testified that certain normalization and pro forma adjustments were made to the Utility's 2007 historical data. (TR 388; EXH 85) Staff believes the prospective cost savings both could have and should have been reflected as pro forma expense adjustments consistent with other pro forma adjustments made by the Utility in this case. Therefore, from the information provided by AUF, staff is unable to determine what, if any, cost savings associated with the requested single cost of service will inure to the ratepayers. The Utility has the burden of proving that its request for a single cost of service is reasonable. See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982). Staff does not believe AUF has met its burden of proof with regard to its requested single cost of service; therefore, that request should be denied.

Water Conservation Rate Structures and Wastewater Rate Structure

Witness Smeltzer testified on direct that AUF is proposing a two-tiered inclining block rate structure. (TR 1357) An examination of AUF's E-1 Schedules indicates that the proposed usage blocks are for residential monthly consumption of: a) 0-5,000 gallons; and b) usage in excess of 5,000. The proposed rate factor for the second block is 1.25. The Utility proposes that the general service gallonage charge rate be set equal to the residential first block rate. (EXH 180)

Witness Walker is employed by the St. Johns River Water Management District (SJRWMD or District) as the Director of the Division of Water Use Regulation in the Department of Resource Management. (TR 958) She testified that numerous studies have documented that a water-conservation-promoting rate structure has a significant effect on reducing water use. The SJRWMD requires its implementation in almost all cases. The higher the percentage of costs associated with usage, the greater the price signal to reduce demand. Therefore, the SJRWMD prefers that at least 60 percent of the cost to customers be in the gallonage charge, because charging for the actual amount of water used promotes conservation. (TR 961-962) Conservation-promoting rate structures generally have three or four tiers. Although AUF's proposed tiers appear to support the District's conservation goals, under AUF's statewide consolidated rates, many systems will see an increase in the fixed portion of the bill while reducing the variable portion of the bill. (TR 962-963)

Witness Walker further testified that Priority Water Resource Caution Areas (PWRCAs) are areas where existing and reasonably anticipated water sources and conservation efforts may not be adequate to: (1) supply water for all existing legal uses and reasonably anticipated future needs; and (2) sustain water resources and related natural systems. In more general terms, these are areas in which the projected demand exceeds the resource capacity to supply the water without unacceptable environmental impacts. Water conservation is critically important in these areas in order to extend the timeframe within which relatively inexpensive fresh groundwater supplies can be sustained before more expensive alternative water sources must be developed. Seventeen (or 40 percent) of AUF's systems are located within SJRWMD PWRCAs. (TR 963-964; EXH 128, 129)

Witness Yingling testified that the SWFWMD promotes the use of water conservation-oriented rate structures for the benefit of all water customers located within its jurisdiction. The longer demand within the available high quality water sources can be maintained, the longer

having to develop lower quality sources can be avoided. For water to be used efficiently, it must be priced in a manner that provides incentives for efficient use. (TR 1320) He testified that there are extensive statistical studies of utility water demand showing when price increases, water demand decreases, all other factors equal (e.g., weather). Economic theory states that persons respond to marginal price, which is the price of the next unit of good purchased. Marginal price is therefore an appropriate incentive for efficient water use. The SWFWMD's latest research validates economic theory of response to marginal price. (TR 1320-1321) In much of the SWFWMD, potable quality water is at least a seasonally scarce resource. Water conservation-oriented rate structures reinforce the concept of scarcity and the need to conserve through the marginal cost of water. (TR 1321)

Witness Yingling testified that public water supply utilities with permitted quantities of 100,000 gallons per day or more that are located either in the Northern Tampa Bay or Southern Water Use Caution Areas (WUCAs) are required by rule to comply with water conserving rate structure requirements. (TR 1323) He testified that when designing the rate structure, the fixed charge portion of the bill should be kept to the minimum commensurate with the need for revenue stability. A low fixed charge increases the revenue required from gallonage charges and therefore higher gallonage charges results, providing more of a disincentive to wasteful use, and more of a reward to the customer for reducing use. Witness Yingling further testified that for those customer bases with excessive consumption per customer, the last usage block should be designed and priced to aggressively target that consumption. (TR 1324-1325)

Witness Stallcup testified that, based on his review of AUF's billing analysis data, as well as the testimony of witnesses Walker and Yingling, the appropriate water rate structure is a three-tiered inclining block rate structure, with usage blocks for monthly consumption of: a) 0-5,000 gallons; b) 5,001-10,000 gallons; and c) usage in excess of 10,000 gallons. He also recommended more aggressive rate factors of 1.0, 1.25, and 3.0, respectively. Witness Stallcup testified that a three-tiered rate structure is better suited to address the demographic diversity of AUF's individual systems, which include both very small retirement communities with modest levels of consumption as well as relatively large suburban areas with more extravagant levels of consumption. Witness Stallcup testified that his recommended rate structure satisfied the two goals of minimizing the rate impact on residential customers who are already conserving, while focusing price increases on those customers who are using greater quantities of water. (TR 1389-1390)

Witness Smeltzer testified on rebuttal that AUF has not proposed a three-tiered conservation rate structure, and does not believe that a three-tiered structure is fair or appropriate in this case. (TR 1451) He believes that AUF's rate structure proposal provides the proper balance to achieve price induced conservation. (TR 1452) He further testified that the Utility wants the opportunity to evaluate the impacts of the two-block structure before making further refinements. (TR 1467)

Section 373.227(1), F.S., states in part: "[t]he Legislature recognizes that the proper conservation of water is an important means of achieving the economical and efficient utilization of water necessary, in part, to constitute a reasonable-beneficial use. The overall water conservation goal of the state is to prevent and reduce wasteful, uneconomical, impractical, or

unreasonable use of water resources.” Under AUF’s proposed water conservation rate structure, the consumption in excess of 5,000 gallons per month would be charged the same rate, regardless of the difference in consumption levels above 5,000 gallons between one customer and another, and regardless of whether a particular area was suffering from a drought or other water resource concern. (TR 1466) Furthermore, the marginal price above 5,000 gallons of consumption remains the same, so there is no additional incentive to conserve. When compared to witness Stallcup’s recommended water rate structure, staff believes witness Stallcup’s rate structure best achieves the legislative intent of Section 373.227(1), F.S.

The Commission has a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs or Districts). Representatives of the SJRWMD and the SWFWMD provided testimony regarding water caution areas, and how critically important conservation is in these areas in order to extend the timeframe within which relatively inexpensive fresh groundwater supplies can be sustained. Otherwise, more expensive sources of water must be developed. A guideline of the five Districts is to set the base facility charges such that they recover no more than 40 percent of the revenues to be generated from monthly service.⁸⁰ The Commission complies with this guideline whenever possible.⁸¹ In response to growing water demands and water supply problems, coupled with one of the worst droughts in Florida’s history, DEP led a statewide Water Conservation Initiative (WCI) to find ways to improve efficiency in all categories of water use. A basic tenet that guided the WCI is that metering is effective in reducing water use. In the WCI’s final report, issued in April 2002, a high-priority recommendation was that the base facility charge portion of the bill usually should not represent more than 40 percent of the utility’s total revenues.⁸² Based on a comparison of AUF’s proposed water rate structure versus witness Stallcup’s recommended rate structure, staff believes witness Stallcup’s rate structure best conforms to both the MOU and the WCI.

The BFC/uniform gallonage charge rate structure had been the Commission’s rate structure of choice because it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. However, over the past several years, based in large part on requests made by the WMDs, the Commission has been implementing the inclining-block rate structure as its rate structure of choice.⁸³ The Commission’s traditional

⁸⁰ See Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.; Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

⁸¹ See Order No. PSC-94-1452-FOF-WU, issued November 28, 1994, in Docket No. 940475-WU, In re: Application for rate increase in Martin County by Hobe Sound Water Company; Order No. PSC-01-0327-PAA-WU, issued January 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.; Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, In re: Application for staff-assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc.; Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.

⁸² Florida Department of Environmental Protection, Florida Water Conservation Initiative, April 2002.

⁸³ See Order No. PSC-03-0647-PAA-WS, issued May 28, 2003, in Docket No. 020407-WS, In re: Application for rate increase in Polk County by Cypress Lakes Utilities, Inc.; Order No. PSC-00-0248-PAA-WU, issued February 7, 2000, in Docket No. 990535-WU, In re: Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System); Order No. PSC-01-0327-PAA-WU, issued February 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid

wastewater rate structure is the BFC/gallage charge rate structure. Setting the wastewater BFC cost recovery at 50 percent, and the gallage charge at 1.2 times the corresponding residential charge, is consistent with prior cases.⁸⁴

Based on the foregoing discussion, regarding aspects other than rate consolidation, the appropriate rate structure for the utility's water systems is a three-tiered inclining block rate structure, with usage blocks for residential monthly consumption of: a) 0-5 kgals; b) 5.001-10 kgals; and c) usage in excess of 10 kgals. The usage block rate factors should be 1.0, 1.25, and 3.0, respectively. The general service gallage charge rate should be based on the uniform gallage charge. The pre-repression base facility charge cost recovery should be 35 percent. The appropriate rate structure for the Utility's wastewater systems is the BFC/gallage charge rate structure. The general service gallage charge should be 1.2 times the corresponding residential gallage charge. The pre-repression base facility charge cost recovery should be 50 percent. Regarding rate consolidation, staff does not believe the Utility has met its burden concerning its request for a single cost of service; therefore, the request should be denied. The extent to which the WAW systems should be combined is dependent on the Commission's vote on Issue 61. Accordingly, to what extent the WAW systems should be combined will be addressed in Staff's Memorandum to be filed on March 5, 2009.

Lakes Utilities, Inc.; Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.; Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

⁸⁴ See Order No. PSC-07-0199-PAA-WS, issued March 5, 2007, in Docket No. 060257-WS, In re: Application for increase in water and wastewater rates in Polk County by Cypress Lakes Utilities, Inc.

Docket No. 080121-WS
Date: February 11, 2009

Issue 64: What water systems, if any, should be consolidated into a single rate structure?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Docket No. 080121-WS
Date: February 11, 2009

Issue 65: What wastewater systems, if any, should be consolidated into a single rate structure?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Docket No. 080121-WS
Date: February 11, 2009

Issue 66: What, if any, are the appropriate repression adjustments to be made?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Docket No. 080121-WS
Date: February 11, 2009

Issue 67: What are the appropriate monthly rates for the water and wastewater systems for the Utility?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Issue 68: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. AUF should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, AUF should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below.

Water and Wastewater Miscellaneous Service Charges

	<u>Water</u>		<u>Wastewater</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$22	\$33	\$22	\$33
Normal Reconnection	\$22	\$33	\$22	\$33
Violation Reconnection	\$35	\$55	Actual Cost	Actual Cost
Premises Visit	\$22	\$33	\$22	\$33
Late Payment Fees	\$5	N/A	\$5	N/A

(Deason)

Position of the Parties

AUF: Yes. Consistent with Commission practice, AUF should be authorized to revise its miscellaneous service charges to the requested charges contained in the MFRs.

OPC: No position at this time.

AG: Adopts OPC's position.

Staff Analysis: As reflected on MFR Schedules E-4, AUF is requesting an increase in its miscellaneous service charges. The Utility's current and requested charges are shown below.

Water Miscellaneous Service Charges

	<u>Current Charges</u>		<u>Utility Requested</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$15	N/A	\$50	\$75
Normal Reconnection	\$15	N/A	\$50	\$75
Violation Reconnection	\$15	N/A	\$75	\$115
Premises Visit	\$10	N/A	\$50	\$75
Late Payment Fees	N/A	N/A	\$5	N/A

Wastewater Miscellaneous Service Charges

	<u>Current Charges</u>		<u>Utility Requested</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$15	N/A	\$50	\$75
Normal Reconnection	\$15	N/A	\$50	\$75
Violation Reconnection	Actual Cost	N/A	Actual Cost	Actual Cost
Premises Visit	\$10	N/A	\$50	\$75
Late Payment Fees	N/A	N/A	\$5	N/A

The miscellaneous service charges have been in place since 1990, and have not changed since that time – a period of 19 years. The Utility believes these charges should be updated to reflect current costs. (EXH 65, BSP 97-100)

AUF provided the following cost estimates for the expenses associated with connections, reconnections, and premises visits:

<u>Description</u>	<u># of Hours</u>	<u>Hourly Rate</u>	<u>Labor Cost</u>	<u>Other Cost</u>	<u>Total Cost</u>	<u>Proposed Fee</u>
Collect Delinquent Account						
Office Work	1.00	<u>\$26.88</u>	<u>\$26.88</u>	-	<u>\$26.88</u>	<u>\$25.00</u>
Connections, Premises Visits/Service Calls – Normal Hours						
Field Work	1.50	\$20.27	\$30.40	-	\$30.40	
Office Work	0.75	<u>\$26.88</u>	<u>\$20.16</u>	-	<u>\$20.16</u>	
Total			<u>\$50.56</u>	-	<u>\$50.56</u>	<u>\$50.00</u>
Connections, Premises Visits/Service Calls – After Hours						
=1.5 X Connections in Normal Hours above			<u>\$75.85</u>	-	<u>\$75.85</u>	<u>\$75.00</u>
Reconnect Disconnect Service in Normal Hours						
=Collect Delinquent Acct. + Connects in Normal Hours Above			<u>\$77.44</u>	-	<u>\$77.44</u>	<u>\$75.00</u>
Reconnect Disconnect Service in After Hours						
=1.5 X Reconnect in Normal Hours above			\$116.17	-	\$116.17	
Answering Service Call			-	<u>\$2.00</u>	<u>\$2.00</u>	
Total			<u>\$116.17</u>	<u>\$2.00</u>	<u>\$118.17</u>	<u>\$115.00</u>

After reviewing the information provided by AUF, staff recommends the following modifications to the above cost estimates:

- Staff believes that the Office work for Connections, Premises Visits/Service Calls – Normal Hours can be performed in .25 hours instead of .5 hours as recommended by the Utility. This is consistent with previous Commission decisions.⁸⁵
- Staff believes that the Office work to Collect Delinquent Account can be performed in .5 hours instead of 1 hour as recommended by the Utility.
- Staff believes that the Field work for Connections, Premises Visits/Service Calls – Normal Hours can be performed in .75 hours instead of 1.5 hours as recommended by the Utility. This is consistent with previous Commission decisions.⁸⁶

After incorporating staff's modifications listed above, the following charges result:

<u>Description</u>	<u># of Hours</u>	<u>Hourly Rate</u>	<u>Labor Cost</u>	<u>Other Cost</u>	<u>Total Cost</u>	<u>Staff Proposed Fee</u>
Collect Delinquent Account						
Office Work	0.50	<u>\$26.88</u>	<u>\$13.44</u>	-	<u>\$13.44</u>	<u>\$14.00</u>
Connections, Premises Visits/Service Calls – Normal Hours						
Field Work	0.75	<u>\$20.27</u>	<u>\$15.20</u>	-	<u>\$15.20</u>	
Office Work	0.25	<u>\$26.88</u>	<u>\$6.72</u>	-	<u>\$6.72</u>	
Total			<u>\$21.92</u>	-	<u>\$21.92</u>	<u>\$22.00</u>
Connections, Premises Visits/Service Calls – After Hours						
=1.5 X Connections in Normal Hours above			<u>\$32.88</u>	-	<u>\$32.88</u>	<u>\$33.00</u>
Reconnect Disconnect Service in Normal Hours						
=Collect Delinquent Acct. + Connects in Normal Hours Above			<u>\$35.36</u>	-	<u>\$35.36</u>	<u>\$35.00</u>
Reconnect Disconnect Service in After Hours						
=1.5 X Reconnect in Normal Hours above			<u>\$53.04</u>	-	<u>\$53.05</u>	
Answering Service Call			-	<u>\$2.00</u>	<u>\$2.00</u>	
Total			<u>\$53.05</u>	<u>\$2.00</u>	<u>\$55.05</u>	<u>\$55.00</u>

As stated above, AUF's miscellaneous service charges have not been updated in over 19 years and costs for fuel and labor have risen substantially since that time. Further, the Commission's price index has increased approximately 65 percent in that period of time. The Commission has expressed concern with miscellaneous service charges that fail to compensate utilities for the cost incurred. By Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, involving SSU, the Commission expressed concern that the [miscellaneous service charges] rates are eight years old and cannot possibly cover current costs and directed staff to "examine whether miscellaneous service charges should be indexed in the future and included in index

⁸⁵ See Order No. PSC-08-0009-TRF-WU, issued January 2, 2008, in Docket No. 070377-WU, In re: Request for approval of change in meter installation customer deposits tariff and proposed changes in miscellaneous service charges in Marion County by Windstream Utilities Company.

⁸⁶ Ibid.

applications.”⁸⁷ Currently, miscellaneous service charges may be indexed if requested in price index applications pursuant to Rule 25-30.420, F.A.C. However, few utilities request that their miscellaneous service charges be indexed. Staff applied the approved price indices from 1990 through 2008 to AUF’s current \$15 miscellaneous service charge and the result was a charge of \$23.88. Therefore, staff believes a \$22 charge is reasonable and is cost based.

In addition, AUF has requested in its MFRs to add a \$5 Late Payment Fee to its miscellaneous service charges. A \$5 Late Payment Fee has been determined to be cost-based and has previously been approved by the Commission in prior orders.⁸⁸

The current and recommended water and wastewater charges are shown below.

Water Miscellaneous Service Charges

	<u>Current Charges</u>		<u>Staff Recommended</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$15	N/A	\$22	\$33
Normal Reconnection	\$15	N/A	\$22	\$33
Violation Reconnection	\$15	N/A	\$35	\$55
Premises Visit	\$10	N/A	\$22	\$33
Late Payment Fees	N/A	N/A	\$5	N/A

Wastewater Miscellaneous Service Charges

	<u>Current Charges</u>		<u>Staff Recommended</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$15	N/A	\$22	\$33
Normal Reconnection	\$15	N/A	\$22	\$33
Violation Reconnection	Actual Cost	N/A	Actual Cost	Actual Cost
Premises Visit	\$10	N/A	\$22	\$33
Late Payment Fees	N/A	N/A	\$5	N/A

In summary, staff recommends the Utility’s miscellaneous service charge of \$22 and after hours charge of \$33 for Initial Connections, Normal Connection, and Premises Visits; the service charge of \$35 and after hours charge of \$55 for Violation Reconnections, as well as the Lake Payment of \$5 be approved because the increased charges are cost-based, reasonable, and

⁸⁷ See Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS.

⁸⁸ See Order Nos. PSC-08-0435-PAA-WS, issued July 7, 2008, in Docket No. 070548-WS, In Re: Application for certificates to provide water and wastewater service in Marion County by Century - Fairfield Village, Ltd.; PSC-08-0255-PAA-WS, issued April 24, 2008, in Docket No. 070548-WS, In Re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.; PSC-08-0009-TRF-WU, issued January 2, 2008, in Docket No. 070377-WU, In Re: Request for approval of change in meter installation customer deposits tariff and proposed changes in miscellaneous service charges in Marion County by Windstream Utilities Company.

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consistent with fees the Commission has approved for other utilities. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within ten days of the date the order is final, the Utility should be required to provide notice of the tariff changes to all customers. AUF should provide proof the customers have received notice within ten days after the date the notice was sent.

Issue 69: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, the required interim refunds are reflected on Attachment B. (Fletcher)

Position of the Parties

AUF: There should be no interim refunds.

OPC: The Commission should follow the steps set forth in section 367.082, Florida Statutes, to compute the refund of interim rates.

AG: Adopts OPC's position.

Staff Analysis: By Order No. PSC-08-0534-FOF-WS, issued August 18, 2008, the Commission approved interim WAW rates subject to refund, pursuant to Section 367.082, F.S. In this proceeding, the test period for establishment of interim rates was the historical 13-month average period ending December 31, 2007. The approved interim rates did not include any provisions for pro forma consideration of increased operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for equity earnings.

Consistent with Section 367.082(4), F.S., any refund must be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period that interim rates are in effect shall be removed.

To establish the proper refund amount, staff calculated a revised revenue requirement for the interim period using the same data used to establish final rates. Rate case expense was excluded because it was not an actual expense during the interim collection period. No other adjustments were necessary because there are no outstanding pro forma plant or expenses included in staff's final recommended revenue requirements.

Applying the requirements of the interim statute, staff recommends that no interim refunds are required because the calculated interim period revenue requirements were greater than the interim revenue requirements approved in Order No. PSC-08-0534-FOF-WS. Our calculations for determining interim refunds are shown in Attachment B.

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Issue 70: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Issue 71: What are the appropriate service availability charges for the Utility?

Recommendation: The Utility's proposed meter installation, service installation, main extension, and plant capacity charges should be approved. (Hudson)

Position of the Parties

AUF: The appropriate service availability charges are contained in the MFRs.

OPC: No position at this time.

AG: Adopts OPC's position.

Staff Analysis: AUF is proposing uniform service availability charges for its systems, including meter installation, service installation, main extension, and plant capacity charges. OPC took no position on the Utility's proposed service availability charges. Pursuant to Rule 25-30.580, F.A.C.:

A utility's service availability policy shall be designed in accordance with the following guidelines:

- (1) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and
- (2) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

(emphasis added)

Meter Installation Charge

AUF is requesting a uniform meter installation charge for all of its systems of \$210 for 5/8" x 3/4" meters and actual cost for larger meters. (EXH 180) The Utility's current meter installation charges range from \$0 to \$200 for 5/8" x 3/4" meters. As discussed in Issue 1, the utility has installed remote read meters. The proposed meter installation charge is designed to recover the cost of the meter and the installation. Therefore, staff recommends that the proposed meter installation charge be approved.

Service Installation Charge

AUF is requesting uniform service installation charges for all of its systems of \$1,000 for 3/4" water lines, actual cost for larger water service lines, \$2,000 for 4" wastewater lines, and actual cost for larger wastewater lines. The Utility's current service installation charges are based on meter size for water service lines and line size for wastewater service lines. The

proposed service installation charges are designed to recover the cost of installing water or wastewater service lines from the Utility's distribution or collection system to the customer's water meter or property line. Therefore, staff recommends that the proposed WAW service installation charges be approved.

Main Extension and Plant Capacity Charge

The systems that the Utility's proposed main extension and plant capacity charges will affect are the systems that were not included in the last SSU rate case in Docket No. 950495-WS. In that case, the Commission approved uniform service availability charges for all of the existing SSU WAW systems. The Commission found that the appropriate plant capacity charges were \$700 for water and \$1,300 for wastewater. In addition, the Commission found that the appropriate main extension charges were \$446 for water and \$480 for wastewater. (EXH 180) In this case, AUF proposed to implement the uniform main extension and plant capacity charges for all of its current systems that were not in the prior SSU rate case; however, AUF did not provide a system by system or companywide analysis of the impact of the proposed main extension and plant capacity charges.

Staff analyzed the average cost per ERC of the Utility's existing lines and found that the proposed main extension charges are reasonable based on the cost of the existing distribution and collection systems. Therefore it appears that the proposed main extension charges comply with the guideline in Rule 25-30.580, F.A.C., which provides that, at a minimum, customers should pay for the cost of the lines. In addition, staff reviewed the contribution levels of each of the AUF systems and found that all of the systems' contribution levels are less than the 75 percent maximum guideline provided in Rule 25-30.580, F.A.C. On a total company basis, the contribution levels are 22 percent for water and 18 percent for wastewater. By implementing the proposed charges, it would increase the Utility's CIAC level. As a result, rate base would be lowered thereby mitigating the level of increases in any future rate cases. Staff recommends that AUF's proposed main extension and plant capacity charges are reasonable and should be approved. The following table reflects the current and recommended plant capacity and main extension charges:

Water System	Plant Capacity Charge		Main Extension Charge	
	Current	Recommended	Current	Recommended
48 Estates	\$125	\$700	\$200	\$446
Arredondo Farms	\$0	\$700	\$0	\$446
Arredondo Estates	\$0	\$700	\$0	\$446
Haines Creek	\$0	\$700	\$0	\$446
Jasmine Lakes	\$0	\$700	\$0	\$446
Kings Cove	\$300	\$700	\$500	\$446
Lake Josephine	\$600	\$700	\$0	\$446
Lake Osborne	\$0	\$700	\$0	\$446
Lake Suzy	\$0	\$700	\$0	\$446
Ocala Oaks	\$430	\$700	\$0	\$446
Ravenswood	\$0	\$700	\$0	\$446
Rosalie Oaks	\$0	\$700	0	\$446
Sebring Lakes	\$0	\$700	Actual Cost	\$446
Summit Chase	\$100	\$700	\$0	\$446
Tangerine	\$64	\$700	\$36	\$446
The Woods	\$0	\$700	\$0	\$446
Village Water	\$0	\$700	Actual Cost	\$446

Wastewater System	Plant Capacity Charge		Main Extension Charge	
	Current	Recommended	Current	Recommended
Arredondo Farms	\$0	\$1,300	\$0	\$480
Kings Cove	\$300	\$1,300	\$1,000	\$480
Jasmine Lakes	\$0	\$1,300	\$0	\$480
Lake Suzy	\$1,950	\$1,300	\$186	\$480
Rosalie Oaks	\$450	\$1,300	\$50	\$480
South Seas	\$1,500	\$1,300	\$0	\$480
Summit Chase	\$350	\$1,300	\$0	\$480
The Woods	\$450	\$1,300	\$50	\$480
Village Water	\$0	\$1,300	Actual Cost	\$480

Issue 72: Should the Utility be authorized to charge Allowance for Funds Prudently Invested (AFPI) charges, and, if so, what are the appropriate charges?

Recommendation: Yes. The Utility should be authorized to charge AFPI charges shown on Schedule 6 for the systems in which they requested and staff analysis shows the system is operating at less than 100 percent U&U. AFPI charges should be cancelled for the systems listed in the staff analysis which have a current tariff but the Utility is no longer requesting charges. (Billingslea)

Position of the Parties

AUF: Yes. The Utility's AFPI charges have been properly supported in the record. (TR 1573-74.)

OPC: The AFPI tariffs should reflect the revenue requirement and capital structure approved by the Commission and should be limited where there is no new growth. Hermits Cove water and Village Water wastewater charges should be corrected. Finally, AFPI charges should be cancelled for those systems indicated by OPC witness Merchant.

AG: Adopts OPC's position.

Staff Analysis: An AFPI charge is a mechanism designed to allow a utility to earn a fair rate of return on prudently constructed plant held for future use from the future customers that will be served by that plant, in the form of a charge paid by those customers. This charge allows the recovery of carrying costs on the non-used and useful plant. By providing this type of charge, the existing customers do not pay for plant expansion used to serve future customers. Future customers bear their equitable share of the carrying costs related to the facilities being constructed.

This one-time connection charge is based on the number of ERCs and is applicable to all future customers who have not already prepaid a connection charge, CIAC charge, or customer advances. The charge is based on the date the future customers make some such prepayment or on the date the customer connects to the system, whichever comes first. It is calculated using the Standard Division of Water and Wastewater, Bureau of Economic Regulation program.

OPC witness Merchant testified that:

The Commission should adjust each AFPI calculation for all corresponding changes in the revenue requirement calculations, including adjustments made to used and useful for plant, accumulated depreciation, depreciation expense, property taxes, and future customers. Further, Ms. Merchant asserted that if the Commission makes adjustments to the company's requested rate of return on equity or other cost of capital components impacting the overall rate of return, these percentages should be changed in the AFPI calculation.

(TR 937)

AUF requested revised AFPI charges for the following systems: 48 Estates, Carlton Village, Hermits Cove, Holiday Have, Interlachen Lake Estates, Leisure Lakes, Palm Port, Palms Mobile Home Park, Picciola Island, Pomona Park, Sebring Lakes, Silver Lake Oaks, St. John's Highlands, Stone Mountain, Sunny Hills, Tangerine, The Woods, Venetian Village, Welaka/Saratoga, and Wootens. Staff believes it is prudent for AUF to seek collection of AFPI charges from future customers. Therefore, each of the systems mentioned above should have an updated AFPI tariff. Consistent with staff's recommended non-used and useful plant, depreciation expense and property taxes, as well as the return on equity and overall cost of capital, the calculated AFPI charges for each of these systems are shown on Schedule 6. The AFPI charge shall be based upon the number of ERCs required by a particular customer.

According to staff analysis, the following systems should have their corresponding AFPI tariffs cancelled: Beecher's Point, Chuluota, Friendly Center, Hobby Hills, Holiday Haven, Jungle Den, Kingswood, Morningview, Palm Terrace, Piney Woods, Quail Ridge, River Grove, Silver Lake Estate, Valencia Terrace, and Zephyr Shores. These systems are operating at 100 percent U&U; therefore, the AFPI tariff is no longer appropriate.

Issue 73: In accordance with Order No. PSC-08-0534-FOF-WS, what is the amount and who would have to pay the regulatory asset (or deferred interim revenues), if it is ultimately determined by the Commission that the Utility was entitled to those revenues when it first applied for interim rates?

Recommendation: Consistent with the recommended interim refunds discussed in Issue 69, the lost interim revenues for the three systems discussed in staff's analysis below, and an estimated cessation date for the interim collection period of two weeks after the final rate order in this case, the total WAW regulatory assets for water and wastewater are \$517,327 and \$202,290 respectively. Accordingly, the total annual amortization amount is \$258,664 and \$101,145 for water and wastewater, respectively. Moreover, the individual systems that generated the regulatory assets should be entitled to receive the benefit of the annual amortization of their respective regulatory assets. Furthermore, upon the expiration of the two-year amortization period, the respective systems' rates should be reduced across-the-board to remove the respectively grossed-up annual amortization of the regulatory assets. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. AUF should provide proof of the date notice was given no less than 10 days after the date of the notice. (Fletcher)

Position of the Parties

AUF: Precise resolution of this issue will be based on the final revenue requirement adjusted for rate case expense.

OPC: The Commission should not approve a regulatory asset for any amount exceeding the amount identified in the interim rate order. To do otherwise would violate Section 367.082, Florida Statutes.

AG: Adopts OPC's position.

Staff Analysis: By Order No. PSC-08-0534-FOF-WS, pp. 5-6, issued on August 18, 2008, in this docket (Interim Rates Order), the Commission approved AUF's request to recognize the difference between capped and uncapped interim rates over the interim collection period as a regulatory asset and recovered over a two-year period once final rates are determined. Further, the Utility stated that it would neither seek to recover interest on this deferred recovery, nor have this amount included in the working capital.⁸⁹

OPC asserted that the Commission should not approve a regulatory asset for any amount exceeding the amount identified in the interim order, and to do otherwise would violate Section 367.082, F.S. (OPC BR 59)

⁸⁹ See Order No. PSC-08-0534-FOF-WS, p. 6.

AUF witness Szczygiel testified that the Commission’s Interim Rate Order contains substantial errors which amount to \$588,239 on an annualized basis of revenues that the Utility is legally entitled to receive. (TR 1573) Specifically, witness Szczygiel asserted that AUF’s Silver Lake Estates/Western Shores water, Skycrest water, and Palm Terrace wastewater systems were erroneously excluded from an interim increase based on the aggregated revenues for these systems. (TR 1573) In its brief, the Utility argued the following:

There is nothing under Florida law that would prohibit the Commission from allowing AUF to recover these lost revenues as part of a regulatory asset recovery surcharge. In fact, the Supreme Court in *GTE Florida Inc. v. Clark*, 668 So. 2d 971, 975 [sic]⁹⁰ (Fla. 1996) expressly determined that it would be inequitable to deny a utility the right to recover an increase in rates due to a "defect" in the order entered by the Commission, and that such recovery by surcharge would not be retroactive ratemaking. AUF is neutral with respect to which customers are required to pay the regulatory asset provided that it is made whole and allowed the interim revenues to which it was entitled. Furthermore, recovery of this regulatory asset can be accomplished without violating the principles of uniform rates or single cost of service.

(AUF BR 58-59)

Upon further review of the interim order, staff agrees with AUF witness Szczygiel that the three systems mentioned above were treated as non-former FWSC. On page 10 of the Interim Rates Order, the Commission found the following: “[b]ecause the former FWSC systems have a capband rate structure, the calculation of the rate increase should be based on the aggregated revenues for these systems.” The following table shows the calculation for the annualized entitled interim revenues for those systems:

<u>System Name</u>	<u>Commission Adjusted TY Revenues</u>	<u>Approved Across-the- Board Increase</u>	<u>Estimated Regulatory Asset</u>
Silver Lake Estates/Western Shores Water	\$542,668	33.98%	184,399
Skycrest Water	54,525	33.98%	18,528
Palm Terrace Wastewater	417,096	92.38%	385,313
Total	<u>\$1,014,289</u>		<u>\$588,239</u>

Contrary to OPC’s assertion, staff believes there is no prohibition contained within Section 367.082, F.S., which would prevent the Commission from correcting a defect in the Interim Rates Order, which otherwise would deprive the Utility from receiving the full amount of interim rates to which it was due. Staff considered whether administrative finality and retroactive ratemaking act to limit the Commission’s ability to prospectively correct the defect in an interim rates order and grant proper relief to either the utility or the ratepayer. Staff’s analysis of the applicable case law is described below.

⁹⁰ Although the Utility cited page number 975, the correct page number is 973.

The prohibitions of administrative finality apply to a *final* order, but not to an interim rates order. See Florida Power & Light Co. v. Beard, 626 So.2d 660, 662 (Fla. 1993); Peoples Gas Sys., Inc. v. Mason, 187 So. 2d 335, 339 (Fla.1966). An interim rates order is not a final order. See Citizens of the State of Florida v. Mayo, 316 So. 2d 262, 263 (Fla. 1975) (holding that an interim rates order is not final or reviewable until a final rates order is issued). Therefore, staff believes an interim rates order does not fall within the ambit of administrative finality and it would be proper for the Commission to revisit its decision, especially to correct a defect materially adversely affecting either the utility or ratepayer.

The prohibitions of retroactive ratemaking do not apply when correcting a defect in a final rates order. See GTE Fla. Inc., v. Clark, 668 So. 2d 971 (Fla. 1996) (holding that the recovery of expenses and costs properly due to the utility due to error by the Commission would not constitute retroactive ratemaking). When there is a defect in a final rates order, the Commission is required to correct defects in the order irrespective of whether it benefits the utility or ratepayer. See Southern States Utilities, Inc. v. Florida Public Service Commission, 704 So. 2d 555, 559 (Fla. 1st DCA 1997) (reversing the Commission for not granting a surcharge to Southern States for underpayment by ratepayers of erroneously granted rates); GTE, 668 So. 2d at 973 (“equity applies to both utilities and ratepayers when an erroneous rate order is entered” and “[i]t would clearly be inequitable for either utilities or ratepayers to benefit, thereby receiving a windfall, from an erroneous [Commission] order.”). Thus, correcting a defect in an interim rates order is not retroactive ratemaking. Moreover, based on the authority of GTE and Southern States, staff believes that the Commission has both the authority, and affirmative responsibility, to correct a defect in an interim rates order resulting in underpayment of rates due to a utility or overpayment by ratepayers.

Upon review of applicable case law, staff believes that neither administrative finality nor retroactive ratemaking apply to prevent the Commission from correcting the defect discovered in the Interim Rates Order or from granting the Utility a regulatory asset in the amount which it should have received absent a defect in that Order. Therefore, in order to correct the defect in the Interim Rates Order, staff recommends that the Utility should be allowed to recover its lost interim rates from these three systems in the form of a regulatory asset.

Consistent with the recommended interim refunds discussed in Issue 69, the lost interim revenues for the three systems discussed above, and an estimated cessation date for the interim collection period of two weeks after the final rate order in this case, staff recommends that total WAW regulatory assets for water and wastewater are \$517,327 and \$202,290 respectively. Accordingly, the total annual amortization amount for WAW is \$258,664 and \$101,145 for water and wastewater, respectively. Moreover, staff recommends that individual systems that generated the regulatory assets should be entitled to receive the benefit of the annual amortization of their respective regulatory assets. Annual amortization for the applicable systems are reflected on the respective Schedule 3-C. Furthermore, staff recommends that, upon the expiration of the two-year amortization period, the respective systems’ rates should be reduced across-the-board to remove the respectively grossed-up annual amortization of the regulatory assets.

The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. AUF should provide proof of the date notice was given no less than 10 days after the date of the notice.

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

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Issue 74: Should the Utility be allowed to make future index and pass through filings on a consolidated basis?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Docket No. 080121-WS
Date: February 11, 2009

Issue 75: Should the Utility's request to consolidate its in-state FPSC-regulated accounting, filing and reporting requirements from individual system bases to one combined set of books be allowed?

THIS ISSUE WILL BE ADDRESSED AT THE RATES AGENDA ON MARCH 17, 2009.

Issue 76:

Should this docket be closed?

Recommendation:

If the Commission's final order is not appealed, this docket should be closed upon staff's approval of the tariffs, verification of the required refunds, if any, and the expiration of the time for filing an appeal. (Jaeger)

Staff Analysis:

If the Commission's final order is not appealed, this docket should be closed upon staff's approval of the tariffs, verification of the required refunds, if any, and the expiration of the time for filing an appeal. (Jaeger)

STIPULATED ISSUES AND PARTIALLY STIPULATED ISSUES

ISSUE 5: Do any water systems have excessive unaccounted for water and, if so, what adjustments are necessary?

Stipulation: Yes. Pursuant to Rule 25-30.4325(1)(e), F.A.C., twenty six of the water systems have unaccounted for water in excess of 10 percent of the amount produced. A net adjustment of (\$15,887) should be made to Purchased Water, Purchased Power, Fuel for Power, Chemicals, and Materials and Supplies, as shown in the table below:

System	EUW Over 10%	Adjustments to Utility Balances					Net Adjustment
		Purchased Water	Purchased Power	Fuel for Power	Chemicals	Materials & Supplies	
Arredondo Estates/Farms	17.17%	\$0	(\$1,708)	\$0	(\$175)	\$322	(\$1,561)
Chuluota	2.40%	\$0	(\$806)	\$0	(\$861)	\$0	(\$1,667)
Haines Creek	2.10%	\$0	(\$38)	\$0	(\$10)	\$0	(\$47)
Hobby Hills	1.90%	\$0	(\$36)	\$0	(\$4)	\$0	(\$40)
Interlachen Lake/Park Manor	37.43%	\$0	(\$2,105)	\$190	(\$538)	\$1,061	(\$1,392)
Jasmine Lakes	4.25%	\$0	(\$751)	\$0	(\$665)	\$177	(\$1,239)
Lake Gibson Estates	2.20%	\$0	(\$531)	\$0	(\$52)	\$0	(\$583)
Lake Osborne	0.10%	(\$188)	(\$0)	\$0	\$0	\$0	(\$188)
Leisure Lakes	19.60%	\$0	(\$1,097)	\$55	(\$572)	\$130	(\$1,485)
Palms MHP	8.35%	\$0	(\$69)	\$2	(\$54)	\$74	(\$47)
Picciola Island	1.50%	\$0	(\$40)	\$0	(\$5)	\$0	(\$44)
Piney Woods/Spring Lake	1.80%	\$0	(\$73)	\$0	(\$31)		(\$104)
Pomona Park	0.20%	\$0	(\$8)	\$0	(\$1)	\$0	(\$9)
Sebring Lakes	23.09%	\$0	(\$2,309)	\$74	(\$2,232)	\$413	(\$4,054)
Silver Lake Est/Western Shores	1.00%	\$0	(\$603)	\$0	(\$35)	\$0	(\$638)
Summit Chase	47.67%	\$0	(\$2,148)	\$345	(\$358)	\$484	(\$1,676)
Sunny Hills	1.10%	\$0	(\$319)	\$0	(\$9)	\$0	(\$328)
Tangerine	1.30%	\$0	(\$121)	\$0	(\$57)	\$0	(\$178)
Tomoka/Twin Rivers	5.64%	\$0	(\$60)	\$29	(\$418)	\$279	(\$169)
Welaka/Saratoga Harbour	4.34%	\$0	(\$76)	\$0	(\$18)	\$89	(\$5)
Wootens	25.31%	\$0	(\$149)	\$0	(\$36)	\$175	(\$10)
Zephyr Shores	17.46%	\$0	(\$434)	\$0	(\$131)	\$143	(\$423)
Net Adjustments		(\$188)	(\$13,480)	\$695	(\$6,262)	\$3,347	(\$15,887)

In addition, adjustments for excessive unaccounted for water are reflected in the used and useful calculations.

Issue 6: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what adjustments are necessary? (Stipulated)

Stipulation: An infiltration and inflow adjustment should be made for Beecher's Point (38.85%), Florida Central Commerce Park (9%), Holiday Haven (12%), Jungle Den (37%), Rosalie Oaks (28%), and Summit Chase (22%). All of the appropriate adjustment have been made with the exception of Beecher's Point. Purchased water for Beecher's Point should be reduced by \$16,756. (TR 857)

Issue 7: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

Partial Stipulation: Stipulations were approved during the hearing for the following systems:

System	U & U Stipulation
48 Estates	100%
Carlton Village	95%
Gibsonia Estates	61%
Grand Terrace	100%
Haines Creek	100%
Harmony Homes	100%
Hermits Cove/St Johns Highlands	31%
Imperial Mobile Terrace	100%
Jasmine Lakes	100%
Kings Cove	100%
Lake Gibson	100%
Leisure Lakes	100%
Morningview	100%
Ocala Oaks	100%
Orange Hill/Sugar Creek	100%
Palm Port	100%
Palms Mobile Home Park	100%
Picciola Island	75%
Piney Woods/Spring Lake	100%
Pomona Park	100%
Quail Ridge	100%
Ravenswood	100%
River Grove	100%
Silver Lake Oaks	100%
Stone Mountain	100%
Summit Chase	100%
Sunny Hills	91%
Tangerine	100%
The Woods	100%

System	U & U Stipulation
Valencia Terrace	100%
Venetian Village	74%
Wootens	100%

(TR 76)

ISSUE 8: What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

Stipulation: Pursuant to Rule 25-30-4325(8), F.A.C., all of the water storage and related facilities are 100 percent used and useful.

Issue 9: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

Partial

Stipulation: Stipulations were approved during the hearing for the following systems:

System	U&U Stipulation
Holiday Haven	75%
Jasmine Lakes	100%
Lake Suzy	100%
Leisure Lakes	39%
Palm Port	58%
Palm Terrace	100%
Park Manor	100%
Silver Lake Oaks	42%
Sunny Hills	49%
Village Water	45%

(TR 76)

Issue 10: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

Partial

Stipulation: Stipulations were approved during the hearing for the following systems:

System	U&U Stipulation
48 Estates	85%
Carlton Village	47%
Chuluota	100%
East Lake Harris	100%
Fern Terrace	100%

System	U&U Stipulation
Friendly Center	100%
Grand Terrace	100%
Haines Creek	100%
Harmony Homes	100%
Hermits Cove	81%
Hobby Hills	100%
Holiday Haven	76%
Imperial Mobile Terrace	100%
Interlachen Lake Estates	83%
Jasmine Lakes	100%
Jungle Den	100%
Kings Cove	100%
Lake Gibson Estates	100%
Lake Osborne	100%
Lake Suzy	100%
Leisure Lakes	76%
Oakwood	97%
Ocala Oaks	100%
Palm Terrace	100%
Picciola Island	80%
Pomona Park	51%
Quail Ridge	100%
Sebring Lakes	7%
Silver Lake Oaks	68%
St. Johns Highlands	72%
Stone Mountain	54%
Summit Chase	100%
Sunny Hills	13%
Tangerine	60%
The Woods	46%
Welaka/Saratoga Harbor	49%

(TR 76)

Issue 11: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

Partial Stipulation: Stipulations were approved during the hearing for the following systems:

System	U & U Stipulation
Arredondo Farms	100%
Chuluota	100%
Holiday Haven	75%
Jasmine Lakes	100%
Kings Cove	100%
Lake Gibson Estates	100%
Lake Suzy	100%
Leisure Lakes	75%
Palm Port	88%
Palm Terrace	100%
Park Manor	100%
Silver Lake Oaks	66%
South Seas	100%
Summit Chase	100%
Sunny Hills	38%
The Woods	60%
Venetian Village	100%
Village Water	47%

(TR 76)

ISSUE 15: Should any adjustments be made to test year accumulated amortization of CIAC?

Stipulation: Yes. The following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Accum. Amort. of CIAC	\$8,891	Unsupported Balance
Ocala Oaks	Accum. Amort. of CIAC	(\$11,418)	Unsupported Balance
Tangerine	Accum. Amort. of CIAC	\$2,830	Correct for Duplicate Reduction
Water and Wastewater Systems			
Multiple Systems	Accum. Amort. of CIAC	(\$95,580)	Failure to Amortize CIAC Subaccounts.

(See AF 5)

ISSUE 26: What is the appropriate amount of customer deposits to include in the capital structure?

Stipulation: The appropriate 13-month average balance of customer deposits is \$217,122 on an aggregate basis. To correct an error in the test year deposit activity, customer deposits should be reduced by \$62,301. For Ravenswood, Rosalie Oaks, and Summit Chase, customer deposits should be reduced by \$42, \$172, and \$712. The adjustments to the Utility's other respective individual systems are reflected on Page 22 of 50 and Page 23 of 50 in Exhibit CJW-1 of the Direct Testimony Staff Witness Winston. (See AF 9)

ISSUE 33: Should any adjustments be made to remove out-of-period costs?

Stipulation: Yes. To remove prior period expenses, allocated expense from Aqua America, Inc. totaling \$12,255 should be disallowed in this rate proceeding. The respective individual system adjustments are reflected on Page 26 of 50 and Page 27 of 50 in Exhibit CJW-1 of the Direct Testimony Staff Witness Winston. In addition, the following adjustments should be made:

System	Account	Adjustment	Reason for Adj.
Water			
Lake Suzy	Purchased Water	(\$20,531)	Out of Period Expense
Morningview	Chemicals	(\$50)	Out of Period Expense
Wastewater Systems			
Rosalie Oaks	Contractual Services – Testing	(\$120)	Out of Period Expense
Lake Suzy	Contractual Services – Testing	(\$190)	Out of Period Expense
Lake Suzy	Rental of Building / Real Property	(\$15,833)	Out of Period Expense
Florida Central Commerce Park	Materials & Supplies	(\$302)	Out of Period Expense
Lake Suzy	Contractual Services – Other	(\$941)	Out of Period Expense
Morningview	Purchased Power	(\$73)	Out of Period Expense
Village Water	Chemicals	(\$110)	Out of Period Expense

(See AF 10, 16)

ISSUE 35: Should any adjustments be made to disallow fines and penalties assessed to the Utility?

Stipulation: Yes. To correct a misclassification of fines and penalties incurred by the Utility, miscellaneous Expense should be reduced by \$61,736 for water and \$23,215 for wastewater. The respective individual system adjustments are reflected on Page 37 of 50 in Exhibit CJW-1 of the Direct Testimony Staff Witness Winston. (See AF 13)

ISSUE 37: Should any adjustment be made for abnormal relocation expenses?

Stipulation: Yes. Relocation expenses should be reduced by \$14,228 to normalize the test year expense level.

ISSUE 47: Should any adjustments be made to legal expenses? (Stipulated)

Stipulation: Legal expenses incorrectly booked to Village Water in the amount of \$25,572 should be removed. These expenses should have been charged to Jasmine Lakes, however, the amount should be amortized over five years. Jasmine Lakes' legal expenses should be increased by \$5,142.

ISSUE 56: Should any adjustments be made to test year amortization of CIAC expense?

Stipulation: Yes. Amortization of CIAC should be increased by \$176,456, which is reflected as a decrease to depreciation expense. In addition, the company's reduction to amortization of CIAC on non-used and useful depreciation expense should be removed. This reflects a total decrease to depreciation expense of \$12,368 for water and \$126 for wastewater.

Stipulations based on Audit Findings

1. To reflect prior order balances for the Lake Osborne Estates water system, plant in service, accumulated depreciation, and depreciation expense should be reduced by \$3,289, \$941, and \$84, respectively. (AF 4)
2. To remove an unsupported balance for the Arredondo Estates/Farms water system, accumulated depreciation should be reduced by \$16,992. (AF 4)
3. To remove an unsupported balance for the Jasmine Lakes water system, accumulated depreciation should be reduced by \$35,249. (AF 4)
4. To correct a misclassification of expense related to replacing transmission and distribution equipment for the Imperial Mobile Terrace water system, Contractual Services – Other should be reduced by \$4,986, Transmission and Distribution – Mains should be increased by \$1,247, depreciation expense and accumulated depreciation should both be increased by \$58. (AF 11)

5. To correct a misclassification of expense related to an abandoned preliminary engineering study project for the Lake Suzy wastewater system, Contractual Services – Engineering should be reduced by \$2,695. (AF 15)
6. To correct a misclassification of expenses for Village Water wastewater system related to an abandoned wastewater treatment plant permit, Contractual Services – Other should be reduced by \$11,841. (AF 17)

Issue 7 – Water Treatment and Related Facilities

System	FRC	Demand	EUW	FF	Growth	U&U%
48 Estates*						100.00
Arredondo Estates (gpm)	120	140	34	0	1.00	100.00
Arredondo Farms (gpm)	250	172	0	0	1.00	100.00
Carlton Village*						95.00
Chuluota (gpd)	1,200,000	839,900	11,967	90,000	1.25	93.74
East Lake Harris/Friendly Cen (gpm)	100	49	0	0	1.00	100.00
Fern Terrace (gpm)	180	98	0	0	1.00	100.00
Gibsonia Estates*						61.00
Grand Terrace*						100.00
Haines Creek*						100.00
Harmony Homes*						100.00
Hermits Cove/St. Johns Highlands*						31.00
Hobby Hills (gpm)	150	56	1	0	1.04	100.00
Imperial Mobile Terrace*						100.00
Interlachen (gpd)	172,800	185,200	24,035	0	1.00	100.00
Jasmine Lakes*						100.00
Kings Cove*						100.00
Lake Gibson Estates*						100.00
Lake Josephine (gpd)	300,000	259,000	0	0	1.06	91.51
Leisure Lake*						100.00
Morningview*						100.00
Ocala Oaks*						100.00
Orange Hill/Sugar Creek*						100.00
Palm Port*						100.00
Palms Mobile Home Park*						100.00
Picciola Island*						75.00
Piney Woods/Spring Lake*						100.00
Pomona Park*						100.00
Quail Ridge*						100.00
Ravenswood*						100.00
River Grove*						100.00
Rosalie Oaks (gpm)	250	24	0	500	1.00	100.00
Sebring Lakes (gpd)	796,800	297,500	10,666	0	1.25	45.00
Silver Lake Est/Western Shore (gpd)	1,944,000	1,670,000	9,548	60,000	1.06	93.71
Silver Lake Oaks*						100.00
Skycrest (gpm)	175	109	0	500	1.01	100.00
Stone Mountain*						100.00
Summit Chase*						100.00
Sunny Hills*						91.00
Tangerine*						100.00
The Woods*						100.00
Tomoka (gpd)	264,000	98,012	4,463	0	1.00	100.00
Twin River (gpd)	257,280	71,600	4,432	0	1.00	100.00
Valencia Terrace*						100.00
Venetian Village*						74.00
Welaka/Saratoga (gpd)	72,960	57,210	908	0	1.00	79.72
Wooten*						100.00
Zephyr Shores (gpm)	530	110	8	0	1.00	100.00

* Stipulated

Issue 8 – Storage

System	U&U%
Chuluota*	100.00
Hermits Cove/St. Johns Highlands*	100.00
Interlachen/Park Manor*	100.00
Jasmine Lakes*	100.00
Lake Josephine/Sebring Lakes*	100.00
Leisure Lakes*	100.00
Piney Woods/Spring Lake*	100.00
Silver Lake Estates/Western Shores*	100.00
Silver Lake Oaks*	100.00
Summit Chase*	100.00
Sunny Hills*	100.00
Tomoka/Twin River*	100.00
Welaka/Saratoga*	100.00

*Stipulated

Issue 9 – Wastewater Treatment and Related Facilities

System	Capacity	Demand	I/I	Growth	U&U%
Arredondo Farms	60,000	46,000	0	1.00	100.00
Chuluota	400,000	113,170	0	1.25	35.63
Fl Central Commerce Park	95,000	43,945	0	1.00	100.00
Holiday Haven*					75.00
Jasmine Lakes*					100.00
Jungle Den	21,000	14,819	4,598	1.03	100.00
Kings Cove	55,000	30,107	0	1.01	100.00
Lake Suzy*					100.00
Leisure Lakes*					39.00
Morningview	20,000	5,485	0	1.00	100.00
Palm Port*					58.00
Palm Terrace*					100.00
Park Manor*					100.00
Rosalie Oaks	15,000	13,600	2,926	1.00	100.00
Silver Lake Oaks*					42.00
South Seas	264,000	122,603	0	1.00	100.00
Summit Chase	54,000	28,600	6,098	1.00	100.00
Sunny Hills*					49.00
The Woods	15,000	13,440	0	1.00	100.00
Valencia Terrace	80,000	36,792	0	1.01	100.00
Venetian Village	36,000	10,444	0	1.05	100.00
Village Water*					45.00

*Stipulated

Issue 10 – Water Distribution and Related Facilities

System	2012	Total	Growth	U&U%
48 Estates*				85.00
Arredondo	736	737	1.00	100.00
Beecher's Point	49	78	1.00	100.00
Carlton Village*				47.00
Chuluota*				100.00
East Lake Harris*				100.00
Fern Terrace*				100.00
Friendly Center*				100.00
Gibsonia Estates	290	311	1.05	100.00
Grand Terrace*				100.00
Haines Creek*				100.00
Harmony Homes*				100.00
Hermits Cove*				81.00
Hobby Hills*				100.00
Holiday Haven*				76.00
Imperial Mobile Terrace*				100.00
Interlachen Lake Estates*				83.00
Jasmine Lakes*				100.00
Jungle Den*				100.00
Kings Cove*				100.00
Kingswood	67	67	1.00	100.00
Lake Gibson Estates*				100.00
Lake Josephine	626	731	1.06	85.65
Lake Osborne*				100.00
Lake Suzy*				100.00
Leisure Lakes*				76.00
Morningview	61	61	1.00	100.00
Oakwood*				97.00
Ocala Oaks*				100.00
Orange Hill/Sugar Creek	255	265	1.00	100.00
Palm Port	106	116	1.00	100.00
Palms Mobile Home Park	70	80	1.00	87.73
Palm Terrace*				100.00
Picciola Island*				80.00
Piney Woods/Spring Lake	195	214	1.02	100.00
Pomona Park*				51.00
Quail Ridge*				100.00
Ravenswood	53	55	1.07	100.00
River Grove	108	113	1.01	100.00
Rosalie Oaks	119	123	1.00	100.00
Sebring Lakes*				7.00
Silver Lake Estate/Western Shores	4129	4044	1.06	100.00
Silver Lake Oaks*				68.00
Skycrest	143	160	1.01	100.00

*Stipulated

System	2012	Total	Growth	U&U%
St. Johns Highlands*				72.00
Stone Mountain*				54.00
Summit Chase*				100.00
Sunny Hills*				13.00
Tangerine*				60.00
The Woods*				46.00
Tomoka/Twin River	283	291	1.00	100.00
Valencia Terrace	345	358	1.00	100.00
Venetian Village	163	224	1.10	72.63
Village Water	564	791	1.00	100.00
Welaka/Saratoga Harbor*				49.00
Wootens	39	60	1.10	65.66
Zephyr Shores	527	534	1.00	100.00

*Stipulated

Issue 11 – Wastewater Collection and Related Facilities

System	2012	Total	Growth	U&U%
Arredondo Farms*				100.00
Beecher's Point	20	57	1.00	100.00
Chuluota*				100.00
Fl Central Commerce Park	41	50	1.00	100.00
Holiday Haven*				75.00
Jasmine Lakes*				100.00
Jungle Den	157	171	1.03	100.00
Kings Cove*				100.00
Lake Gibson Estates*				100.00
Lake Suzy*				100.00
Leisure Lakes*				75.00
Morningview	42	42	1.00	100.00
Palm Port*				88.00
Palm Terrace*				100.00
Park Manor*				100.00
Rosalie Oaks	119	123	1.00	100.00
Silver Lake Oaks*				66.00
South Seas*				100.00
Summit Chase*				100.00
Sunny Hills*				38.00
The Woods*				60.00
Valencia Terrace	348	359	1.01	100.00
Venetian Village*				100.00
Village Water*				47.00
Zephyr Shores	522	533	1.00	100.00

*Stipulated

Aqua Utilities Florida, Inc. Schedule of Interim Refunds Test Year Ended December 31, 2007						
SUMMARY OF OPERATING REVENUES BY SYSTEM	Staff Recommended Revenue Req.	Recommended Grossed-Up RC Expense	Staff Interim Period Rev. Req.	Interim Rev. Req. Per Order	Calculated Interim Excess	Refund Percentage
ARREDONDO ESTATES/FARMS - WATER	\$253,343	\$8,250	\$245,093	\$236,599	(\$8,494)	No Refund
ARREDONDO ESTATES/FARMS - WASTEWATER	190,584	4,789	185,795	175,785	(10,010)	No Refund
BEECHER'S POINT - WATER	80,455	739	79,716	58,156	(21,560)	No Refund
BEECHER'S POINT - WASTEWATER	101,504	252	101,251	90,900	(10,351)	No Refund
CARLTON VILLAGE - WATER	104,544	4,066	100,477	78,586	(21,891)	No Refund
CHULUOTA - WATER	945,088	23,238	921,850	877,751	(44,099)	No Refund
CHULUOTA - WASTEWATER	624,310	9,745	614,565	833,112	218,547	26.23%
EAST LAKE HARRIS ESTATES - WATER	119,685	2,907	116,778	99,283	(17,495)	No Refund
FERN TERRACE - WATER	59,572	2,067	57,506	51,841	(5,664)	No Refund
FLORIDA CENTRAL COMMERCE PARK - WASTEWATER	387,868	991	386,877	298,278	(88,599)	No Refund
FRIENDLY CENTER - WATER	17,180	487	16,693	22,372	5,679	25.38%
GIBSONIA ESTATES - WATER	99,411	3,159	96,252	89,045	(7,207)	No Refund
GRAND TERRACE - WATER	57,701	1,815	55,887	51,952	(3,935)	No Refund
HAINES CREEK - WATER	41,997	1,764	40,233	37,584	(2,649)	No Refund
HARMONY HOMES - WATER	50,842	991	49,851	35,223	(14,628)	No Refund
HERMITS COVE - WATER	126,766	2,840	123,926	115,891	(8,035)	No Refund
HOBBY HILLS - WATER	48,213	1,647	46,566	43,234	(3,332)	No Refund
HOLIDAY HAVEN - WATER	72,094	1,999	70,094	64,806	(5,288)	No Refund
HOLIDAY HAVEN - WASTEWATER	136,894	1,764	135,130	112,566	(22,565)	No Refund
IMPERIAL MOBILE TERRACE - WATER	100,703	4,033	96,670	90,215	(6,455)	No Refund
INTERLACHEN LAKES ESTATES - WATER	100,320	4,352	95,968	81,803	(14,164)	No Refund
J. SWIDERSKI - 48 ESTATES - WATER	53,211	1,428	51,783	48,127	(3,656)	No Refund
J. SWIDERSKI - KINGS COVE - WATER	76,735	3,411	73,324	70,467	(2,857)	No Refund
J. SWIDERSKI - KINGS COVE - WASTEWATER	90,054	3,276	86,778	86,756	(22)	No Refund
J. SWIDERSKI - SUMMIT CHASE - WATER	80,053	3,528	76,525	80,536	4,012	4.98%
J. SWIDERSKI - SUMMIT CHASE - WASTEWATER	62,663	3,512	59,151	59,713	562	0.94%
JASMINE LAKES - WATER	463,648	24,565	439,083	376,634	(62,449)	No Refund
JASMINE LAKES - WASTEWATER	930,242	24,431	905,811	738,840	(166,971)	No Refund
JUNGLE DEN - WATER	45,169	1,899	43,270	44,213	943	2.13%
JUNGLE DEN - WASTEWATER	119,469	2,285	117,184	85,559	(31,625)	No Refund
KINGSWOOD - WATER	39,409	958	38,451	47,025	8,574	18.23%
LAKE GIBSON ESTATES - WATER	323,443	13,375	310,068	276,229	(33,839)	No Refund
LAKE GIBSON ESTATES - WASTEWATER	648,320	5,192	643,128	571,341	(71,787)	No Refund
LAKE JOSEPHINE - WATER	318,548	9,191	309,357	215,171	(94,186)	No Refund
LAKE OSBORNE ESTATES - WATER	302,085	7,595	294,491	292,437	(2,054)	No Refund
LAKE SUZY - WATER	416,239	9,140	407,099	415,636	8,537	2.05%
LAKE SUZY - WASTEWATER	315,086	4,268	310,818	270,835	(39,984)	No Refund
LEISURE LAKES - WATER	111,660	4,453	107,207	99,782	(7,425)	No Refund
LEISURE LAKES - WASTEWATER	71,784	4,385	67,399	89,334	21,935	24.55%
MORNINGVIEW - WATER	39,638	571	39,067	28,655	(10,412)	No Refund
MORNINGVIEW - WASTEWATER	43,089	571	42,517	31,170	(11,347)	No Refund
OAKWOOD - WATER	144,735	3,344	141,392	138,487	(2,904)	No Refund
OCALA OAKS - WATER	841,404	29,488	811,916	711,302	(100,614)	No Refund
ORANGE HILL / SUGAR CREEK - WATER	110,377	3,881	106,496	102,458	(4,038)	No Refund
PALM PORT - WATER	63,384	1,764	61,619	44,780	(16,839)	No Refund
PALM PORT - WASTEWATER	88,623	1,747	86,875	59,818	(27,057)	No Refund
PALM TERRACE - WATER	671,791	18,583	653,208	486,394	(166,814)	No Refund
PALM TERRACE - WASTEWATER	450,244	16,080	434,164	402,439	(31,725)	No Refund
PALMS MOBILE HOME PARK - WATER	40,579	958	39,621	34,236	(5,385)	No Refund
PARK MANOR - WASTEWATER	36,023	437	35,586	35,116	(470)	No Refund
PICCIOLA ISLAND - WATER	53,394	2,369	51,025	47,262	(3,762)	No Refund
PINEY WOODS - WATER	105,425	2,890	102,535	98,288	(4,247)	No Refund
POMONA PARK - WATER	99,462	2,588	96,874	98,061	1,187	1.21%
QUAIL RIDGE - WATER	42,483	1,529	40,954	25,801	(15,153)	No Refund
RAVENSWOOD - WATER	25,786	739	25,047	19,328	(5,718)	No Refund
RIVER GROVE - WATER	50,862	1,798	49,064	47,533	(1,531)	No Refund
ROSALIE OAKS - WATER	43,364	1,428	41,936	36,995	(4,941)	No Refund
ROSALIE OAKS - WASTEWATER	109,977	1,428	108,548	51,433	(57,116)	No Refund
SEBRING LAKES - WATER	106,519	1,109	105,411	34,793	(70,617)	No Refund
SILVER LAKE ESTATE / WESTERN SHORES - WATER	698,373	26,783	671,590	521,432	(150,158)	No Refund
SILVER LAKE OAKS - WATER	42,174	437	41,737	34,178	(7,559)	No Refund
SILVER LAKE OAKS - WASTEWATER	46,888	437	46,451	35,022	(11,429)	No Refund
SKYCREST - WATER	66,504	1,983	64,522	44,887	(19,635)	No Refund
SOUTH SEAS - WASTEWATER	789,805	1,008	788,796	712,659	(76,137)	No Refund
ST. JOHNS HIGHLANDS - WATER	22,553	1,613	20,940	21,166	226	1.07%
STONE MOUNTAIN - WATER	13,930	168	13,762	8,984	(4,777)	No Refund
SUNNY HILLS - WATER	296,786	9,325	287,461	212,686	(74,775)	No Refund
SUNNY HILLS - WASTEWATER	131,365	2,705	128,660	91,749	(36,911)	No Refund
TANGERINE - WATER	138,295	4,285	134,010	106,744	(27,267)	No Refund
THE WOODS - WATER	74,450	924	73,525	33,017	(40,508)	No Refund
THE WOODS - WASTEWATER	65,126	857	64,269	54,317	(9,952)	No Refund

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Aqua Utilities Florida, Inc. Schedule of Interim Refunds Test Year Ended December 31, 2007							
SUMMARY OF OPERATING REVENUES BY SYSTEM	Staff Recommended Revenue Req.	Recommended Grossed-Up RC Expense	Staff Interim Period Rev. Req.	Interim Rev. Req. Per Order	Calculated Interim Excess	Refund Percentage	
TOMOKA - WATER	171,866	4,436	167,431	148,556	(18,875)	No Refund	
VALENCIA TERRACE - WATER	135,123	5,629	129,494	113,614	(15,880)	No Refund	
VALENCIA TERRACE - WASTEWATER	173,130	5,511	167,618	156,085	(11,533)	No Refund	
VENETIAN VILLAGE - WATER	75,505	2,672	72,833	66,803	(6,031)	No Refund	
VENETIAN VILLAGE - WASTEWATER	74,034	1,596	72,437	65,220	(7,217)	No Refund	
VILLAGE WATER - WATER	203,927	2,655	201,272	175,064	(26,208)	No Refund	
VILLAGE WATER - WASTEWATER	218,266	571	217,695	251,269	33,574	13.36%	
WELAKA / SARATOGA HARBOUR - WATER	81,620	2,436	79,184	70,976	(8,208)	No Refund	
WOOTENS - WATER	30,132	470	29,662	25,962	(3,699)	No Refund	
ZEPHYR SHORES - WATER	159,841	7,242	152,600	142,899	(9,700)	No Refund	
ZEPHYR SHORES - WASTEWATER	170,169	7,259	162,911	105,446	(57,464)	No Refund	
TOTAL	\$15,233,911	\$393,091	\$14,840,820	\$13,146,706	(\$1,694,115)		

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Aqua UtilitiesFlorida, Inc.		Schedule No. 1-A									
Capital Structure		Docket No. 080121-WS									
Test Year Ended 12/31/07											
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost			
Per Utility											
1 Long-term Debt	\$ 11,043,615	\$0	\$11,043,615	\$0	\$11,043,615	36.34%	5.10%	1.85%			
2 Short-term Debt	0	0	0	0	0	0.00%	5.90%	0.00%			
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%			
4 Common Equity	18,254,669	0	18,254,669	0	18,254,669	60.06%	10.25% *	6.16%			
5 Customer Deposits	276,828	0	276,828	0	276,828	0.91%	6.00%	0.05%			
6 Deferred Income Taxes	818,282	0	818,282	0	818,282	2.69%	0.00%	0.00%			
7 Total Capital	\$30,393,394	\$0	\$30,393,394	\$0	\$30,393,394	100.00%		8.06%			
Per Staff											
8 Long-term Debt	\$11,043,615	\$0	\$11,043,615	(\$841,220)	\$10,202,395	35.24%	5.10%	1.80%			
9 Short-term Debt	0	0	0	0	0	0.00%	5.90%	0.00%			
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%			
11 Common Equity	18,254,669	0	18,254,669	(1,390,505)	16,864,164	58.25%	10.27%	5.98%			
12 Customer Deposits	276,828	0	276,828	0	276,828	0.96%	6.00%	0.06%			
13 Deferred Income Taxes	818,282	790,175	1,608,457	0	1,608,457	5.56%	0.00%	0.00%			
14 Total Capital	\$30,393,394	\$790,175	\$31,183,569	(\$2,231,725)	\$28,951,844	100.00%		7.84%			
						LOW	HIGH				
						RETURN ON EQUITY	9.27%	11.27%			
						OVERALL RATE OF RETURN	7.25%	8.42%			

*AUF requested the return indicated by latest leverage formula of 10.77 percent in lieu of the 10.25 percent that was listed in the MFRs.

Aqua UtilitiesFlorida, Inc.										
Capital Structure - Chuluota and The Woods Water Systems										
Test Year Ended 12/31/07										
Schedule No. 1-B										
Docket No. 080121-WS										
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost		
Per Utility										
1 Long-term Debt	\$11,043,615	\$0	\$11,043,615	\$0	\$11,043,615	36.34%	5.10%	1.85%		
2 Short-term Debt	0	0	0	0	0	0.00%	5.90%	0.00%		
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%		
4 Common Equity	18,254,669	0	18,254,669	0	18,254,669	60.06%	10.25% *	6.16%		
5 Customer Deposits	276,828	0	276,828	0	276,828	0.91%	6.00%	0.05%		
6 Deferred Income Taxes	818,282	0	818,282	0	818,282	2.69%	0.00%	0.00%		
7 Total Capital	\$30,393,394	\$0	\$30,393,394	\$0	\$30,393,394	100.00%		8.06%		
Per Staff										
8 Long-term Debt	\$11,043,615	\$0	\$11,043,615	(\$841,220)	\$10,202,395	35.24%	5.10%	1.80%		
9 Short-term Debt	0	0	0	0	0	0.00%	5.90%	0.00%		
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%		
11 Common Equity	18,254,669	0	18,254,669	(1,390,505)	16,864,164	58.25%	10.02%	5.84%		
12 Customer Deposits	276,828	0	276,828	0	276,828	0.96%	6.00%	0.06%		
13 Deferred Income Taxes	818,282	790,175	1,608,457	0	1,608,457	5.56%	0.00%	0.00%		
14 Total Capital	\$30,393,394	\$790,175	\$31,183,569	(\$2,231,725)	\$28,951,844	100.00%		7.69%		
						LOW		HIGH		
						RETURN ON EQUITY	9.02%	11.02%		
						OVERALL RATE OF RETURN	7.11%	8.27%		

*AUF requested the return indicated by latest leverage formula of 10.77 percent in lieu of the 10.25 percent that was listed in the MFRs.

Aqua Utilities Florida, Inc.
Schedule of Revenue Requirements & Revenue Increases
Test Year Ended December 31, 20007

SYSTEM NAME	Water				Wastewater			
	Adjusted Test Year Revenues	Staff Recomm. \$ Increase	Staff Recomm. % Increase	Staff Recomm. Rev. Req.	Adjusted Test Year Revenues	Staff Recomm. \$ Increase	Staff Recomm. % Increase	Staff Recomm. Rev. Req.
1 ARREDONDO ESTATES/FARMS	\$154,204	\$99,139	64.29%	\$253,343	\$101,355	\$89,229	88.04%	\$190,584
2 BEECHER'S POINT	25,970	54,485	209.80%	80,455	17,067	84,437	494.74%	101,504
3 CARLTON VILLAGE	119,503	(14,959)	-12.52%	104,544				
4 CHULUOTA	774,346	170,742	22.05%	945,088	524,153	100,157	19.11%	624,310
5 EAST LAKE HARRIS ESTATES	41,965	77,720	185.20%	119,685				
6 FERN TERRACE	48,543	11,029	22.72%	59,572				
7 FLORIDA CENTRAL COMMERCE PARK					151,289	236,580	156.38%	387,868
8 FRIENDLY CENTER	12,324	4,856	39.40%	17,180				
9 GIBSONIA ESTATES	24,692	74,719	302.60%	99,411				
10 GRAND TERRACE	33,299	24,402	73.28%	57,701				
11 HAINES CREEK	22,096	19,901	90.07%	41,997				
12 HARMONY HOMES	30,322	20,520	67.67%	50,842				
13 HERMITS COVE	43,803	82,963	189.40%	126,766				
14 HOBBY HILLS	25,365	22,848	90.07%	48,213				
15 HOLIDAY HAVEN	37,699	34,395	91.24%	72,094	53,514	83,380	155.81%	136,894
16 IMPERIAL MOBILE TERRACE	52,209	48,494	92.88%	100,703				
17 INTERLACHEN LAKES/PARK MANOR	76,019	24,301	31.97%	100,320	14,924	21,099	141.38%	36,023
18 J. SWIDERSKI - 48 ESTATES	30,831	22,380	72.59%	53,211				
19 J. SWIDERSKI - KINGS COVE	61,952	14,783	23.86%	76,735	73,322	16,732	22.82%	90,054
20 J. SWIDERSKI - SUMMIT CHASE	43,212	36,841	85.26%	80,053	41,772	20,891	50.01%	62,663
21 JASMINE LAKES	459,916	3,732	0.81%	463,648	370,682	559,560	150.95%	930,242
22 JUNGLE DEN	17,205	27,964	162.53%	45,169	38,350	81,119	211.52%	119,469
23 KINGSWOOD	15,592	23,817	152.75%	39,409				
24 LAKE GIBSON ESTATES	141,805	181,637	128.09%	323,443	97,052	551,268	568.01%	648,320
25 LAKE JOSEPHINE	125,915	192,633	152.99%	318,548				
26 LAKE OSBORNE ESTATES	112,140	189,945	169.38%	302,085				
27 LAKE SUZY	328,443	87,796	26.73%	416,239	370,901	(55,815)	-15.05%	315,086
28 LEISURE LAKES	56,721	54,939	96.86%	111,660	68,366	3,418	5.00%	71,784
29 MORNINGVIEW	17,458	22,180	127.05%	39,638	21,561	21,528	99.85%	43,089
30 OAKWOOD	54,442	90,294	165.85%	144,735				
31 OCALA OAKS	513,267	328,137	63.93%	841,404				
32 ORANGE HILL / SUGAR CREEK	51,821	58,556	113.00%	110,377				
33 PALM PORT	36,136	27,248	75.40%	63,384	58,477	30,146	51.55%	88,623
34 PALM TERRACE	316,443	355,348	112.29%	671,791	381,537	68,707	18.01%	450,244
35 PALMS MOBILE HOME PARK	11,234	29,345	261.21%	40,579				
36 PICCIOLA ISLAND	52,569	825	1.57%	53,394				
37 PINEY WOODS	78,023	27,402	35.12%	105,425				
38 POMONA PARK	60,020	39,442	65.71%	99,462				
39 QUAIL RIDGE	45,857	(3,374)	-7.36%	42,483				
40 RAVENSWOOD	15,029	10,757	71.57%	25,786				
41 RIVER GROVE	36,470	14,392	39.46%	50,862				
42 ROSALIE OAKS	13,999	29,365	209.77%	43,364	27,147	82,830	305.12%	109,977
43 SEBRING LAKES	16,444	90,075	547.77%	106,519				
44 SILVER LAKE EST/WESTERN SHORES	533,262	165,111	30.96%	698,373				
45 SILVER LAKE OAKS	13,299	28,875	217.12%	42,174	18,699	28,189	150.75%	46,888
46 SKYCREST	52,052	14,452	27.77%	66,504				
47 SOUTH SEAS					421,474	368,331	87.39%	789,805
48 ST. JOHNS HIGHLANDS	25,122	(2,569)	-10.22%	22,553				
49 STONE MOUNTAIN	4,998	8,932	178.70%	13,930				
50 SUNNY HILLS	273,209	23,577	8.63%	296,786	84,630	46,735	55.22%	131,365
51 TANGERINE	73,357	64,938	88.52%	138,295				
52 THE WOODS	23,194	51,256	220.99%	74,450	20,076	45,050	224.39%	65,126
53 TOMOKA	47,370	124,496	262.82%	171,866				
54 VALENCIA TERRACE	92,958	42,165	45.36%	135,123	240,521	(67,391)	-28.02%	173,130
55 VENETIAN VILLAGE	58,110	17,395	29.93%	75,505	49,440	24,594	49.74%	74,034
56 VILLAGE WATER	100,253	103,674	103.41%	203,927	93,632	124,634	133.11%	218,266
57 WELAKA / SARATOGA HARBOUR	46,469	35,151	75.64%	81,620				
58 WOOTENS	7,077	23,055	325.78%	30,132				
59 ZEPHYR SHORES	76,964	82,877	107.68%	159,841	133,059	37,110	27.89%	170,169
TOTAL	\$5,662,997	\$3,495,398	61.72%	\$9,158,396	\$3,472,999	\$2,602,517	74.94%	\$6,075,516

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AUF/Arredondo Estates-Farms Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$483,298	\$43,272	\$526,570	(\$4,191)	\$522,379	
2 Land and Land Rights	2,960	0	2,960	0	2,960	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(233,153)	(3,335)	(236,488)	16,163	(220,325)	
5 CIAC	(16,697)	0	(16,697)	0	(16,697)	
6 Amortization of CIAC	12,851	295	13,146	0	13,146	
7 Working Capital Allowance	0	63,469	63,469	(23,468)	40,001	
8 Rate Base	\$249,259	\$103,701	\$352,960	(\$11,496)	\$341,464	

AUF/Arredondo Estates-Farms Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$284,921	\$25,792	\$310,713	(\$2,579)	\$308,134
2 Land and Land Rights	7,232	0	7,232	0	7,232
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(191,827)	(5,887)	(197,714)	(481)	(198,195)
5 Working Capital Allowance	0	37,216	37,216	(14,582)	22,634
6 Rate Base	\$100,326	\$57,121	\$157,447	(\$17,642)	\$139,805

AUF/Arredondo Estates-Farms Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	<u>(\$4,191)</u>	<u>(\$2,579)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect app. Acc. Dep for Pro forma Corporate IT (Issue 4)	(\$829)	(\$481)	
2 Stipulated Issue 56.	<u>16,992</u>	<u>0</u>	
Total	<u>\$16,163</u>	<u>(\$481)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$23,468)</u>	<u>(\$14,582)</u>	

Schedule No. 4-A Docket No. 080121-WS		AUF/Arredondo Estates-Farms Statement of Water Operations Test Year Ended 12/31/07									
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement				
1 Operating Revenues:	<u>\$153,414</u>	<u>\$118,610</u>	<u>\$272,024</u>	<u>(\$117,820)</u>	<u>\$154,204</u>	<u>\$99,139</u> 64.29%	<u>\$253,343</u>				
Operating Expenses											
2 Operation & Maintenance	\$160,259	\$20,442	\$180,701	(\$14,340)	\$166,361		\$166,361				
3 Depreciation	20,260	2,849	23,109	(197)	22,912		22,912				
4 Amortization	0	0	0	0	0		0				
5 Taxes Other Than Income	14,635	11,468	26,103	(5,578)	20,525	4,461	24,986				
6 Income Taxes	(16,101)	29,550	13,449	(36,752)	(23,303)	35,627	12,324				
7 Total Operating Expense	<u>\$179,053</u>	<u>\$64,309</u>	<u>\$243,362</u>	<u>(\$56,867)</u>	<u>\$186,495</u>	<u>\$40,089</u>	<u>\$226,584</u>				
8 Operating Income	<u>(\$25,639)</u>	<u>\$54,301</u>	<u>\$28,662</u>	<u>(\$60,953)</u>	<u>(\$32,291)</u>	<u>\$59,051</u>	<u>\$26,760</u>				
9 Rate Base	<u>\$249,259</u>		<u>\$352,960</u>		<u>\$341,464</u>		<u>\$341,464</u>				
10 Rate of Return	<u>-10.29%</u>		<u>8.12%</u>		<u>-9.46%</u>		<u>7.84%</u>				

AUI/Arredondo Estates-Farms		Schedule No. 4-B					
Statement of Wastewater Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$102,046	\$103,050	\$205,096	(\$103,741)	\$101,355	\$89,229	\$190,584
Operating Expenses						88.04%	
2 Operation & Maintenance	\$130,701	\$24,997	\$155,698	(\$10,989)	\$144,709		\$144,709
3 Depreciation	7,578	9,941	17,519	(131)	17,388		17,388
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	3,882	9,419	13,301	(4,831)	8,470	4,015	12,485
6 Income Taxes	(15,474)	21,368	5,894	(32,914)	(27,020)	32,066	5,046
7 Total Operating Expense	\$126,687	\$65,725	\$192,412	(\$48,866)	\$143,546	\$36,081	\$179,628
8 Operating Income	(\$24,641)	\$37,325	\$12,684	(\$54,876)	(\$42,192)	\$53,148	\$10,956
9 Rate Base	\$100,326		\$157,447		\$139,805		\$139,805
10 Rate of Return	-24.56%		8.06%		-30.18%		7.84%

AUF/Arredondo Estates-Farms Adjustment to Operating Income Test Year Ended 12/31/07		Schedule No. 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
Operating Revenues			
1 Remove requested final revenue increase.	(\$118,918)	(\$103,753)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	12	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	1,098	0	
Total	<u>(\$117,820)</u>	<u>(\$103,741)</u>	
Operation and Maintenance Expenses			
1 Stipulated Issue 5.	(\$1,561)	\$0	
2 Stipulated Issue 33.	(169)	(98)	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(204)	(308)	
4 Stipulated Issue 37.	(299)	(173)	
5 To remove image enhancing advertising expense. (Issue 38)	(15)	(8)	
6 To remove lobbying and acquisition expense. (Issue 39)	(685)	(398)	
7 To remove executive risk insurance expenses. (Issue 40)	(171)	(99)	
8 To remove below-the-line expenses. (Issue 48)	(1,165)	(676)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(2,103)	(4,444)	
10 To reflect the appropriate rate case expense. (Issue 52)	(363)	(339)	
11 To reflect appropriate normalization adjustments. (Issue 53)	(1,162)	(674)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(6,443)	(3,771)	
Total	<u>(\$14,340)</u>	<u>(\$10,989)</u>	
Depreciation Expense			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$81	\$35	
2 To reflect the appropriate test year depreciation expense. (Issue 55)	(278)	(166)	
Total	<u>(\$197)</u>	<u>(\$131)</u>	
Taxes Other Than Income			
1 RAFs on revenue adjustments above.	(\$5,302)	(\$4,668)	
2 To remove below-the-line payroll taxes. (Issue 48)	(89)	(52)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	(1)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(119)	(69)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	(67)	(41)	
Total	<u>(\$5,578)</u>	<u>(\$4,831)</u>	
Income Taxes			
To adjust to test year income tax expense.	<u>(\$36,752)</u>	<u>(\$32,914)</u>	

AUF/Beecher's Point Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$182,548	\$6,023	\$188,571	(\$9,277)	\$179,294
2 Land and Land Rights	15,000	0	15,000	0	15,000
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(57,235)	7,960	(49,275)	116	(49,159)
5 CIAC	(33,991)	0	(33,991)	0	(33,991)
6 Amortization of CIAC	20,812	24	20,836	526	21,362
7 Working Capital Allowance	0	9,813	9,813	(1,886)	7,927
8 Rate Base	<u>\$127,134</u>	<u>\$23,820</u>	<u>\$150,954</u>	<u>(\$10,521)</u>	<u>\$140,433</u>

AUF/Beecher's Point Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$365,787	\$1,290	\$367,077	(\$121)	\$366,956
2 Land and Land Rights	22,251	0	22,251	0	22,251
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(69,900)	(184)	(70,084)	25	(70,059)
5 CIAC	(20,577)	0	(20,577)	0	(20,577)
6 Amortization of CIAC	16,772	(288)	16,484	0	16,484
7 Working Capital Allowance	0	3,726	3,726	(671)	3,055
8 Rate Base	\$314,333	\$4,544	\$318,877	(\$767)	\$318,110

AUF/Beecher's Point Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$343)	(\$121)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(8,934)</u>	<u>0</u>	
Total	<u>(\$9,277)</u>	<u>(\$121)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	\$74	\$25	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>42</u>	<u>0</u>	
Total	<u>\$116</u>	<u>\$25</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$526</u>	<u>\$0</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$1,886)</u>	<u>(\$671)</u>	

AUF/Beecher's Point Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
Description								
1	Operating Revenues:	\$26,142	\$54,421	\$80,563	(\$54,593)	\$25,970	\$54,485 209.80%	\$80,455
	Operating Expenses							
2	Operation & Maintenance	\$50,626	(\$1,569)	\$49,057	(\$1,648)	\$47,409	\$0	\$47,409
3	Depreciation	4,792	606	5,398	29	5,427	0	5,427
4	Amortization	0	530	530	3,775	4,305	0	4,305
5	Taxes Other Than Income	10,260	(2,843)	7,417	(2,628)	4,789	2,452	7,241
6	Income Taxes	(15,251)	21,160	5,909	(20,421)	(14,512)	19,580	5,069
7	Total Operating Expense	\$50,427	\$17,884	\$68,311	(\$20,893)	47,418	\$22,032	\$69,450
8	Operating Income	(\$24,285)	\$36,537	\$12,252	(\$33,700)	(\$21,448)	\$32,453	\$11,005
9	Rate Base	\$127,134		\$150,954		\$140,433		\$140,433
10	Rate of Return	-19.10%		8.12%		-15.27%		7.84%

AUF/Beecher's Point Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	\$17,203	\$98,922	\$116,125	(\$99,058)	\$17,067	\$84,437 494.74%	\$101,504
2	Operating Expenses							
	Operation & Maintenance	\$50,782	\$2,164	\$52,946	(\$18,612)	\$34,334	\$0	\$34,334
3	Depreciation	11,913	853	12,766	(5)	12,761	0	12,761
4	Amortization	0	222	222	6,561	6,783	0	6,783
5	Taxes Other Than Income	739	11,143	11,882	(4,467)	7,415	3,800	11,215
6	Income Taxes	(17,834)	30,303	12,469	(31,331)	(18,862)	30,344	11,481
7	Total Operating Expense	\$45,600	\$44,685	\$90,285	(\$47,854)	\$42,431	\$34,143	\$76,574
8	Operating Income	(\$28,397)	\$54,237	\$25,840	(\$51,204)	(\$25,364)	\$50,293	\$24,929
9	Rate Base	\$314,333		\$318,877		\$318,110		\$318,110
10	Rate of Return	-9.03%		8.10%		-7.97%		7.84%

AUF/Beecher's Point Adjustment to Operating Income Test Year Ended 12/31/07		Schedule No. 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$54,607)	(\$99,058)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	14	0	
Total	<u>(\$54,593)</u>	<u>(\$99,058)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 6.	\$0	(\$16,758)	
2 Stipulated Issue 33.	(15)	(5)	
4 Remove miscellaneous non-utility expenses. (Issue 34)	(44)	(15)	
5 Stipulated Issue 37.	(27)	(9)	
6 To remove image enhancing advertising expense. (Issue 38)	(1)	(0)	
7 To remove lobbying and acquisition expenses. (Issue 39)	(61)	(21)	
8 To remove executive risk insurance expense. (Issue 40)	(15)	(5)	
9 To remove below-the-line expenses. (Issue 48)	(104)	(36)	
10 To reflect the appropriate bad debt expense. (Issue 50)	(701)	(1,528)	
11 To reflect the appropriate rate case expense. (Issue 52)	(4)	(5)	
12 To reflect appropriate normalization adjustments. (Issue 53)	(104)	(35)	
13 To reflect the appropriate pro forma expenses. (Issue 54)	(571)	(195)	
Total	<u>(\$1,648)</u>	<u>(\$18,612)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$10	\$3	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	42	0	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(24)	(8)	
4 Stipulated Issue 56.	(972)	0	
Total	<u>\$29</u>	<u>(\$5)</u>	
<u>Amorization</u>			
To reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$3,775</u>	<u>\$6,561</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$2,457)	(\$4,458)	
2 To remove below-the-line payroll taxes. (Issue 48)	(8)	(3)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(11)	(4)	
5 To reflect the appropriate property taxes. (Issue 57)	(152)	(3)	
Total	<u>(\$2,628)</u>	<u>(\$4,467)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$20,421)</u>	<u>(\$31,331)</u>	

AUF/Carlton Village Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$596,102	\$53,285	\$649,387	(\$42,271)	\$607,116
2 Land and Land Rights	6,351	0	6,351	0	6,351
3 Non-used and Useful Components	0	(129,957)	(129,957)	(3,893)	(133,850)
4 Accumulated Depreciation	(166,933)	11,861	(155,072)	(29)	(155,101)
5 CIAC	(175,035)	0	(175,035)	0	(175,035)
6 Amortization of CIAC	29,220	367	29,587	511	30,098
7 Working Capital Allowance	0	32,002	32,002	(6,187)	25,815
8 Rate Base	\$289,705	(\$32,442)	\$257,263	(\$51,868)	\$205,395

AUF/Carlton Village Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant in Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,249)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(41,021)</u>	<u>N/A</u>	
Total	<u>(\$42,271)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 7 and 10)	<u>(\$3,893)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$411)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>382</u>	<u>N/A</u>	
Total	<u>(\$29)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$511</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$6,187)</u>	<u>N/A</u>	

AUF/Carlton Village Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$120,071	(\$1,877)	\$118,194	\$1,309	\$119,503	(\$14,959)	\$104,544
Operating Expenses						-12.52%	
2 Operation & Maintenance	\$52,339	\$9,927	\$62,266	(\$4,426)	\$57,840		\$57,840
3 Depreciation	12,992	152	13,144	(2,598)	10,546		10,546
4 Amortization	0	822	822	0	822		822
5 Taxes Other Than Income	10,306	1,520	11,826	674	12,500	(673)	11,827
6 Income Taxes	17,140	(7,406)	9,734	3,055	12,789	(5,376)	7,413
7 Total Operating Expense	\$92,777	\$5,015	\$97,792	(\$3,296)	\$94,496	(\$6,049)	\$88,447
8 Operating Income	\$27,294	(\$6,892)	\$20,402	\$4,605	\$25,007	(\$8,910)	\$16,096
9 Rate Base	\$289,705		\$257,263		\$205,395		\$205,395
10 Rate of Return	9.42%		7.93%		12.17%		7.84%

AUF/Carlton Village Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	\$966	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	<u>343</u>	<u>N/A</u>	
Total	<u>\$1,309</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$83)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(206)	N/A	
3 Stipulated Issue 35.	(176)	N/A	
4 Stipulated Issue 37.	(147)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(7)	N/A	
6 To remove lobbying and acquisition expense. (Issue 39)	(338)	N/A	
7 To remove executive risk insurance expenses. (Issue 40)	(84)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(574)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	321	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	540	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(573)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(3,100)</u>	<u>N/A</u>	
Total	<u>(\$4,426)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$108	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(382)	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 7 and 10)	(1,269)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(111)	N/A	
5 Stipulated Issue 56.	<u>(944)</u>	<u>N/A</u>	
Total	<u>(2,598)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	\$59	N/A	
2 To remove Non-U&U property taxes. (Issues 7 and 10)	1,427	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(44)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(59)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(709)</u>	<u>N/A</u>	
Total	<u>\$674</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>\$3,055</u>	<u>N/A</u>	

AUF/Chuluota Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year
1 Plant in Service	\$4,405,675	\$311,008	\$4,716,683	(\$235,759)	\$4,480,924
2 Land and Land Rights	68,838	0	68,838	0	68,838
3 Non-used and Useful Components	0	0	0	(39,840)	(39,840)
4 Accumulated Depreciation	(898,319)	58,644	(839,675)	(181)	(839,856)
5 CIAC	(1,370,783)	0	(1,370,783)	0	(1,370,783)
6 Amortization of CIAC	268,200	2,550	270,750	5,773	276,523
7 Working Capital Allowance	0	217,369	217,369	(37,381)	179,988
8 Rate Base	\$2,473,611	\$589,571	\$3,063,182	(\$307,388)	\$2,755,794

AUF/Chuluota Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$6,382,832	\$93,415	\$6,476,247	(\$53,286)	\$6,422,961
2 Land and Land Rights	282,362	0	282,362	0	282,362
3 Non-used and Useful Components	0	0	0	(2,750,526)	(2,750,526)
4 Accumulated Depreciation	(827,085)	(5,436)	(832,521)	(204)	(832,725)
5 CIAC	(1,592,535)	0	(1,592,535)	0	(1,592,535)
6 Amortization of CIAC	297,884	(19,533)	278,351	36,153	314,504
7 Working Capital Allowance	0	79,037	79,037	(28,845)	50,192
8 Rate Base	\$4,543,458	\$147,483	\$4,690,941	(\$2,796,708)	\$1,894,233

AUF/Chuluota Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$7,446)	(\$3,286)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(228,313)	\$0	
3 To reflect the appropriate amount of pro forma Effluent Disposal Site. (Issue 4)	0	(50,000)	
Total	<u>(\$235,759)</u>	<u>(\$53,286)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 9)	<u>(\$39,840)</u>	<u>(\$2,750,526)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate Acc. Dep. for Pro Forma Corporate IT (Issue 4)	(\$2,350)	(\$985)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	2,168	\$0	
3 To reflect the appropriate Acc. Dep. for Pro Forma Effluent Disposal Site. (Issue 4)	0	781	
Total	<u>(\$181)</u>	<u>(\$204)</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$5,773</u>	<u>\$36,153</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$37,381)</u>	<u>(\$28,845)</u>	

AUF/Chuluota Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$772,063</u>	<u>\$335,712</u>	<u>\$1,107,775</u>	<u>(\$333,429)</u>	<u>\$774,346</u>	<u>\$170,742</u> 22.05%	<u>\$945,088</u>
Operating Expenses							
2 Operation & Maintenance	\$378,870	\$115,927	\$494,797	(\$79,228)	\$415,569		\$415,569
3 Depreciation	104,471	15,964	120,435	(14,739)	105,696		105,696
4 Amortization	0	3,950	3,950	0	3,950		3,950
5 Taxes Other Than Income	116,812	6,675	123,487	(20,292)	103,195	7,683	110,878
6 Income Taxes	<u>66,314</u>	<u>51,960</u>	<u>118,274</u>	<u>(82,590)</u>	<u>35,684</u>	<u>61,359</u>	<u>97,042</u>
7 Total Operating Expense	<u>666,467</u>	<u>194,476</u>	<u>860,943</u>	<u>(196,849)</u>	<u>664,094</u>	<u>69,042</u>	<u>733,136</u>
8 Operating Income	<u>\$105,596</u>	<u>\$141,236</u>	<u>\$246,832</u>	<u>(\$136,580)</u>	<u>\$110,252</u>	<u>\$101,699</u>	<u>\$211,951</u>
9 Rate Base	<u>\$2,473,611</u>		<u>\$3,063,182</u>		<u>\$2,755,794</u>		<u>\$2,755,794</u>
10 Rate of Return	<u>4.27%</u>		<u>8.06%</u>		<u>4.00%</u>		<u>7.69%</u>

AUF/Chuluota Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$436,466	\$864,406	\$1,300,872	(\$776,719)	\$524,153	\$100,157	\$624,310
						19.11%	
Operating Expenses							
2 Operation & Maintenance	\$208,625	\$49,156	\$257,781	(\$23,471)	\$234,310		\$234,310
3 Depreciation	271,796	46,103	317,899	(229,542)	88,357		88,357
4 Amortization	0	751	751	0	751		751
5 Taxes Other Than Income	18,571	133,373	151,944	(72,373)	79,571	4,507	84,078
6 Income Taxes	(24,119)	210,229	186,110	(153,735)	32,375	35,993	68,368
7 Total Operating Expense	474,873	439,612	914,485	(479,121)	435,364	40,500	475,864
8 Operating Income	(\$38,407)	\$424,794	\$386,387	(\$297,598)	\$88,789	\$59,657	\$148,446
9 Rate Base	\$4,543,458		\$4,690,941		\$1,894,233		\$1,894,233
10 Rate of Return	-0.85%		8.24%		4.69%		7.84%

AUF/Chuluota Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$335,270)	(\$778,584)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	24	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	1,841	1,841	
Total	<u>(\$333,429)</u>	<u>(\$776,719)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$1,667)	\$0	
2 Stipulated Issue 33.	(477)	(200)	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(1,194)	(516)	
4 Stipulated Issue 35.	(45,481)	\$0	
5 Stipulated Issue 37.	(841)	(353)	
6 To remove image enhancing advertising expense. (Issue 38)	(41)	(17)	
7 To remove lobbying and acquisition expenses. (Issue 39)	(223)	(809)	
8 To remove executive risk insurance expense. (Issue 40)	(483)	(202)	
9 To remove below-the-line expenses. (Issue 48)	(3,280)	(1,376)	
10 To reflect the appropriate bad debt expense. (Issue 50)	(5,608)	(12,404)	
11 To reflect the appropriate rate case expense. (Issue 52)	(3,272)	1,038	
12 To reflect appropriate normalization adjustments. (Issue 53)	(17,771)	(1,372)	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(79,228)</u>	<u>(7,260)</u>	
Total	<u>(\$79,228)</u>	<u>(\$23,471)</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	(\$2,168)	\$235	
2 To reflect the appropriate Dep. Exp. for Pro Forma Meters. (Issue 4)	(1,860)	\$0	
3 To reflect the appropriate Dep. Exp. for Pro Forma Effluent Disposal Site. (Issue 4)	0	(781)	
4 To reflect non-used and useful depreciation expense. (Issue 9)	(645)	(161,973)	
5 To remove test year depreciation expenses. (Issue 55)	(10,658)	(278)	
6 Stipulated Issue 56.	<u>(14,739)</u>	<u>(66,745)</u>	
Total	<u>(\$14,739)</u>	<u>(\$229,542)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$713)	(\$34,952)	
2 To remove Non-U&U property taxes. (Issue 9)	(251)	(36,276)	
3 To remove below-the-line payroll taxes. (Issue 48)	(3)	(105)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(335)	(1)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(3,986)	(141)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(20,292)</u>	<u>(897)</u>	
Total	<u>(\$20,292)</u>	<u>(\$72,373)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$82,590)</u>	<u>(\$153,735)</u>	

AUF/East Lake Harris Estates Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$523,391	\$35,552	\$558,943	(\$24,176)	\$534,767
2 Land and Land Rights	3,071	0	3,071	0	3,071
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(188,687)	5,733	(182,954)	(118)	(183,072)
5 CIAC	(4,936)	0	(4,936)	0	(4,936)
6 Amortization of CIAC	3,470	102	3,572	0	3,572
7 Working Capital Allowance	0	26,405	26,405	(4,612)	21,793
8 Rate Base	<u>\$336,309</u>	<u>\$67,792</u>	<u>\$404,101</u>	<u>(\$28,906)</u>	<u>\$375,195</u>

AUF/East Lake Harris Estates Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$921)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(23,254)</u>	<u>N/A</u>	
Total	<u>(\$24,176)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro forma Corp. IT. (Issue 4)	(\$294)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	176	<u>N/A</u>	
Total	<u>(\$118)</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$4,612)</u>	<u>N/A</u>	

AUF/East Lake Harris Estates Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$42,084</u>	<u>\$86,417</u>	<u>\$128,501</u>	<u>(\$86,536)</u>	<u>\$41,965</u>	<u>\$77,720</u> 185.20%	<u>\$119,685</u>
Operating Expenses							
2 Operation & Maintenance	\$35,184	\$11,285	\$46,469	(\$4,381)	\$42,088		\$42,088
3 Depreciation	16,883	2,318	19,201	(183)	19,018		19,018
4 Amortization	0	980	980	2,385	3,365		3,365
5 Taxes Other Than Income	7,265	5,884	13,149	(4,377)	8,772	3,497	12,270
6 Income Taxes	<u>(6,654)</u>	<u>22,493</u>	<u>15,839</u>	<u>(30,227)</u>	<u>(14,388)</u>	<u>27,930</u>	<u>13,542</u>
7 Total Operating Expense	<u>\$52,678</u>	<u>\$42,960</u>	<u>\$95,638</u>	<u>(\$36,783)</u>	<u>\$58,855</u>	<u>\$31,427</u>	<u>\$90,282</u>
8 Operating Income	<u>(\$10,594)</u>	<u>\$43,457</u>	<u>\$32,863</u>	<u>(\$49,752)</u>	<u>(\$16,889)</u>	<u>\$46,293</u>	<u>\$29,403</u>
9 Rate Base	<u>\$336,309</u>		<u>\$404,101</u>		<u>\$375,195</u>		<u>\$375,195</u>
10 Rate of Return	<u>-3.15%</u>		<u>8.13%</u>		<u>-4.50%</u>		<u>7.84%</u>

AUF/East Lake Harris Estates Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$86,605)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	(1)	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	70	N/A	
Total	<u>(\$86,536)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$60)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(151)	N/A	
3 Stipulated Issue 35.	(71)	N/A	
4 Stipulated Issue 37.	(105)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(5)	N/A	
6 To remove lobbying and acquisition expense. (Issue 39)	(241)	N/A	
7 To remove executive risk insurance expenses. (Issue 40)	(60)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(410)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,008)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	361	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(409)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(2,221)	N/A	
Total	<u>(\$4,381)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$74	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(176)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(82)	N/A	
Total	<u>(\$183)</u>	<u>N/A</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$2,385</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$3,894)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(31)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(42)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	(409)	N/A	
Total	<u>(\$4,377)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$30,227)</u>	<u>N/A</u>	

AUF/FernTerrace Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$115,399	\$29,234	\$144,633	(\$20,762)	\$123,871
2 Land and Land Rights	780	0	780	0	780
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(27,606)	4,047	(23,559)	(8)	(23,567)
5 CIAC	(10,604)	0	(10,604)	0	(10,604)
6 Amortization of CIAC	5,517	(120)	5,397	238	5,635
7 Working Capital Allowance	0	18,700	18,700	(3,193)	15,507
8 Rate Base	\$83,486	\$51,861	\$135,347	(\$23,725)	\$111,622

AUF/FernTerrace Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$643)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(20,119)</u>	<u>N/A</u>	
Total	<u>(\$20,762)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro forma Corp. IT. (Issue 4)	(\$209)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>200</u>	<u>N/A</u>	
Total	<u>(\$8)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	\$238	N/A	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$3,193)</u>	<u>N/A</u>	

AUF/FernTerrace		Schedule No. 4-A Docket No. 080121-WS					
Statement of Water Operations Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$48,745	\$18,533	\$67,278	(\$18,735)	\$48,543	\$11,029	\$59,572
Operating Expenses						22.72%	
2 Operation & Maintenance	\$30,021	\$8,478	\$38,499	(\$2,802)	\$35,697		\$35,697
3 Depreciation	3,948	2,042	5,990	(642)	5,348		5,348
4 Amortization	0	699	699	0	699		699
5 Taxes Other Than Income	3,127	2,674	5,801	(1,245)	4,556	496	5,053
6 Income Taxes	4,494	771	5,265	(5,200)	65	3,964	4,029
7 Total Operating Expense	\$41,590	\$14,664	\$56,254	(\$9,889)	\$46,365	\$4,460	\$50,825
8 Operating Income	\$7,155	\$3,869	\$11,024	(\$8,846)	\$2,178	\$6,570	\$8,748
9 Rate Base	\$83,486		\$135,347		\$111,622		\$111,622
10 Rate of Return	8.57%		8.14%		1.95%		7.84%

AUF/FernTerrace Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$18,910)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	175	N/A	
Total	<u>(\$18,735)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$42)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(107)	N/A	
3 Stipulated Issue 35.	(68)	N/A	
4 Stipulated Issue 37.	(75)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(4)	N/A	
6 To remove lobbying and acquisition expense. (Issue 39)	(172)	N/A	
7 To remove executive risk insurance expenses. (Issue 40)	(43)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(292)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(401)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	268	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(291)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,576)</u>	<u>N/A</u>	
Total	<u>(\$2,802)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$55	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(200)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(58)	N/A	
4 Stipulated Issue 56.	<u>(439)</u>	<u>N/A</u>	
Total	<u>(\$642)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$843)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(22)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(30)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(349)</u>	<u>N/A</u>	
Total	<u>(\$1,245)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$5,200)</u>	<u>N/A</u>	

AUF/Florida Central Commerce Park Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$1,403,606	\$4,657	\$1,408,263	(\$386)	\$1,407,877
2 Land and Land Rights	130,000	0	130,000	0	130,000
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(849,566)	(919)	(850,485)	(100)	(850,585)
5 CIAC	(618,716)	0	(618,716)	0	(618,716)
6 Amortization of CIAC	325,545	(10,406)	315,139	15,816	330,955
7 Working Capital Allowance	0	80,324	80,324	(2,046)	78,278
8 Rate Base	\$390,869	\$73,656	\$464,525	\$13,284	\$477,809

AUF/Florida Central Commerce Park Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u> To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	N/A	(\$386)	
<u>Accumulated Depreciation</u> To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	N/A	(\$100)	
<u>Accumulated Amortization of CIAC</u> Stipulated Issue 15.	N/A	\$15,816	
<u>Working Capital</u> To reflect the appropriate working capital allowance. (Issue 21)	N/A	(\$2,046)	

AUF/Florida Central Commerce Park		Schedule No. 4-B					
Statement of Wastewater Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$150,999	\$246,648	\$397,647	(\$246,358)	\$151,289	\$236,580	\$387,868
						156.38%	
Operating Expenses							
2 Operation & Maintenance	\$264,157	(\$35,360)	\$228,797	(\$6,426)	\$222,371	\$0	\$222,371
3 Depreciation	40,039	22,445	62,484	(29,208)	33,276	0	33,276
4 Amortization	0	817	817	26,469	27,286	0	27,286
5 Taxes Other Than Income	31,756	18,964	50,720	(11,120)	39,600	10,646	50,246
6 Income Taxes	(71,346)	89,114	17,768	(85,542)	(67,774)	85,019	17,245
7 Total Operating Expense	264,606	95,980	360,586	(105,827)	254,759	95,665	350,424
8 Operating Income	(\$113,607)	\$150,668	\$37,061	(\$140,531)	(\$103,470)	\$140,915	\$37,445
9 Rate Base	\$390,869		\$464,525		\$477,809		\$477,809
10 Rate of Return	-29.07%		7.98%		-21.66%		7.84%

AUF/Florida Central Commerce Park Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	N/A	(\$245,234)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	N/A	(1,124)	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	N/A	0	
Total	N/A	<u>(\$246,358)</u>	
<u>Operating and Maintenance Expenses</u>			
1 Stipulated Issue 33.	N/A	(\$322)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	N/A	(55)	
3 Stipulated Issue 35.	N/A	(251)	
4 Stipulated Issue 37.	N/A	(36)	
5 To remove image enhancing advertising expense. (Issue 38)	N/A	(2)	
6 To remove lobbying and acquisition expenses. (Issue 39)	N/A	(82)	
7 To remove executive risk insurance expense. (Issue 40)	N/A	(21)	
8 To remove below-the-line expenses. (Issue 48)	N/A	(140)	
9 To reflect the appropriate bad debt expense. (Issue 50)	N/A	(4,689)	
10 To reflect the appropriate rate case expense. (Issue 52)	N/A	60	
11 To reflect appropriate normalization adjustments. (Issue 53)	N/A	(140)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	N/A	<u>(749)</u>	
Total	N/A	<u>(\$6,426)</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	N/A	\$19	
2 To reflect the appropriate test year depreciation expense. (Issue 55)	N/A	(30)	
3 Stipulated Issue 56.	N/A	<u>(29,198)</u>	
Total	N/A	<u>(\$29,208)</u>	
<u>Amortization</u>			
To reflect regulatory asset from Capped Interim Rates. (Issue 73)	N/A	<u>\$26,469</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	N/A	(\$11,086)	
2 To remove below-the-line payroll taxes. (Issue 48)	N/A	(11)	
3 To reflect appropriate normalization adjustments. (Issue 53)	N/A	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	N/A	(14)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	N/A	<u>(8)</u>	
Total	N/A	<u>(\$11,120)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	N/A	<u>(\$85,542)</u>	

AUF/Friendly Center Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$19,977	\$7,024	\$27,001	(\$5,684)	\$21,317
2 Land and Land Rights	437	0	437	0	437
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(11,336)	1,225	(10,111)	21	(10,090)
5 CIAC	(8,860)	0	(8,860)	0	(8,860)
6 Amortization of CIAC	3,707	(118)	3,589	162	3,751
7 Working Capital Allowance	0	4,133	4,133	(909)	3,224
8 Rate Base	<u>\$3,925</u>	<u>\$12,264</u>	<u>\$16,189</u>	<u>(\$6,410)</u>	<u>\$9,779</u>

AUF/Friendly Center Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$175)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(5,509)</u>	<u>N/A</u>	
Total	<u>(\$5,684)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$49)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>70</u>	<u>N/A</u>	
Total	<u>\$21</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulation Issue 15.	<u>\$162</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$909)</u>	<u>N/A</u>	

AUF/Friendly Center		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$12,347	\$6,766	\$19,113	(\$6,789)	\$12,324	\$4,856	\$17,180
						39.40%	
Operating Expenses							
2 Operation & Maintenance	\$22,504	(\$8,479)	\$14,025	(\$542)	\$13,483		\$13,483
3 Depreciation	426	713	1,139	(373)	766		766
4 Amortization	0	114	114	0	114		114
5 Taxes Other Than Income	642	1,250	1,892	(412)	1,480	219	1,698
6 Income Taxes	(4,330)	4,956	626	(2,018)	(1,392)	1,745	353
7 Total Operating Expense	\$19,242	(\$1,446)	\$17,796	(\$3,346)	\$14,450	\$1,964	\$16,414
8 Operating Income	(\$6,895)	\$8,212	\$1,317	(\$3,443)	(\$2,126)	\$2,892	\$766
9 Rate Base	\$3,925		\$16,189		\$9,779		\$9,779
10 Rate of Return	-175.67%		8.14%		-21.74%		7.84%

AUF/Friendly Center Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$6,845)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	56	N/A	
Total	<u>(\$6,789)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$10)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(26)	N/A	
3 Stipulated Issue 35.	(20)	N/A	
4 Stipulated Issue 37.	(18)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(1)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(40)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(10)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(69)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	55	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	42	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(69)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(376)</u>	<u>N/A</u>	
Total	<u>(\$542)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$11	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(70)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(14)	N/A	
4 Stipulated Issue 56.	<u>(300)</u>	<u>N/A</u>	
Total	<u>(\$373)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$306)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(5)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(7)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(94)</u>	<u>N/A</u>	
Total	<u>(\$412)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense	<u>(\$2,018)</u>	<u>N/A</u>	

AUF/Gibsonia Estates		Schedule No. 3-A			
Schedule of Water Rate Base		Docket No. 080121-WS			
Test Year Ended 12/31/07					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$350,493	\$39,644	\$390,137	(\$38,524)	\$351,613
2 Land and Land Rights	3,830	0	3,830	0	3,830
3 Non-used and Useful Components	0	0	0	(15,865)	(15,865)
4 Accumulated Depreciation	(70,668)	11,673	(58,995)	188	(58,807)
5 CIAC	(90,353)	0	(90,353)	0	(90,353)
6 Amortization of CIAC	44,577	446	45,023	162	45,185
7 Working Capital Allowance	0	<u>20,012</u>	<u>20,012</u>	<u>(5,384)</u>	<u>14,628</u>
8 Rate Base	\$237,879	\$71,775	\$309,654	(\$59,424)	\$250,230

AUF/Gibsonia Estates Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To adjust pro-forma plant for corporate IT. (Issue 4)	(\$1,059)	N/A	
2 To adjust pro-forma plant for meter replacements. (Issue 4)	(37,466)	N/A	
Total	<u>(\$38,524)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 7)	<u>(\$15,865)</u>	N/A	
<u>Accumulated Depreciation</u>			
1 To adjust pro-forma accum depr for corporate IT. (Issue 4)	(\$320)	N/A	
2 To adjust pro-forma accum depr for meter replacements. (Issue 4)	508	N/A	
Total	<u>\$188</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$162</u>	N/A	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$5,384)</u>	N/A	

AUF/Gibsonia Estates Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$18,150	\$97,895	\$116,045	(\$91,353)	\$24,692	\$74,719	\$99,411
Operating Expenses						302.60%	
2 Operation & Maintenance	\$43,809	\$16,210	\$60,019	(\$5,153)	\$54,866		\$54,866
3 Depreciation	8,526	1,770	10,296	(1,512)	8,784		8,784
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	569	8,011	8,580	(4,822)	3,758	3,362	7,120
6 Income Taxes	(13,406)	25,456	12,050	(29,870)	(17,820)	26,851	9,031
7 Total Operating Expense	\$39,498	\$51,447	\$90,945	(\$41,358)	\$49,587	\$30,214	\$79,801
8 Operating Income	(\$21,348)	\$46,448	\$25,100	(\$49,995)	(\$24,895)	\$44,505	\$19,610
9 Rate Base	\$237,879		\$309,654		\$250,230		\$250,230
10 Rate of Return	-8.97%		8.11%		-9.95%		7.84%

AUF/Gibsonia Estates Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested interim revenue increase.	(\$91,353)	N/A	
2 To reflect Commission's proposed annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues (Issue 31)	250	N/A	
Total	<u>(\$91,353)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$65)	N/A	
2 To remove miscellaneous non-utility expenses. (Issue 34)	(167)	N/A	
3 Stipulated Issue 35.	(65)	N/A	
4 Stipulated Issue 37.	(114)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(6)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(262)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(66)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(446)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,509)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	343	N/A	
11 To reflect appropriate normalization adjustments (Issue 53)	(445)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,351)</u>	<u>N/A</u>	
Total	<u>(\$5,153)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$77	N/A	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	(508)	N/A	
3 To reflect net non-used and useful adjustment. (Issue 7)	(991)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(90)</u>	<u>N/A</u>	
Total	<u>(\$1,512)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$4,111)	N/A	
2 To reflect net non-used and useful adjustment. (Issue 7)	(3)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(34)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(46)	N/A	
6 To reflect the appropriate property taxes. (Issue 57)	<u>(628)</u>	<u>N/A</u>	
Total	<u>(\$4,822)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$29,870)</u>	<u>N/A</u>	

AUF/Grand Terrace		Schedule No. 3-A					
Schedule of Water Rate Base		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year	Utility	Adjusted	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Test Year Per Utility	Adjustments	Adjusted Test Year	
1 Plant in Service	\$137,074	\$26,083	\$163,157	(\$17,425)		\$145,732	
2 Land and Land Rights	5,606	0	5,606	0		5,606	
3 Non-used and Useful Components	0	0	0	0		0	
4 Accumulated Depreciation	(13,784)	3,396	(10,388)	(51)		(10,439)	
5 CIAC	(33,656)	0	(33,656)	0		(33,656)	
6 Amortization of CIAC	16,873	428	17,301	32		17,333	
7 Working Capital Allowance	0	16,751	16,751	(2,973)		13,778	
8 Rate Base	\$112,113	\$46,658	\$158,771	(\$20,416)		\$138,355	

AUF/Grand Terrace Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$567)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(16,857)	N/A	
Total	<u>(\$17,425)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$183)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	132	N/A	
Total	<u>(\$51)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulation Issue 15.	<u>\$32</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,973)</u>	<u>N/A</u>	

AUF/Grand Terrace		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$33,480	\$30,987	\$64,467	(\$31,168)	\$33,299	\$24,402	\$57,701
						73.28%	
Operating Expenses							
2 Operation & Maintenance	\$39,421	(\$4,716)	\$34,705	(\$2,686)	\$32,019		\$32,019
3 Depreciation	2,827	1,887	4,714	(196)	4,518		4,518
4 Amortization	0	614	614	0	614		614
5 Taxes Other Than Income	2,418	2,943	5,361	(1,745)	3,616	1,098	4,714
6 Income Taxes	(4,315)	10,492	6,177	(9,953)	(3,776)	8,769	4,994
7 Total Operating Expense	\$40,351	\$11,220	\$51,571	(\$14,580)	\$36,991	\$9,867	\$46,859
8 Operating Income	(\$6,871)	\$19,767	\$12,896	(\$16,588)	(\$3,692)	\$14,535	\$10,842
9 Rate Base	\$112,113		\$158,771		\$138,355		\$138,355
10 Rate of Return	-6.13%		8.12%		-2.67%		7.84%

AUF/Grand Terrace Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$31,259)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	91	N/A	
Total	<u>(\$31,168)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$37)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(94)	N/A	
3 Stipulated Issue 35.	(45)	N/A	
4 Stipulated Issue 37.	(66)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(151)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(38)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(256)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(588)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	232	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(256)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,385)</u>	<u>N/A</u>	
Total	<u>(\$2,686)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$47	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(132)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(51)	N/A	
4 Stipulated Issue 56.	<u>(60)</u>	<u>N/A</u>	
Total	<u>(\$196)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,403)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(20)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(26)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(297)</u>	<u>N/A</u>	
Total	<u>(\$1,745)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$9,953)</u>	<u>N/A</u>	

AUF/Haines Creek		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year	
1 Plant in Service	\$83,019	\$25,400	\$108,419	(\$21,949)	\$86,470	
2 Land and Land Rights	0	0	0	0	0	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(37,748)	7,456	(30,292)	(7)	(30,299)	
5 CIAC	(26,581)	0	(26,581)	0	(26,581)	
6 Amortization of CIAC	19,086	279	19,365	0	19,365	
7 Working Capital Allowance	0	11,334	11,334	(3,164)	8,170	
8 Rate Base	<u>\$37,776</u>	<u>\$44,469</u>	<u>\$82,245</u>	<u>(\$25,121)</u>	<u>\$57,124</u>	

AUF/Haines Creek Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$615)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(21,334)	N/A	
Total	<u>(\$21,949)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$178)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	171	N/A	
Total	<u>(\$7)</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$3,164)</u>	<u>N/A</u>	

AUF/Haines Creek Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$22,234</u>	<u>\$27,771</u>	<u>\$50,005</u>	<u>(\$27,909)</u>	<u>\$22,096</u>	<u>\$19,901</u> 90.07%	<u>\$41,997</u>
Operating Expenses							
2 Operation & Maintenance	\$33,720	(\$1,478)	\$32,242	(\$3,756)	\$28,486		\$28,486
3 Depreciation	2,522	753	3,275	(181)	3,094		3,094
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	1,228	3,420	4,648	(1,666)	2,982	896	3,878
6 Income Taxes	<u>(5,877)</u>	<u>9,078</u>	<u>3,201</u>	<u>(8,291)</u>	<u>(5,090)</u>	<u>7,152</u>	<u>2,062</u>
7 Total Operating Expense	<u>\$31,593</u>	<u>\$11,773</u>	<u>\$43,366</u>	<u>(\$13,893)</u>	<u>\$29,473</u>	<u>\$8,047</u>	<u>\$37,520</u>
8 Operating Income	<u>(\$9,359)</u>	<u>\$15,998</u>	<u>\$6,639</u>	<u>(\$14,016)</u>	<u>(\$7,377)</u>	<u>\$11,854</u>	<u>\$4,477</u>
9 Rate Base	<u>\$37,776</u>		<u>\$82,245</u>		<u>\$57,124</u>		<u>\$57,124</u>
10 Rate of Return	<u>-24.77%</u>		<u>8.07%</u>		<u>-12.91%</u>		<u>7.84%</u>

AUF/Haines Creek Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$27,979)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	70	N/A	
Total	<u>(\$27,909)</u>	<u>N/A</u>	
<u>Operations and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$47)	N/A	
2 Stipulated Issue 33.	(36)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(95)	N/A	
4 Stipulated Issue 37.	(64)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(146)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(37)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(249)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,641)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	170	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(248)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,359)</u>	<u>N/A</u>	
Total	<u>(\$3,756)</u>	<u>N/A</u>	
<u>Deprciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$41	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(171)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(51)</u>	<u>N/A</u>	
Total	<u>(\$181)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,256)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(19)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(25)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(365)</u>	<u>N/A</u>	
Total	<u>(\$1,666)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$8,291)</u>	<u>N/A</u>	

AUF/Harmony Homes Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year	Utility	Adjusted	Staff	Staff
	Per Utility	Adjust- ments	Test Year Per Utility	Adjust- ments	Adjusted Test Year
1 Plant in Service	\$82,058	\$13,862	\$95,920	(\$10,041)	\$85,879
2 Land and Land Rights	764	0	764	0	764
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(24,536)	2,594	(21,942)	(25)	(21,967)
5 CIAC	(528)	0	(528)	0	(528)
6 Amortization of CIAC	342	(1)	341	13	354
7 Working Capital Allowance	0	10,640	10,640	(2,267)	8,373
8 Rate Base	<u>\$58,100</u>	<u>\$27,095</u>	<u>\$85,195</u>	<u>(\$12,321)</u>	<u>\$72,874</u>

AUF/Harmony Homes Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$371)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(9,670)</u>	<u>N/A</u>	
Total	<u>(\$10,041)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate Acc. Dep. for pro forma Corporate IT. (Issue 4)	(\$100)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	75	<u>N/A</u>	
Total	<u>(\$25)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	\$13	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,267)</u>	<u>N/A</u>	

AUF/Harmony Homes		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$30,433</u>	<u>\$20,898</u>	<u>\$51,331</u>	<u>(\$21,009)</u>	<u>\$30,322</u>	<u>\$20,520</u>	<u>\$50,842</u>
						67.67%	
Operating Expenses							
2 Operation & Maintenance	\$41,986	(\$9,858)	\$32,128	(\$1,349)	\$30,779	\$0	\$30,779
3 Depreciation	2,830	895	3,725	(109)	3,616	0	3,616
4 Amortization	0	348	348	3,095	3,443	0	3,443
5 Taxes Other Than Income	2,220	2,661	4,881	(1,141)	3,740	923	4,663
6 Income Taxes	(6,405)	9,718	3,313	(8,057)	(4,744)	7,374	2,630
7 Total Operating Expense	<u>\$40,631</u>	<u>\$3,764</u>	<u>\$44,395</u>	<u>(\$7,561)</u>	<u>\$36,834</u>	<u>\$8,298</u>	<u>\$45,131</u>
8 Operating Income	<u>(\$10,198)</u>	<u>\$17,134</u>	<u>\$6,936</u>	<u>(\$13,448)</u>	<u>(\$6,512)</u>	<u>\$12,223</u>	<u>\$5,711</u>
9 Rate Base	<u>\$58,100</u>		<u>\$85,195</u>		<u>\$72,874</u>		<u>\$72,874</u>
10 Rate of Return	<u>-17.55%</u>		<u>8.14%</u>		<u>-8.94%</u>		<u>7.84%</u>

AUF/Harmony Homes Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$21,114)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	105	N/A	
Total	<u>(\$21,009)</u>	<u>N/A</u>	
<u>Operating and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$20)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(55)	N/A	
3 Stipulated Issue 35.	(47)	N/A	
4 Stipulated Issue 37.	(36)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(2)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(82)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(21)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(140)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(135)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	74	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(140)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(746)</u>	<u>N/A</u>	
Total	<u>(\$1,349)</u>	<u>N/A</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	\$20	N/A	
2 To reflect the appropriate Dep. Exp. for Pro Forma Meters. (Issue 4)	(75)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(29)	N/A	
4 Stipulated Issue 56.	<u>(25)</u>	<u>N/A</u>	
Total	<u>(\$109)</u>	<u>N/A</u>	
<u>Amortization</u>			
To reflect regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$3,095</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$945)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(11)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(14)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(170)</u>	<u>N/A</u>	
Total	<u>(\$1,141)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$8,057)</u>	<u>N/A</u>	

AUF/Hermits Cove		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Adjusted	Staff	Staff
	Per Utility	Adjustments	Test Year Per Utility	Test Year Per Utility	Adjustments	Adjusted Test Year
1 Plant in Service	\$624,927	\$38,749	\$663,676	\$663,676	(\$26,718)	\$636,958
2 Land and Land Rights	3,164	0	3,164	3,164	0	3,164
3 Non-used and Useful Components(net)	0	(36,889)	(36,889)	(36,889)	(98,014)	(134,903)
4 Accumulated Depreciation	(168,580)	6,596	(161,984)	(161,984)	200	(161,784)
5 CIAC	(9,285)	0	(9,285)	(9,285)	0	(9,285)
6 Amortization of CIAC	3,782	(97)	3,685	3,685	129	3,814
7 Working Capital Allowance	0	26,870	26,870	26,870	(5,536)	21,334
8 Rate Base	\$454,008	\$35,229	\$489,237	\$489,237	(\$129,939)	\$359,298

AUF/Hermits Cove Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,057)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(25,661)	N/A	
Total	(\$26,718)	N/A	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10)	(\$98,014)	N/A	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	\$286	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	(87)	N/A	
Total	\$200	N/A	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	\$129	N/A	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	(\$5,536)	N/A	

AUF/Hermits Cove Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	\$44,083	\$108,319	\$152,402	(\$108,599)	\$43,803	\$82,963 189.40%	\$126,766
Operating Expenses								
2	Operation & Maintenance	\$38,514	\$14,083	\$52,597	(\$5,123)	\$47,474	\$0	\$47,474
3	Depreciation	18,830	4,241	23,071	(4,738)	18,333	0	18,333
4	Amortization	0	963	963	3,204	4,167	0	4,167
5	Taxes Other Than Income	11,152	5,825	16,977	(5,043)	11,934	3,733	15,667
6	Income Taxes	(9,417)	28,534	19,117	(35,963)	(16,846)	29,814	12,968
7	Total Operating Expense	\$59,079	\$53,646	\$112,725	(\$47,664)	\$65,061	\$33,547	\$98,608
8	Operating Income	(\$14,996)	\$54,673	\$39,677	(\$60,935)	(\$21,258)	\$49,415	\$28,157
9	Rate Base	\$454,008		\$489,237		\$359,298		\$359,298
10	Rate of Return	-3.30%		8.11%		-5.92%		7.84%

AUF/Hermits Cove Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested Final revenue increase.	(\$108,788)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	189	N/A	
Total	<u>(\$108,599)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expense</u>			
1 Stipulated Issue 33.	(\$58)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(156)	N/A	
3 Stipulated Issue 35.	(65)	N/A	
4 Stipulated Issue 37.	(103)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(5)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(236)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(59)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(401)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,719)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	215	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(400)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,136)</u>	<u>N/A</u>	
Total	<u>(\$5,123)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$60	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(87)	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 10)	(4,390)	N/A	
4 To remove test year depreciation expenses. (Issue 55)	(84)	N/A	
5 Stipulated Issue 56.	<u>(238)</u>	<u>N/A</u>	
Total	<u>(\$4,738)</u>	<u>N/A</u>	
<u>Amorization</u>			
To reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$3,204</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$4,887)	N/A	
2 To remove Non-U&U property taxes. (Issue 10)	351	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(31)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(41)	N/A	
6 To reflect the appropriate property taxes. (Issue 57)	<u>(435)</u>	<u>N/A</u>	
Total	<u>(\$5,043)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense	<u>(\$35,963)</u>	<u>N/A</u>	

AUF/Hobby Hills Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year
1	Plant in Service	\$57,238	\$22,784	\$80,022	(\$17,071)	\$62,951
2	Land and Land Rights	570	0	570	0	570
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(14,392)	4,157	(10,235)	(8)	(10,243)
5	CIAC	(7,113)	0	(7,113)	0	(7,113)
6	Amortization of CIAC	2,311	(44)	2,267	79	2,346
7	Working Capital Allowance	0	15,150	15,150	(2,994)	12,156
8	Rate Base	<u>\$38,614</u>	<u>\$42,047</u>	<u>\$80,661</u>	<u>(\$19,994)</u>	<u>\$60,667</u>

AUF/Hobby Hills Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$580)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(16,491)	N/A	
Total	<u>(\$17,071)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$166)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	158	N/A	
Total	<u>(\$8)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	\$79	N/A	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,994)</u>	N/A	

AUF/Hobby Hills Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$25,380	\$26,516	\$51,896	(\$26,531)	\$25,365	\$22,848 90.07%	\$48,213
Operating Expenses							
2 Operation & Maintenance	\$38,727	(\$4,600)	\$34,127	(\$94)	\$34,033	\$0	\$34,033
3 Depreciation	1,825	1,513	3,338	(314)	3,024	0	3,024
4 Amortization	0	533	533	0	533	0	533
5 Taxes Other Than Income	1,401	2,771	4,172	(1,522)	2,650	1,028	3,678
6 Income Taxes	(6,393)	9,535	3,142	(9,163)	(6,021)	8,211	2,190
7 Total Operating Expense	\$35,560	\$9,752	\$45,312	(\$11,093)	\$34,219	\$9,239	\$43,458
8 Operating Income	(\$10,180)	\$16,764	\$6,584	(\$15,438)	(\$8,854)	\$13,609	\$4,754
9 Rate Base	\$38,614		\$80,661		\$60,667		\$60,667
10 Rate of Return	-26.36%		8.16%		-14.60%		7.84%

AUF/Hobby Hills Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$26,734)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	203	N/A	
Total	<u>(\$26,531)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$40)	N/A	
2 Stipulated Issue 33.	(34)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(89)	N/A	
4 Stipulated Issue 35.	(42)	N/A	
5 Stipulated Issue 37.	(60)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(137)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(34)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(232)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	1,925	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	154	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(232)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,269)</u>	<u>N/A</u>	
Total	<u>(\$94)</u>	<u>N/A</u>	
<u>Depreciation Expenses</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$38	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(158)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(48)	N/A	
4 Stipulated Issue 56.	<u>(146)</u>	<u>N/A</u>	
Total	<u>(\$314)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,194)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(18)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(24)	N/A	
5 To reflect appropriate pro forma property taxes. (Issue 57)	<u>(287)</u>	<u>N/A</u>	
Total	<u>(\$1,522)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$9,163)</u>	<u>N/A</u>	

AUF/Holiday Haven Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$67,425	\$19,429	\$86,854	(\$20,882)	\$65,972	
2 Land and Land Rights	260	0	260	0	260	
3 Non-used and Useful Components	0	(6,755)	(6,755)	(240)	(6,995)	
4 Accumulated Depreciation	(18,999)	15,816	(3,183)	(326)	(3,509)	
5 CIAC	(41,818)	0	(41,818)	0	(41,818)	
6 Amortization of CIAC	30,087	(224)	29,863	125	29,988	
7 Working Capital Allowance	0	18,034	18,034	(3,504)	14,530	
8 Rate Base	\$36,955	\$46,300	\$83,255	(\$24,827)	\$58,428	

AUF/Holiday Haven Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$683,992	\$7,953	\$691,945	(\$615)	\$691,330	
2 Land and Land Rights	108,433	0	108,433	0	108,433	
3 Non-used and Useful Components	0	(39,311)	(39,311)	(32,068)	(71,379)	
4 Accumulated Depreciation	(357,262)	(879)	(358,141)	(178)	(358,319)	
5 CIAC	(76,460)	0	(76,460)	0	(76,460)	
6 Amortization of CIAC	52,468	(789)	51,679	2,092	53,771	
7 Working Capital Allowance	0	30,087	30,087	(3,163)	26,924	
8 Rate Base	\$411,171	(\$2,939)	\$408,232	(\$33,932)	\$374,300	

AUF/Holiday Haven Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$685)	(\$615)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(20,197)</u>	<u>0</u>	
Total	<u>(\$20,882)</u>	<u>(\$615)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 9,10, 11)	<u>(\$240)</u>	<u>(\$32,068)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$202)	(\$178)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(125)</u>	<u>0</u>	
Total	<u>(\$326)</u>	<u>(\$178)</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$125</u>	<u>\$2,092</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$3,504)</u>	<u>(\$3,163)</u>	

AUF/Holiday Haven Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$37,772</u>	<u>\$38,260</u>	<u>\$76,032</u>	<u>(\$38,333)</u>	<u>\$37,699</u>	<u>\$34,395</u> 91.24%	<u>\$72,094</u>
Operating Expenses							
2 Operation & Maintenance	\$65,944	(\$8,437)	\$57,507	(\$1,823)	\$55,684		\$55,684
3 Depreciation	869	1,832	2,701	(166)	2,535		2,535
4 Amortization	0	620	620	1,988	2,608		2,608
5 Taxes Other Than Income	6,828	(1,672)	5,156	(2,125)	3,031	1,548	4,579
6 Income Taxes	<u>(13,836)</u>	<u>17,084</u>	<u>3,248</u>	<u>(13,500)</u>	<u>(10,252)</u>	<u>12,360</u>	<u>2,109</u>
7 Total Operating Expense	<u>\$59,805</u>	<u>\$9,427</u>	<u>\$69,232</u>	<u>(\$15,625)</u>	<u>\$53,607</u>	<u>\$13,908</u>	<u>\$67,515</u>
8 Operating Income	<u>(\$22,033)</u>	<u>\$28,833</u>	<u>\$6,800</u>	<u>(\$22,708)</u>	<u>(\$15,908)</u>	<u>\$20,487</u>	<u>\$4,579</u>
9 Rate Base	<u>\$36,955</u>		<u>\$83,255</u>		<u>\$58,428</u>		<u>\$58,428</u>
10 Rate of Return	<u>-59.62%</u>		<u>8.17%</u>		<u>-27.23%</u>		<u>7.84%</u>

AUF/Holiday Haven Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$53,993	\$99,917	\$153,910	(\$100,396)	\$53,514	\$83,380	\$136,894
						155.81%	
Operating Expenses							
2 Operation & Maintenance	\$65,672	\$1,696	\$67,368	(\$3,466)	\$63,902		\$63,902
3 Depreciation	25,486	(890)	24,596	(6,296)	18,300		18,300
4 Amortization	0	515	515	0	515		515
5 Taxes Other Than Income	2,176	10,364	12,540	(4,957)	7,583	3,752	11,336
6 Income Taxes	(15,176)	31,071	15,895	(32,350)	(16,455)	29,964	13,509
7 Total Operating Expense	\$78,158	\$42,756	\$120,914	(\$47,069)	\$73,845	\$33,716	\$107,562
8 Operating Income	(\$24,165)	\$57,161	\$32,996	(\$53,327)	(\$20,331)	\$49,664	\$29,333
9 Rate Base	\$411,171		\$408,232		\$374,300		\$374,300
10 Rate of Return	-5.88%		8.08%		-5.43%		7.84%

AUF/Holiday Haven Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$38,410)	(\$100,396)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	77	0	
Total	<u>(\$38,333)</u>	<u>(\$100,396)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$41)	(\$36)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(107)	(95)	
3 Stipulated Issue 35.	(124)	0	
4 Stipulated Issue 37.	(72)	(64)	
5 To remove image enhancing advertising expense. (Issue 38)	(4)	(3)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(166)	(146)	
7 To remove executive risk insurance expense. (Issue 40)	(42)	(37)	
8 To remove below-the-line expenses. (Issue 48)	(282)	(249)	
9 To reflect the appropriate bad debt expense. (Issue 50)	584	(1,440)	
10 To reflect the appropriate rate case expense. (Issue 52)	204	170	
11 To reflect appropriate normalization adjustments. (Issue 53)	(282)	(248)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,491)</u>	<u>(1,318)</u>	
Total	<u>(\$1,823)</u>	<u>(\$3,466)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$48	\$41	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	125	0	
3 To reflect non-used and useful depreciation expense. (Issue 9, 10, and 11)	(50)	(2,424)	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(58)	(51)	
5 Stipulated Issue 56.	<u>(231)</u>	<u>(3,862)</u>	
Total	<u>(\$166)</u>	<u>(\$6,296)</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$1,988</u>	<u>\$0</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,725)	(\$4,518)	
2 To remove Non-U&U property taxes. (Issues 9, 10, and 11)	10	(379)	
3 To remove below-the-line payroll taxes. (Issue 48)	(22)	(19)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(29)	(25)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(359)</u>	<u>(15)</u>	
Total	<u>(\$2,125)</u>	<u>(\$4,957)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$13,500)</u>	<u>(\$32,350)</u>	

AUF/Imperial Mobile Terrace Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$272,893	\$58,432	\$331,325	(\$29,503)	\$301,822	
2 Land and Land Rights	7,512	0	7,512	0	7,512	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(72,421)	7,437	(64,984)	(571)	(65,555)	
5 CIAC	(59,323)	0	(59,323)	0	(59,323)	
6 Amortization of CIAC	50,786	557	51,343	0	51,343	
7 Working Capital Allowance	0	37,422	37,422	(7,883)	29,539	
8 Rate Base	\$199,447	\$103,848	\$303,295	(\$37,956)	\$265,339	

AUF/Imperial Mobile Terrace Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 Stipulated Audit Finding No. 11.	\$1,247	N/A	
2 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(1,316)	N/A	
3 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(29,434)</u>	<u>N/A</u>	
Total	<u>(\$29,503)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 Stipulated Audit Finding No. 11.	(\$58)	N/A	
2 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(408)	N/A	
3 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(105)</u>	<u>N/A</u>	
Total	<u>(\$571)</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$7,883)</u>	<u>N/A</u>	

AUF/Imperial Mobile Terrace Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$52,514</u>	<u>\$69,051</u>	<u>\$121,565</u>	<u>(\$69,356)</u>	<u>\$52,209</u>	<u>\$48,494</u> 92.88%	<u>\$100,703</u>
Operating Expenses							
2 Operation & Maintenance	\$49,668	\$14,582	\$64,250	(\$13,145)	\$51,105	\$0	\$51,105
3 Depreciation	7,340	2,377	9,717	122	9,839	0	9,839
4 Amortization	0	1,348	1,348	0	1,348	0	1,348
5 Taxes Other Than Income	4,006	5,623	9,629	(3,771)	5,858	2,182	8,040
6 Income Taxes	<u>(3,279)</u>	<u>15,168</u>	<u>11,889</u>	<u>(19,739)</u>	<u>(7,850)</u>	<u>17,427</u>	<u>9,577</u>
7 Total Operating Expense	<u>\$57,735</u>	<u>\$39,098</u>	<u>\$96,833</u>	<u>(\$36,533)</u>	<u>\$60,300</u>	<u>\$19,609</u>	<u>\$79,909</u>
8 Operating Income	<u>(\$5,221)</u>	<u>\$29,953</u>	<u>\$24,732</u>	<u>(\$32,823)</u>	<u>(\$8,091)</u>	<u>\$28,884</u>	<u>\$20,794</u>
9 Rate Base	<u>\$199,447</u>		<u>\$303,295</u>		<u>\$265,339</u>		<u>\$265,339</u>
10 Rate of Return	<u>-2.62%</u>		<u>8.15%</u>		<u>-3.05%</u>		<u>7.84%</u>

AUF/Imperial Mobile Terrace Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$69,461)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	105	N/A	
Total	<u>(\$69,356)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$83)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(211)	N/A	
3 Stipulated Issue 35.	(3,427)	N/A	
4 Stipulated Issue 37.	(146)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(7)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(335)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(84)	N/A	
8 To reflect the appropriate Materials & Supplies expense (Issue 44)	(4,161)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(569)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(933)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	467	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(568)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	(3,089)	N/A	
Total	<u>(\$13,145)</u>	<u>N/A</u>	
<u>Deprciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$101	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	105	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(84)	N/A	
Total	<u>\$122</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$3,121)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(44)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(58)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	(548)	N/A	
Total	<u>(\$3,771)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$19,739)</u>	<u>N/A</u>	

AUF/Interlachen Lakes Estates		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07		Test Year	Utility	Adjusted	Staff	
Description		Per	Adjust-	Test Year	Adjust-	
		Utility	ments	Per Utility	ments	
					Test Year	
1	Plant in Service	\$154,119	\$61,533	\$215,652	(\$33,105)	\$182,547
2	Land and Land Rights	4,306	0	4,306	0	4,306
3	Non-used and Useful Components	0	(4,425)	(4,425)	(1,540)	(5,965)
4	Accumulated Depreciation	(62,869)	12,433	(50,436)	725	(49,711)
5	CIAC	(75,322)	12,433	(62,889)	0	(62,889)
6	Amortization of CIAC	36,961	415	37,376	0	37,376
7	Working Capital Allowance	0	41,326	41,326	(9,254)	32,072
8	Rate Base	\$57,195	\$123,715	\$180,910	(\$43,174)	\$137,736

AUF/Interlachen Lakes Estates Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amt. of proforma Corporate IT. (Issue 4)	(\$1,736)	N/A	
2 To reflect the app. amt. of proforma Meter Replacements. (Issue 4)	<u>(31,368)</u>	<u>N/A</u>	
Total	<u>(\$33,105)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10)	<u>(\$1,540)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate Acc. Dep. for Pro Forma Corporate IT. (Issue 4)	\$439	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>286</u>	<u>N/A</u>	
Total	<u>\$725</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$9,254)</u>	<u>N/A</u>	

AUF/Interlachen Lakes Estates Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$76,605</u>	<u>\$36,036</u>	<u>\$112,641</u>	<u>(\$36,622)</u>	<u>\$76,019</u>	<u>\$24,301</u> 31.97%	<u>\$100,320</u>
Operating Expenses							
2 Operation & Maintenance	\$58,187	\$15,481	\$73,668	(\$6,576)	\$67,092	\$0	\$67,092
3 Depreciation	3,085	3,061	6,146	128	6,274	0	6,274
4 Amortization	0	1,402	1,402	0	1,402	0	1,402
5 Taxes Other Than Income	6,528	4,552	11,080	(2,387)	8,693	1,094	9,786
6 Income Taxes	<u>3,397</u>	<u>3,191</u>	<u>6,588</u>	<u>(10,350)</u>	<u>(3,762)</u>	<u>8,733</u>	<u>4,971</u>
7 Total Operating Expense	<u>\$71,197</u>	<u>\$27,687</u>	<u>\$98,884</u>	<u>(\$19,185)</u>	<u>\$79,699</u>	<u>\$9,826</u>	<u>\$89,525</u>
8 Operating Income	<u>5,408</u>	<u>8,349</u>	<u>13,757</u>	<u>(17,437)</u>	<u>(3,680)</u>	<u>14,474</u>	<u>10,794</u>
9 Rate Base	<u>57,195</u>		<u>180,910</u>		<u>137,736</u>		<u>137,736</u>
10 Rate of Return	<u>9.46%</u>		<u>7.60%</u>		<u>-2.67%</u>		<u>7.84%</u>

AUF/Interlachen Lakes Estates Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$36,622)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	280	N/A	
Total	<u>(\$36,622)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$1,392)	N/A	
2 Stipulated Issue 33.	(89)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(245)	N/A	
4 Stipulated Issue 35.	(1,058)	N/A	
5 Stipulated Issue 37.	(158)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(8)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(361)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(90)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(614)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	1,125	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	226	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(613)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(3,299)</u>	<u>N/A</u>	
Total	<u>(\$6,576)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$82	N/A	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	286	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 10)	(107)	N/A	
4 To remove test year depreciation expenses. (Issue 55)	<u>(132)</u>	<u>N/A</u>	
Total	<u>\$128</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,648)	N/A	
2 To remove Non-U&U property taxes. (Issue 10)	(86)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(47)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(63)	N/A	
6 To reflect the appropriate property taxes. (Issue 57)	<u>(543)</u>	<u>N/A</u>	
Total	<u>(\$2,387)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$10,350)</u>	<u>N/A</u>	

AUF/Park Manor		Schedule No. 3-B Docket No. 080121-WS					
Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
Description							
1	Plant in Service	\$57,347	\$2,221	\$59,568	(\$206)	\$59,362	
2	Land and Land Rights	1,011	0	1,011	0	1,011	
3	Non-used and Useful Components	0	0	0	0	0	
4	Accumulated Depreciation	(34,670)	(234)	(34,904)	(44)	(34,948)	
5	CIAC	(738)	0	(738)	0	(738)	
6	Amortization of CIAC	681	(1)	680	0	680	
7	Working Capital Allowance	0	5,198	5,198	(1,142)	4,056	
8	Rate Base	\$23,631	\$7,184	\$30,815	(\$1,392)	\$29,423	

AUF/Park Manor Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u> To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	N/A	(\$206)	
<u>Accumulated Depreciation</u> To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	N/A	(\$44)	
<u>Working Capital</u> To reflect the appropriate working capital allowance. (Issue 21)	N/A	(\$1,142)	

AUF/Park Manor Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$15,056	\$22,415	\$37,471	(\$22,547)	\$14,924	\$21,099 141.38%	\$36,023
Operating Expenses							
2 Operation & Maintenance	31,335	(3,497)	27,838	(1,018)	26,820		26,820
3 Depreciation	2,301	325	2,626	(9)	2,617		2,617
4 Amortization	0	185	185	0	185		185
5 Taxes Other Than Income	747	2,366	3,113	(1,030)	2,083	949	3,033
6 Income Taxes	(7,456)	8,659	1,203	(7,723)	(6,520)	7,582	1,062
7 Total Operating Expense	\$26,927	\$8,038	\$34,965	(\$9,780)	\$25,185	\$8,532	\$33,717
8 Operating Income	(\$11,871)	\$14,377	\$2,506	(\$12,767)	(\$10,261)	\$12,567	\$2,306
9 Rate Base	\$23,631		\$30,815		\$29,423		\$29,423
10 Rate of Return	-50.23%		8.13%		-34.88%		7.84%

AUF/ Park Manor Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	N/A	(\$22,547)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	N/A	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	N/A	0	
Total	N/A	(\$22,547)	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	N/A	(\$9)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	N/A	(26)	
3 Stipulated Issue 35.	N/A	0	
4 Stipulated Issue 37.	N/A	(16)	
5 To remove image enhancing advertising expense. (Issue 38)	N/A	(1)	
6 To remove lobbying and acquisition expenses. (Issue 39)	N/A	(36)	
7 To remove executive risk insurance expense. (Issue 40)	N/A	(9)	
8 To remove below-the-line expenses. (Issue 48)	N/A	(62)	
9 To reflect the appropriate bad debt expense. (Issue 50)	N/A	(459)	
10 To reflect appropriate normalization adjustments. (Issue 53)	N/A	(62)	
11 To reflect the appropriate pro forma expenses. (Issue 54)	N/A	(338)	
Total	N/A	(\$1,018)	
<u>Depreciation Expenses</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	N/A	\$6	
2 To reflect the appropriate test year depreciation expense. (Issue 55)	N/A	(14)	
Total	N/A	(\$9)	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	N/A	(\$1,015)	
2 To remove below-the-line payroll taxes. (Issue 48)	N/A	(5)	
3 To reflect appropriate normalization adjustments. (Issue 53)	N/A	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	N/A	(6)	
5 To reflect appropriate pro forma property taxes. (Issue 57)	N/A	(4)	
Total	N/A	(\$1,030)	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	N/A	(\$7,723)	

AUF48 Estates		Schedule No. 3-A					
Schedule of Water Rate Base		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year	Utility	Adjusted	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Test Year	Adjustments	Adjusted Test Year	
1 Plant in Service	\$164,095	\$19,415	\$183,510	(13,866)		\$169,644	
2 Land and Land Rights	110	1,320	1,430	0		1,430	
3 Non-used and Useful Components	0	(3,863)	(3,863)	61		(3,802)	
4 Accumulated Depreciation	(100,989)	(4,620)	(105,609)	(10)		(105,619)	
5 CIAC	(15,794)	(4,338)	(20,132)	0		(20,132)	
6 Amortization of CIAC	8,313	2,182	10,495	0		10,495	
7 Working Capital Allowance	0	8,989	8,989	(2,215)		6,774	
8 Rate Base	\$55,735	\$19,085	\$74,820	(\$16,030)		\$58,790	

AUF/48 Estates Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant in Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$423)		N/A
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(13,443)		N/A
Total	<u>(\$13,866)</u>		<u>N/A</u>
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment	<u>\$61</u>		<u>N/A</u>
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$144)		N/A
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	134		N/A
Total	<u>(\$10)</u>		<u>N/A</u>
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,215)</u>		<u>N/A</u>

AUF/48 Estates		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$30,817	\$27,517	\$58,334	(\$27,503)	\$30,831	\$22,380	\$53,211
						72.59%	
Operating Expenses							
2 Operation & Maintenance	\$20,941	\$6,143	\$27,084	(\$2,224)	\$24,860		\$24,860
3 Depreciation	14,479	3,426	17,905	(116)	17,789		17,789
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	2,014	2,313	4,327	(1,501)	2,826	1,007	3,833
6 Income Taxes	(2,552)	5,488	2,936	(8,857)	(5,921)	8,043	2,122
7 Total Operating Expense	\$34,882	\$17,370	\$52,252	(\$12,698)	\$39,554	\$9,050	\$48,604
8 Operating Income	(\$4,065)	\$10,147	\$6,082	(\$14,805)	(\$8,723)	\$13,330	\$4,607
9 Rate Base	\$55,735		\$74,820		\$58,790		\$58,790
10 Rate of Return	-7.29%		8.13%		-14.84%		7.84%

AUF/48 Estates Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$27,573)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	70	N/A	
Total	<u>(\$27,503)</u>	<u>N/A</u>	
<u>Operations and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$29)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(72)	N/A	
3 Stipulated Issue 35.	(70)	N/A	
4 Stipulated Issue 37.	(52)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(119)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(30)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(202)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(567)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	204	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(201)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(1,084)	N/A	
Total	<u>(\$2,224)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$39	N/A	
2 To reflect appropriate amt od depr exp. for pro forma meters. (Issue 4)	(134)	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 10)	17	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(39)	N/A	
Total	<u>(\$116)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,238)	N/A	
2 To remove Non-U&U property taxes. (Issue 10)	5	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(15)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(21)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	(233)	N/A	
Total	<u>(\$1,501)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$8,857)</u>	<u>N/A</u>	

AUF/Kings Cove Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$324,081	(\$2,061)	\$322,020	(\$30,942)	\$291,078
2 Land and Land Rights	1,907	69	1,976	0	1,976
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(139,616)	19,854	(119,762)	(322)	(120,084)
5 CIAC	(97,354)	(3,785)	(101,139)	0	(101,139)
6 Amortization of CIAC	55,485	(4,682)	50,803	0	50,803
7 Working Capital Allowance	0	21,970	21,970	(5,848)	16,122
8 Rate Base	<u>\$144,503</u>	<u>\$31,365</u>	<u>\$175,868</u>	<u>(\$37,112)</u>	<u>\$138,756</u>

AUF/Kings Cove		Schedule No. 3-B Docket No. 080121-WS					
Schedule of Wastewater Rate Base Test Year Ended 12/31/07							
Description	Test Year		Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
	Per Utility	Per Utility					
1 Plant in Service	\$461,697		(\$55,235)	\$406,462	(\$1,047)	\$405,415	
2 Land and Land Rights	13,314		75	13,389	0	13,389	
3 Non-used and Useful Components	0		0	0	0	0	
4 Accumulated Depreciation	(198,597)		(4,647)	(203,244)	(331)	(203,575)	
5 CIAC	(163,110)		(7,002)	(170,112)	0	(170,112)	
6 Amortization of CIAC	115,309		(16,010)	99,299	0	99,299	
7 Working Capital Allowance	0		20,421	20,421	(5,249)	15,172	
8 Rate Base	<u>\$228,613</u>		<u>(\$62,398)</u>	<u>\$166,215</u>	<u>(\$6,627)</u>	<u>\$159,588</u>	

AUF/Kings Cove Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,102)	(\$1,047)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(29,840)</u>	<u>0</u>	
Total	<u>(\$30,942)</u>	<u>(\$1,047)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$345)	(\$331)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>23</u>	<u>0</u>	
Total	<u>(\$322)</u>	<u>(\$331)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$5,848)</u>	<u>(\$5,249)</u>	

AUF/Kings Cove Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$61,861	\$23,732	\$85,593	(\$23,641)	\$61,952	\$14,783	\$76,735
Operating Expenses						23.86%	
2 Operation & Maintenance	\$51,882	\$4,610	\$56,492	(\$2,974)	\$53,518		\$53,518
3 Depreciation	10,732	(7,893)	2,839	(33)	2,806		2,806
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	5,792	(245)	5,547	(1,683)	3,864	665	4,529
6 Income Taxes	(2,525)	9,166	6,641	(6,945)	(304)	5,312	5,008
7 Total Operating Expense	\$65,881	\$5,638	\$71,519	(\$11,636)	\$59,883	\$5,978	\$65,861
8 Operating Income	(\$4,020)	\$18,094	\$14,074	(\$12,005)	\$2,069	\$8,805	\$10,874
9 Rate Base	\$144,503		\$175,868		\$138,756		\$138,756
10 Rate of Return	-2.78%		8.00%		1.49%		7.84%

AUF/Kings Cove		Schedule No. 4-B Docket No. 080121-WS					
Statement of Wastewater Operations							
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$74,077</u>	<u>\$21,544</u>	<u>\$95,621</u>	<u>(\$22,299)</u>	<u>\$73,322</u>	<u>\$16,732</u>	<u>\$90,054</u>
						22.82%	
Operating Expenses							
2 Operation & Maintenance	\$80,091	(\$1,226)	\$78,865	(\$4,145)	\$74,720		\$74,720
3 Depreciation	11,807	(21,442)	(9,635)	(8)	(9,643)		(9,643)
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	2,919	4,152	7,071	(1,113)	5,958	753	6,711
6 Income Taxes	(8,000)	14,192	6,192	(6,445)	(253)	6,013	5,760
7 Total Operating Expense	<u>\$86,817</u>	<u>(\$4,324)</u>	<u>\$82,493</u>	<u>(\$11,711)</u>	<u>\$70,782</u>	<u>\$6,766</u>	<u>\$77,548</u>
8 Operating Income	<u>(\$12,740)</u>	<u>\$25,868</u>	<u>\$13,128</u>	<u>(\$10,588)</u>	<u>\$2,540</u>	<u>\$9,966</u>	<u>\$12,507</u>
9 Rate Base	<u>\$228,613</u>		<u>\$166,215</u>		<u>\$159,588</u>		<u>\$159,588</u>
10 Rate of Return	<u>-5.57%</u>		<u>7.90%</u>		<u>1.59%</u>		<u>7.84%</u>

AUF/Kings Cove Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(23,748)	(\$22,299)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	107	0	
Total	<u>(\$23,641)</u>	<u>(\$22,299)</u>	
<u>Operations and Maintenance Expense</u>			
1 Stipulated Issue 33.	(\$70)	(\$67)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(179)	(171)	
3 Stipulated Issue 35.	(117)	(177)	
4 Stipulated Issue 37.	(123)	(119)	
5 To remove image enhancing advertising expense. (Issue 38)	(6)	(6)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(283)	(272)	
7 To remove executive risk insurance expense. (Issue 40)	(71)	(68)	
8 To remove below-the-line expenses. (Issue 48)	(481)	(462)	
9 To reflect the appropriate bad debt expense. (Issue 50)	1,044	(314)	
10 To reflect the appropriate rate case expense. (Issue 52)	405	400	
11 To reflect appropriate normalization adjustments. (Issue 53)	(480)	(461)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,611)</u>	<u>(2,428)</u>	
Total	<u>(\$2,974)</u>	<u>(\$4,145)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$86	\$84	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(23)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(97)</u>	<u>(92)</u>	
Total	<u>(\$33)</u>	<u>(\$8)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,064)	(\$1,003)	
2 To remove below-the-line payroll taxes. (Issue 48)	(37)	(35)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(49)	(47)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(533)</u>	<u>(26)</u>	
Total	<u>(\$1,683)</u>	<u>(\$1,113)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$6,945)</u>	<u>(\$6,445)</u>	

AUF/Summit Chase		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year	
1 Plant in Service	\$284,003	\$5,345	\$289,348	(\$40,452)	\$248,896	
2 Land and Land Rights	(2,401)	9,001	6,600	0	6,600	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(104,555)	(3,671)	(108,226)	212	(108,014)	
5 CIAC	(50,495)	(30,168)	(80,663)	0	(80,663)	
6 Amortization of CIAC	32,583	419	33,002	0	33,002	
7 Working Capital Allowance	0	24,596	24,596	(6,123)	18,473	
8 Rate Base	\$159,135	\$5,522	\$164,657	(\$46,363)	\$118,294	

AUF/Summit Chase		Schedule No. 3-B				
Schedule of Wastewater Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Adjusted	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Test Year Adjustments	Adjusted Test Year	
1 Plant in Service	\$226,002	\$22,541	\$248,543	(\$1,178)	\$247,365	
2 Land and Land Rights	69,942	20,983	90,925	0	90,925	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(154,516)	(2,510)	(157,026)	0	(157,026)	
5 CIAC	(143,879)	(4,756)	(148,635)	0	(148,635)	
6 Amortization of CIAC	113,478	(35,217)	78,261	0	78,261	
7 Working Capital Allowance	0	25,230	25,230	(6,231)	18,999	
8 Rate Base	\$111,027	\$26,271	\$137,298	(\$7,408)	\$129,890	

AUF/Summit Chase Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,198)	(\$1,178)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(39,254)	0	
Total	<u>(\$40,452)</u>	<u>(\$1,178)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$356)	\$0	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	569	0	
Total	<u>\$212</u>	<u>\$0</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$6,123)</u>	<u>(\$6,231)</u>	

AUF/Summit Chase Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$43,301	\$52,286	\$95,587	(\$52,375)	\$43,212	\$36,841	\$80,053
						85.26%	
Operating Expenses							
2 Operation & Maintenance	\$41,904	\$19,326	\$61,230	(\$7,503)	\$53,727		\$53,727
3 Depreciation	9,160	162	9,322	(586)	8,736		8,736
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	4,564	943	5,507	(3,115)	2,392	1,658	4,050
6 Income Taxes	(4,755)	11,106	6,351	(15,321)	(8,970)	13,239	4,270
7 Total Operating Expense	\$50,873	\$31,537	\$82,410	(\$26,525)	\$55,885	\$14,897	\$70,783
8 Operating Income	(\$7,572)	\$20,749	\$13,177	(\$25,850)	(\$12,673)	\$21,944	\$9,270
9 Rate Base	\$159,135		\$164,657		\$118,294		\$118,294
10 Rate of Return	-4.76%		8.00%		-10.71%		7.84%

AUF/Summit Chase		Schedule No. 4-B					
Statement of Wastewater Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$42,012	\$27,193	\$69,205	(\$27,433)	\$41,772	\$20,891	\$62,663
						50.01%	
Operating Expenses							
2 Operation & Maintenance	\$142,825	(\$61,408)	\$81,417	(\$4,257)	\$77,160	940	\$77,160
3 Depreciation	(4,800)	(31,212)	(36,012)	(100)	(36,112)	(2,819)	(36,112)
4 Amortization	0	0	0	0	0	7,507	0
5 Taxes Other Than Income	1,436	5,725	7,161	(1,353)	5,808	940	6,748
6 Income Taxes	(37,591)	43,001	5,410	(8,229)	(2,819)	7,507	4,688
7 Total Operating Expense	\$101,870	(\$43,894)	\$57,976	(\$13,940)	\$44,036	\$8,448	\$52,484
8 Operating Income	(\$59,858)	\$71,087	\$11,229	(\$13,493)	(\$2,264)	\$12,443	\$10,179
9 Rate Base	\$111,027		\$137,298		\$129,890		\$129,890
10 Rate of Return	-53.91%		8.18%		-1.74%		7.84%

AUF/Summit Chase Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$52,592)	(\$27,433)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	<u>217</u>	<u>0</u>	
Total	<u>(\$52,375)</u>	<u>(\$27,433)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$1,676)	\$0	
2 Stipulated Issue 33.	(72)	(72)	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(188)	(186)	
4 Stipulated Issue 35.	(60)	(52)	
5 Stipulated Issue 37.	(128)	(127)	
6 To remove image enhancing advertising expense. (Issue 38)	(9)	(9)	
7 To remove lobbying and acquisition expenses. (Issue 39)	(293)	(292)	
8 To remove executive risk insurance expense. (Issue 40)	(73)	(73)	
9 To remove below-the-line expenses. (Issue 48)	(498)	(496)	
10 To reflect the appropriate bad debt expense. (Issue 50)	(1,663)	(221)	
11 To reflect the appropriate rate case expense. (Issue 52)	368	379	
12 To reflect appropriate normalization adjustments. (Issue 53)	(497)	(495)	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,713)</u>	<u>(2,613)</u>	
Total	<u>(\$7,503)</u>	<u>(\$4,257)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$84	\$0	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(569)	0	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(101)</u>	<u>(100)</u>	
Total	<u>(\$586)</u>	<u>(\$100)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$2,357)	(\$1,234)	
2 To remove below-the-line payroll taxes. (Issue 48)	(38)	(38)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(51)	(51)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(669)</u>	<u>(29)</u>	
Total	<u>(\$3,115)</u>	<u>(\$1,353)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$15,321)</u>	<u>(\$8,229)</u>	

AUF/Jasmine Lakes Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$2,360,484	(\$982,814)	\$1,377,670	(\$274,151)	\$1,103,519
2 Land and Land Rights	15,812	(2,372)	13,440	0	13,440
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(714,071)	287,849	(426,222)	34,952	(391,270)
5 CIAC	(194,326)	68,618	(125,708)	0	(125,708)
6 Amortization of CIAC	188,609	(25,373)	163,236	0	163,236
7 Working Capital Allowance	0	<u>163,222</u>	<u>163,222</u>	<u>(45,835)</u>	<u>117,387</u>
8 Rate Base	<u>\$1,656,508</u>	<u>(\$490,870)</u>	<u>\$1,165,638</u>	<u>(\$285,034)</u>	<u>\$880,604</u>

AUF/Jasmine Lakes Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$2,151,189	\$1,430,851	\$3,582,040	(\$101,333)	\$3,480,707
2 Land and Land Rights	5,802	0	5,802	0	5,802
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(952,992)	(107,955)	(1,060,947)	(5,824)	(1,066,771)
5 CIAC	(163,060)	0	(163,060)	0	(163,060)
6 Amortization of CIAC	161,605	2,039	163,644	0	163,644
7 Working Capital Allowance	0	169,388	169,388	(45,985)	123,403
8 Rate Base	<u>\$1,202,544</u>	<u>\$1,494,323</u>	<u>\$2,696,867</u>	<u>(\$153,143)</u>	<u>\$2,543,724</u>

AUF/Jasmine Lakes Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$8,800)	(\$8,760)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(265,351)	0	
3 To reflect the app. amt. of proforma WWTP Eff. Pond. (Issue 4)	0	(92,573)	
Total	<u>(\$274,151)</u>	<u>(\$101,333)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$2,480)	(\$2,467)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	2,184	0	
3 To reflect Acc. Dep. Proforma WWTP Eff. Pond. (Issue 4)	0	(3,357)	
4 Stipulated Issue 14.	35,249	0	
Total	<u>\$34,952</u>	<u>(\$5,824)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$45,835)</u>	<u>(\$45,985)</u>	

AUF/Jasmine Lakes Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	\$433,663	\$95,890	\$529,553	(\$69,637)	\$459,916	\$3,732 0.81%	\$463,648
Operating Expenses								
2	Operation & Maintenance	\$226,443	\$104,735	\$331,178	(\$20,353)	\$310,825		\$310,825
3	Depreciation	83,542	(59,132)	24,410	(2,354)	22,056		22,056
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	41,398	(3,200)	38,198	(8,393)	29,805	168	29,973
6	Income Taxes	31,739	11,820	43,559	(13,117)	30,442	1,341	31,783
7	Total Operating Expense	\$383,122	\$54,223	\$437,345	(\$44,217)	\$393,128	\$1,509	\$394,637
8	Operating Income	\$50,541	\$41,667	\$92,208	(\$25,420)	\$66,788	\$2,223	\$69,011
9	Rate Base	\$1,656,508		\$1,165,638		\$880,604		\$880,604
10	Rate of Return	3.05%		7.91%		7.58%		7.84%

AUF/Jasmine Lakes Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	<u>\$373,632</u>	<u>\$636,608</u>	<u>\$1,010,240</u>	<u>(\$639,558)</u>	<u>\$370,682</u>	<u>\$559,560</u> 150.95%	<u>\$930,242</u>
	Operating Expenses							
2	Operation & Maintenance	\$321,788	\$144,269	\$466,057	(\$39,839)	\$426,218		\$426,218
3	Depreciation	89,704	41,264	130,968	3,186	134,154		134,154
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	13,500	72,064	85,564	(32,029)	53,535	25,180	78,715
6	Income Taxes	<u>(19,812)</u>	<u>125,835</u>	<u>106,023</u>	<u>(215,300)</u>	<u>(109,277)</u>	<u>201,087</u>	<u>91,809</u>
7	Total Operating Expense	<u>\$405,180</u>	<u>\$383,432</u>	<u>\$788,612</u>	<u>(\$283,983)</u>	<u>\$504,629</u>	<u>\$226,267</u>	<u>\$730,896</u>
8	Operating Income	<u>(\$31,548)</u>	<u>\$253,176</u>	<u>\$221,628</u>	<u>(\$355,575)</u>	<u>(\$133,947)</u>	<u>\$333,292</u>	<u>\$199,345</u>
9	Rate Base	<u>\$1,202,544</u>		<u>\$2,696,867</u>		<u>\$2,543,724</u>		<u>\$2,543,724</u>
10	Rate of Return	<u>-2.62%</u>		<u>8.22%</u>		<u>-5.27%</u>		<u>7.84%</u>

AUF/Jasmine Lakes Adjustment to Operating Income Test Year Ended 12/31/07	Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater
<u>Operating Revenues</u>		
1 Remove requested final revenue increase.	(\$71,852)	(\$639,558)
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	<u>2,215</u>	<u>0</u>
Total	<u>(\$69,637)</u>	<u>(\$639,558)</u>
<u>Operation and Maintenance Expenses</u>		
1 Stipulated Issue 5.	(\$1,239)	\$0
2 Stipulated Issue 33.	(504)	(502)
3 Remove miscellaneous non-utility expenses. (Issue 34)	(1,335)	(1,328)
4 Stipulated Issue 35.	(740)	(525)
5 Stipulated Issue 37.	(889)	(884)
6 To remove image enhancing advertising expense. (Issue 38)	(43)	(43)
7 To remove lobbying and acquisition expenses. (Issue 39)	(2,039)	(2,028)
8 To remove executive risk insurance expense. (Issue 40)	(510)	(507)
9 To reflect the appropriate Contractual Services -Other. (Issue 47)	5,142	0
10 To remove below-the-line expenses. (Issue 48)	(3,467)	(3,449)
11 To reflect the appropriate bad debt expense. (Issue 50)	4,982	(13,056)
12 To reflect the appropriate rate case expense. (Issue 52)	2,160	2,140
13 To reflect appropriate normalization adjustments. (Issue 53)	(3,459)	(3,440)
14 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(18,409)</u>	<u>(16,217)</u>
Total	<u>(\$20,353)</u>	<u>(\$39,839)</u>
<u>Depreciation Expense</u>		
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$549	\$545
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	(2,184)	0
3 To reflect app. Dep. Expense for proforma WWTP Eff. Pond. (Issue 4)	0	3,357
4 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(720)</u>	<u>(716)</u>
Total	<u>(\$2,354)</u>	<u>\$3,186</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.	(\$3,134)	(\$28,780)
2 To remove below-the-line payroll taxes. (Issue 48)	(265)	(264)
3 To reflect appropriate normalization adjustments. (Issue 53)	(3)	(3)
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(355)	(353)
5 To reflect the appropriate property taxes. (Issue 57)	<u>(4,636)</u>	<u>(2,629)</u>
Total	<u>(\$8,393)</u>	<u>(\$32,029)</u>
<u>Income Taxes</u>		
To adjust to test year income tax expense.	<u>(\$13,117)</u>	<u>(\$215,300)</u>

Jungle Den Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$27,208	\$21,277	\$48,485	(\$17,020)	\$31,465
2	Land and Land Rights	260	0	260	0	260
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(13,062)	9,299	(3,763)	(242)	(4,005)
5	CIAC	(10,704)	0	(10,704)	0	(10,704)
6	Amortization of CIAC	7,318	(130)	7,188	260	7,448
7	Working Capital Allowance	0	17,048	17,048	(2,950)	14,098
8	Rate Base	\$11,020	\$47,494	\$58,514	(\$19,952)	\$38,562

Jungle Den Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No.3-B Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$372,729	\$9,815	\$382,544	(\$692)	\$381,852	
2 Land and Land Rights	119,526	0	119,526	0	119,526	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(145,171)	(1,033)	(146,204)	(232)	(146,436)	
5 CIAC	(134,131)	0	(134,131)	0	(134,131)	
6 Amortization of CIAC	77,228	(1,703)	75,525	3,981	79,506	
7 Working Capital Allowance	0	22,808	22,808	(3,460)	19,348	
8 Rate Base	\$290,181	\$29,887	\$320,068	(\$403)	\$319,665	

Jungle Den Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$593)	(\$692)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(16,427)</u>	<u>0</u>	
Total	<u>(\$17,020)</u>	<u>(\$692)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$192)	(\$232)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(50)</u>	<u>\$0</u>	
Total	<u>(\$242)</u>	<u>(\$232)</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$260</u>	<u>\$3,981</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,950)</u>	<u>(\$3,460)</u>	

Jungle Den Statement of Water Operations Test Year Ended 12/31/07		Schedule No.4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$17,330	\$34,138	\$51,468	(\$34,263)	\$17,205	\$27,964	\$45,169
Operating Expenses						162.53%	
2 Operation & Maintenance	\$36,950	\$920	\$37,870	(\$2,437)	\$35,433	\$0	\$35,433
3 Depreciation	671	1,728	2,399	(533)	1,866	0	1,866
4 Amortization	0	624	624	0	624	0	624
5 Taxes Other Than Income	6,313	(2,876)	3,437	(1,863)	1,574	1,258	2,832
6 Income Taxes	(10,263)	12,579	2,316	(10,973)	(8,657)	10,049	1,392
7 Total Operating Expense	\$33,671	\$12,975	\$46,646	(\$15,807)	\$30,839	\$11,308	\$42,147
8 Operating Income	(\$16,341)	\$21,163	\$4,822	(\$18,456)	(\$13,634)	\$16,656	\$3,022
9 Rate Base	\$11,020		\$58,514		\$38,562		\$38,562
10 Rate of Return	-148.28%		8.24%		-35.36%		7.84%

Jungle Den Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$46,179	\$78,153	\$124,332	(\$85,982)	\$38,350	\$81,119 211.52%	\$119,469
Operating Expenses							
2 Operation & Maintenance	\$51,035	\$7,501	\$58,536	(\$3,697)	\$54,839	\$0	\$54,839
3 Depreciation	9,409	4,775	14,184	(7,412)	6,772	0	6,772
4 Amortization	0	649	649	8,299	8,948	0	8,948
5 Taxes Other Than Income	1,798	10,815	12,613	(3,942)	8,671	3,650	12,322
6 Income Taxes	(6,196)	18,670	12,474	(30,088)	(17,614)	29,152	11,538
7 Total Operating Expense	\$56,046	\$42,410	\$98,456	(\$36,840)	\$61,616	\$32,802	\$94,418
8 Operating Income	(\$9,867)	\$35,743	\$25,876	(\$49,142)	(\$23,266)	\$48,317	\$25,051
9 Rate Base	\$290,181		\$320,068		\$319,665		\$319,665
10 Rate of Return	-3.40%		8.08%		-7.28%		7.84%

Jungle Den Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$34,312)	(\$85,982)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	49	0	
Total	<u>(\$34,263)</u>	<u>(\$85,982)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$39)	(\$47)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(98)	(117)	
3 Stipulated Issue 37.	(69)	(83)	
4 To remove image enhancing advertising expense. (Issue 38)	(3)	(4)	
5 To remove lobbying and acquisition expenses. (Issue 39)	(158)	(190)	
6 To remove executive risk insurance expense. (Issue 40)	(39)	(47)	
7 To remove below-the-line expenses. (Issue 48)	(268)	(323)	
8 To reflect the appropriate bad debt expense. (Issue 50)	(335)	(1,192)	
9 To reflect the appropriate rate case expense. (Issue 52)	244	313	
10 To reflect appropriate normalization adjustments. (Issue 53)	(267)	(322)	
11 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,405)</u>	<u>(1,686)</u>	
Total	<u>(\$2,437)</u>	<u>(\$3,697)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	(\$50)	\$0	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(192)	(232)	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(\$53)	(\$63)	
4 Stipulated Issue 56.	<u>(480)</u>	<u>(7,349)</u>	
Total	<u>(\$533)</u>	<u>(\$7,412)</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$0</u>	<u>\$8,299</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,542)	(\$3,869)	
2 To remove below-the-line payroll taxes. (Issue 48)	(21)	(25)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(27)	(33)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(273)</u>	<u>(15)</u>	
Total	<u>(\$1,863)</u>	<u>(\$3,942)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$10,973)</u>	<u>(\$30,088)</u>	

AUF/Kingswood Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$7,220	\$4,586	\$11,806	(\$392)	\$11,414
2 Land and Land Rights	1,058	0	1,058	0	1,058
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(4,326)	(487)	(4,813)	(97)	(4,910)
5 CIAC	(187)	0	(187)	0	(187)
6 Amortization of CIAC	29	(6)	23	0	23
7 Working Capital Allowance	0	9,449	9,449	(2,099)	7,350
8 Rate Base	\$3,794	\$13,542	\$17,336	(\$2,588)	\$14,748

AUF/Kingswood Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u> To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$392)	N/A	
<u>Accumulated Depreciation</u> To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$97)	N/A	
<u>Working Capital</u> To reflect the appropriate working capital allowance. (Issue 21)	(\$2,099)	N/A	

AUF/Kingswood Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$15,650	\$25,118	\$40,768	(\$25,176)	\$15,592	\$23,817 152.75%	\$39,409
Operating Expenses							
2 Operation & Maintenance	\$41,179	(\$6,607)	\$34,572	(\$825)	\$33,747		\$33,747
3 Depreciation	273	656	929	(21)	908		908
4 Amortization	0	343	343	0	343		343
5 Taxes Other Than Income	611	2,207	2,818	(1,167)	1,651	1,072	2,723
6 Income Taxes	(10,189)	10,867	678	(8,705)	(8,027)	8,559	532
7 Total Operating Expense	\$31,874	\$7,466	\$39,340	(\$10,718)	\$28,622	\$9,631	\$38,253
8 Operating Income	(\$16,224)	\$17,652	\$1,428	(\$14,458)	(\$13,030)	\$14,186	\$1,156
9 Rate Base	\$3,794		\$17,336		\$14,748		\$14,748
10 Rate of Return	-427.62%		8.24%		-88.36%		7.84%

AUF/Kingswood Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$25,232)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	56	N/A	
Total	<u>(\$25,176)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$20)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(55)	N/A	
3 Stipulated Issue 37.	(35)	N/A	
4 To remove image enhancing advertising expense. (Issue 38)	(2)	N/A	
5 To remove lobbying and acquisition expenses. (Issue 39)	(80)	N/A	
6 To remove executive risk insurance expense. (Issue 40)	(20)	N/A	
7 To remove below-the-line expenses. (Issue 48)	(135)	N/A	
8 To reflect the appropriate bad debt expense. (Issue 50)	341	N/A	
9 To reflect the appropriate rate case expense. (Issue 52)	42	N/A	
10 To reflect appropriate normalization adjustments. (Issue 53)	(135)	N/A	
11 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(728)</u>	<u>N/A</u>	
Total	<u>(\$825)</u>	<u>N/A</u>	
<u>Depreciation Expenses</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$17	N/A	
2 To reflect non-used and useful depreciation expense. (Issue 7)	(8)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(29)</u>	<u>N/A</u>	
Total	<u>(\$21)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,133)	N/A	
2 To disallow image enhancing advertising. (Issue 38)	(2)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(10)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(14)	N/A	
6 To reflect appropriate pro forma property taxes. (Issue 57)	<u>(8)</u>	<u>N/A</u>	
Total	<u>(\$1,167)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$8,705)</u>	<u>N/A</u>	

AUF/Lake Gibson Estates		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year	
1 Plant in Service	\$675,121	\$185,480	\$860,601	(\$172,571)	\$688,030	
2 Land and Land Rights	27,521	0	27,521	0	27,521	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(223,141)	35,471	(187,670)	1,518	(186,152)	
5 CIAC	(231,793)	0	(231,793)	0	(231,793)	
6 Amortization of CIAC	88,947	(2,960)	85,987	0	85,987	
7 Working Capital Allowance	0	<u>86,074</u>	<u>86,074</u>	<u>(24,140)</u>	<u>61,934</u>	
8 Rate Base	<u>\$336,655</u>	<u>\$304,065</u>	<u>\$640,720</u>	<u>(\$195,192)</u>	<u>\$445,528</u>	

AUF/Lake Gibson Estates Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$2,538,811	\$22,854	\$2,561,665	(\$1,690)	\$2,559,975
2	Land and Land Rights	13,256	0	13,256	0	13,256
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(552,526)	(3,668)	(556,194)	(525)	(556,719)
5	CIAC	(254,753)	0	(254,753)	0	(254,753)
6	Amortization of CIAC	85,580	(2,594)	82,986	0	82,986
7	Working Capital Allowance	0	<u>32,571</u>	<u>32,571</u>	<u>(8,529)</u>	<u>24,042</u>
8	Rate Base	<u>\$1,830,368</u>	<u>\$49,163</u>	<u>\$1,879,531</u>	<u>(\$10,744)</u>	<u>\$1,868,787</u>

AUF/Lake Gibson Estates Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$4,685)	(\$1,690)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(167,886)	0	
Total	<u>(\$172,571)</u>	<u>(\$1,690)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$1,351)	(\$525)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	2,869	0	
Total	<u>\$1,518</u>	<u>(\$525)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$24,140)</u>	<u>(\$8,529)</u>	

AUF/Lake Gibson Estates Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$141,451	\$232,401	\$373,852	(\$232,047)	\$141,805	\$181,637	\$323,443
						128.09%	
Operating Expenses							
2 Operation & Maintenance	\$170,966	\$56,496	\$227,462	(\$16,136)	\$211,326		\$211,326
3 Depreciation	15,475	17,522	32,997	(2,950)	30,047		30,047
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	55,745	(19,271)	36,474	(13,573)	22,901	8,174	31,075
6 Income Taxes	(38,859)	63,693	24,834	(74,028)	(49,194)	65,274	16,080
7 Total Operating Expense	\$203,327	\$118,440	\$321,767	(\$106,687)	\$215,080	\$73,448	\$288,528
8 Operating Income	(\$61,876)	\$113,961	\$52,085	(\$125,359)	(\$73,274)	\$108,189	\$34,915
9 Rate Base	\$336,655		\$640,720		\$445,528		\$445,528
10 Rate of Return	-18.38%		8.13%		-16.45%		7.84%

AUF/Lake Gibson Estates Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$98,681	\$574,784	\$673,465	(\$576,413)	\$97,052	\$551,268	\$648,320
Operating Expenses						568.01%	
2 Operation & Maintenance	\$184,843	\$80,800	\$265,643	(\$12,477)	\$253,166		\$253,166
3 Depreciation	98,420	11,638	110,058	(17)	110,041		110,041
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	3,783	68,731	72,514	(26,109)	46,405	24,807	71,212
6 Income Taxes	(72,662)	145,907	73,245	(203,903)	(130,658)	198,107	67,449
7 Total Operating Expense	\$214,384	\$307,076	\$521,460	(\$242,506)	\$278,954	\$222,914	\$501,868
8 Operating Income	(\$115,703)	\$267,708	\$152,005	(\$333,907)	(\$181,902)	\$328,354	\$146,452
9 Rate Base	\$1,830,368		\$1,879,531		\$1,868,787		\$1,868,787
10 Rate of Return	-6.32%		8.09%		-9.73%		7.84%

AUF/Lake Gibson Estates Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
Operating Revenues			
1 Remove requested final revenue increase.	(\$233,050)	(\$576,413)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	<u>1,003</u>	<u>0</u>	
Total	<u>(\$232,047)</u>	<u>(\$576,413)</u>	
Operation and Maintenance Expenses			
1 Stipulated Issue 5.	(\$583)	\$0	
2 Stipulated Issue 33.	(275)	(107)	
3 To reflect the appropriate pro forma expenses. (Issue 34)	(720)	(273)	
4 Stipulated Issue 35.	(227)	(945)	
5 Stipulated Issue 37.	(484)	(188)	
6 To remove image enhancing advertising expense. (Issue 38)	(24)	(9)	
7 To remove lobbying and acquisition expenses. (Issue 39)	(1,110)	(431)	
8 To remove executive risk insurance expense. (Issue 40)	(278)	(108)	
9 To remove below-the-line expenses. (Issue 48)	(1,888)	(733)	
10 To reflect the appropriate bad debt expense. (Issue 50)	(971)	(8,438)	
11 To reflect the appropriate rate case expense. (Issue 52)	1,270	605	
12 To reflect appropriate normalization adjustments. (Issue 53)	(846)	(329)	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(10,001)</u>	<u>(1,523)</u>	
Total	<u>(\$16,136)</u>	<u>(\$12,477)</u>	
Depreciation Expense			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$308	\$130	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	(2,869)	0	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(388)</u>	<u>(147)</u>	
Total	<u>(\$2,950)</u>	<u>(\$17)</u>	
Taxes Other Than Income			
1 RAFs on revenue adjustments above.	(\$10,442)	(\$25,939)	
2 To remove below-the-line payroll taxes. (Issue 48)	(144)	(56)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(2)	(1)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(193)	(75)	
5 To reflect the appropriate property taxes. (Issue 57)	<u>(2,792)</u>	<u>(39)</u>	
Total	<u>(\$13,573)</u>	<u>(\$26,109)</u>	
Income Taxes			
To adjust to test year income tax expense.	<u>(\$74,028)</u>	<u>(\$203,903)</u>	

AUF/Lake Josephine Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$553,863	\$590,977	\$1,144,840	\$369,629	\$1,514,469
2 Land and Land Rights	24,623	(4,523)	20,100	0	20,100
3 Non-used and Useful Components	0	0	0	(112,500)	(112,500)
4 Accumulated Depreciation	(151,046)	39,513	(111,533)	(71,141)	(182,674)
5 CIAC	(235,119)	(101,658)	(336,777)	(1,801)	(338,578)
6 Amortization of CIAC	110,758	4,631	115,389	0	115,389
7 Working Capital Allowance	0	<u>60,536</u>	<u>60,536</u>	<u>(16,253)</u>	<u>44,283</u>
8 Rate Base	<u>\$303,079</u>	<u>\$589,476</u>	<u>\$892,555</u>	<u>\$167,934</u>	<u>\$1,060,489</u>

AUF/Lake Josephine Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate historical plant balance. (Issue 2)	\$203	N/A	
2 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(3,122)	N/A	
3 To reflect the appropriate pro forma water treatment plant. (Issue 4)	<u>372,548</u>	<u>N/A</u>	
Total	<u>\$369,629</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 7 and 10)	<u>(\$112,500)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(928)	N/A	
2 To reflect app. Acc. Dep. For pro forma water treat. Plant. (Issue 4)	(70,213)	N/A	
3 To reflect the appropriate historical A/D balance. (Issue 14)	<u>17,395</u>	<u>N/A</u>	
Total	<u>(\$71,141)</u>	<u>N/A</u>	
<u>CIAC</u>			
To reflect the appropriate historical CIAC balance. (Issue 2)	<u>(\$1,801)</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$16,253)</u>	<u>N/A</u>	

AUF/Lake Josephine Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$126,838	\$191,710	\$318,548	(\$192,633)	\$125,915	\$192,633	\$318,548
						152.99%	
Operating Expenses							
2 Operation & Maintenance	\$115,304	\$27,834	\$143,138	(\$14,034)	\$129,104		\$129,104
3 Depreciation	6,977	24,214	31,191	13,022	44,213		44,213
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	12,675	23,003	35,678	(6,913)	28,765	8,668	37,434
6 Income Taxes	(3,132)	38,362	35,230	(71,293)	(36,063)	69,226	33,163
7 Total Operating Expense	\$131,824	\$113,413	\$245,237	(\$79,217)	\$166,020	\$77,894	\$243,914
8 Operating Income	(\$4,986)	\$78,297	\$73,311	(\$113,416)	(\$40,105)	\$114,739	\$74,634
9 Rate Base	\$303,079		\$892,555		\$1,060,489		\$1,060,489
10 Rate of Return	-1.65%		8.21%		-3.78%		7.04%

AUF/Lake Josephine Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$192,913)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	280	N/A	
Total	<u>(\$192,633)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$189)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(488)	N/A	
3 Stipulated Issue 37.	(333)	N/A	
4 To remove image enhancing advertising expense. (Issue 38)	(16)	N/A	
5 To remove lobbying and acquisition expense. (Issue 39)	(763)	N/A	
6 To remove executive risk insurance expenses. (Issue 40)	(191)	N/A	
7 To remove below-the-line expenses. (Issue 48)	(1,297)	N/A	
8 To reflect the appropriate bad debt expense. (Issue 50)	(3,569)	N/A	
9 To reflect the appropriate rate case expense. (Issue 52)	958	N/A	
10 To reflect appropriate normalization adjustments. (Issue 53)	(1,294)	N/A	
11 To reflect the appropriate pro forma expenses. (Issue 54)	(6,852)	N/A	
Total	<u>(\$14,034)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$219	N/A	
2 To reflect the app. Dep. Exp. for pro forma water treat. plant (Issue 4)	16,665	N/A	
3 To reflect non-used and useful depreciation expense. (Issues 7 and 10)	(3,599)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(263)	N/A	
Total	<u>\$13,022</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$8,668)	N/A	
2 To remove Non-U&U property taxes. (Issues 7 and 10)	(1,881)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(99)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(133)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	3,870	N/A	
Total	<u>(\$6,913)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$71,293)</u>	<u>N/A</u>	

AUF/Lake Osborne Estates Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$142,927	\$110,529	\$253,456	(\$81,186)	\$172,270	
2 Land and Land Rights	0	0	0	0	0	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(133,775)	19,930	(113,845)	601	(113,244)	
5 CIAC	(20,278)	0	(20,278)	0	(20,278)	
6 Amortization of CIAC	17,553	(28)	17,525	0	17,525	
7 Working Capital Allowance	0	47,886	47,886	(6,838)	41,048	
8 Rate Base	\$6,427	\$178,317	\$184,744	(\$87,423)	\$97,321	

AUF/Lake Osborne Estates Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 Reduce plant per stipulation of Audit Finding 4	(\$3,289)	N/A	
2 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(2,510)	N/A	
3 To reflect the appropriate amount of pro forma meters. (Issue 4)	(75,387)	N/A	
Total	<u>(\$81,186)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 Reduce accum depr per stipulation of Audit Finding 4	\$941	N/A	
2 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(768)	N/A	
3 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	427	N/A	
Total	<u>\$601</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$6,838)</u>	<u>N/A</u>	

AUF/Lake Osborne Estates Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$111,680	\$217,476	\$329,156	(\$217,016)	\$112,140	\$189,945 169.38%	\$302,085
Operating Expenses							
2 Operation & Maintenance	\$261,096	\$16,963	\$278,059	(\$12,452)	\$265,607		\$265,607
3 Depreciation	1,374	9,301	10,675	(541)	10,134		10,134
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	4,919	12,846	17,765	(11,109)	6,656	8,548	15,204
6 Income Taxes	(60,064)	67,435	7,371	(72,118)	(64,747)	68,260	3,513
7 Total Operating Expense	\$207,325	\$106,545	\$313,870	(\$96,219)	\$217,651	\$76,807	\$294,458
8 Operating Income	(\$95,645)	\$110,931	\$15,286	(\$120,797)	(\$105,511)	\$113,138	\$7,627
9 Rate Base	\$6,427		\$184,744		\$97,321		\$97,321
10 Rate of Return	-1488.17%		8.27%		-108.41%		7.84%

AUF/Lake Osborne Estates Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$217,226)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	210	N/A	
Total	<u>(\$217,016)</u>	<u>N/A</u>	
<u>Operation & Maintenance Expenses</u>			
1 Stipulation Issue 5.	(\$188)	N/A	
2 Stipulated Issue 33.	(156)	N/A	
3 To reflect the appropriate pro forma expenses. (Issue 34)	(401)	N/A	
4 Stipulated Issue 35.	(484)	N/A	
5 Stipulated Issue 37.	(275)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(13)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(630)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(158)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(1,072)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(3,211)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	854	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(1,070)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(5,647)</u>	<u>N/A</u>	
Total	<u>(\$12,452)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 Reduce depreciation expense per stipulation of Audit Finding 4	(\$84)	N/A	
2 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	187	N/A	
3 To reflect app. Dep. Expense for proforma meters. (Issue 4)	(427)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(216)	N/A	
Total	<u>(\$541)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$9,766)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(82)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(110)	N/A	
5 To reflect the appropriate property taxes. (Issue 57)	<u>(1,150)</u>	<u>N/A</u>	
Total	<u>(\$11,109)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$72,118)</u>	<u>N/A</u>	

Lake Suzy Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$827,727	\$40,478	\$868,205	(\$315,025)	\$553,180
2 Land and Land Rights	1,150	0	1,150	0	1,150
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(229,596)	(2,800)	(232,396)	39,263	(193,133)
5 CIAC	(662,436)	0	(662,436)	81,256	(581,180)
6 Amortization of CIAC	284,125	5,849	289,974	(8,891)	281,083
7 Working Capital Allowance	0	57,689	57,689	(15,362)	42,327
8 Rate Base	\$220,970	\$101,216	\$322,186	(\$218,760)	\$103,426

Lake Suzy Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$1,949,789	\$19,343	\$1,969,132	(\$95,567)	\$1,873,565
2	Land and Land Rights	429,459	0	429,459	(229,259)	200,200
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(683,103)	3,534	(679,569)	250,395	(429,174)
5	CIAC	(1,495,554)	0	(1,495,554)	0	(1,495,554)
6	Amortization of CIAC	493,616	(1,487)	492,129	0	492,129
7	Working Capital Allowance	0	<u>28,356</u>	<u>28,356</u>	<u>(8,120)</u>	<u>20,236</u>
8	Rate Base	<u>\$694,207</u>	<u>\$49,746</u>	<u>\$743,953</u>	<u>(\$82,552)</u>	<u>\$661,401</u>

Lake Suzy Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate historical plant balance. (Issue 2)	(\$311,996)	(\$94,057)	
2 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(3,029)	(1,510)	
3 To reflect the appropriate amount of pro forma meters. (Issue 4)	0	0	
Total	<u>(\$315,025)</u>	<u>(\$95,567)</u>	
<u>Land</u>			
To reflect the appropriate land balance. (Issue 3)	\$0	(\$229,259)	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate historical acc. depr. (Issue 2)	\$40,187	\$250,826	
2 To reflect the appropriate amt. acc. depr. of pro forma Corp. IT. (Issue 4)	(924)	(431)	
3 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	0	0	
Total	<u>\$39,263</u>	<u>\$250,395</u>	
<u>CIAC</u>			
To reflect the appropriate historical CIAC balance (Issue 2)	<u>\$81,256</u>	<u>\$0</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>(\$8,891)</u>	<u>\$0</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$15,362)</u>	<u>(\$8,120)</u>	

Lake Suzy Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$330,478	\$265,148	\$595,626	(\$267,183)	\$328,443	\$87,796	\$416,239
						26.73%	
Operating Expenses							
2 Operation & Maintenance	\$341,678	\$173,815	\$515,493	(\$148,008)	\$367,485	\$0	\$367,485
3 Depreciation	3,914	(9,066)	(5,152)	(35)	(5,187)	0	(5,187)
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	34,549	15,933	50,482	(12,330)	38,152	3,951	42,102
6 Income Taxes	(19,157)	30,365	11,208	(39,026)	(27,818)	31,551	3,733
7 Total Operating Expense	\$360,984	\$211,047	\$572,031	(\$199,399)	\$372,632	\$35,502	\$408,134
8 Operating Income	(\$30,506)	\$54,101	\$23,595	(\$67,784)	(\$44,189)	\$52,294	\$8,105
9 Rate Base	\$220,970		\$322,186		\$103,426		\$103,426
10 Rate of Return	-13.81%		7.32%		-42.73%		7.84%

Lake Suzy Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$374,084	(\$53,398)	\$320,686	\$50,215	\$370,901	(\$55,815)	\$315,086
Operating Expenses						-15.05%	
2 Operation & Maintenance	\$263,152	(\$80,562)	\$182,590	(\$13,272)	\$169,318	\$0	\$169,318
3 Depreciation	30,783	(4,437)	26,346	(28)	26,318	0	26,318
4 Amortization	0	0	0	11,349	11,349	0	11,349
5 Taxes Other Than Income	34,355	(1,561)	32,794	2,114	34,908	(2,512)	32,396
6 Income Taxes	17,665	7,979	25,644	18,286	43,930	(20,058)	23,872
7 Total Operating Expense	\$345,955	(\$78,581)	\$267,374	\$18,449	\$285,823	(\$22,570)	\$263,254
8 Operating Income	\$28,129	\$25,183	\$53,312	\$31,766	\$85,078	(\$33,245)	\$51,832
9 Rate Base	\$694,207		\$743,953		\$661,401		\$661,401
10 Rate of Return	4.05%		7.17%		12.86%		7.84%

Lake Suzy Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$267,547)	\$50,215	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	364	0	
Total	<u>(\$267,183)</u>	<u>\$50,215</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$36,553)	(\$1,219)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(483)	(230)	
3 Stipulated Issue 35.	0	(513)	
4 Stipulated Issue 37.	(331)	(154)	
5 Stipulation of Audit Finding No. 15.	0	(2,695)	
5 To remove image enhancing advertising expense. (Issue 38)	(16)	(8)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(759)	(354)	
7 To remove executive risk insurance expense. (Issue 40)	(190)	(89)	
8 To remove below-the-line expenses. (Issue 48)	(1,290)	(602)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(6,878)	437	
10 To reflect the appropriate rate case expense. (Issue 52)	1,020	392	
11 To reflect appropriate normalization adjustments. (Issue 53)	(1,287)	(5,042)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(101,241)</u>	<u>(3,194)</u>	
Total	<u>(\$148,008)</u>	<u>(\$13,272)</u>	
<u>Depreciation</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$225	\$96	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	0	0	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(260)	(124)	
4 Stipulated Issue 56.	0	0	
Total	<u>(\$35)</u>	<u>(\$28)</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$0</u>	<u>\$11,349</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$12,023)	\$2,260	
2 To remove below-the-line payroll taxes. (Issue 48)	(99)	(46)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	(1)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(132)	(62)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(75)</u>	<u>(37)</u>	
Total	<u>(\$12,330)</u>	<u>\$2,114</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$39,026)</u>	<u>\$18,286</u>	

AUF/Leisure Lakes		Schedule No. 3-A					
Schedule of Water Rate Base		Docket No. 080121-WS					
Test Year Ended 12/31/07							
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1	Plant in Service	\$378,488	\$20,776	\$399,264	(\$1,704)	\$397,560	
2	Land and Land Rights	550	0	550	0	550	
3	Non-used and Useful Components	0	(10,040)	(10,040)	(149)	(10,189)	
4	Accumulated Depreciation	(131,224)	(2,216)	(133,440)	(449)	(133,889)	
5	CIAC	(132,402)	0	(132,402)	0	(132,402)	
6	Amortization of CIAC	80,553	1,261	81,814	0	81,814	
7	Working Capital Allowance	0	41,030	41,030	(8,991)	32,039	
8	Rate Base	<u>\$195,965</u>	<u>\$50,811</u>	<u>\$246,776</u>	<u>(\$11,294)</u>	<u>\$235,482</u>	

AUF/Leisure Lakes		Schedule No. 3-B				
Schedule of Wastewater Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year	
1 Plant in Service	\$349,034	\$20,203	\$369,237	(\$1,622)	\$367,615	
2 Land and Land Rights	2,200	0	2,200	0	2,200	
3 Non-used and Useful Components	0	(29,003)	(29,003)	(179,690)	(208,693)	
4 Accumulated Depreciation	(227,933)	(2,217)	(230,150)	(443)	(230,593)	
5 CIAC	(241,371)	0	(241,371)	0	(241,371)	
6 Amortization of CIAC	194,539	1,551	196,090	0	196,090	
7 Working Capital Allowance	0	39,579	39,579	(8,486)	31,093	
8 Rate Base	\$76,469	\$30,113	\$106,582	(\$190,241)	\$0	

AUF/Leisure Lakes Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u> To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	<u>(\$1,704)</u>	<u>(\$1,622)</u>	
<u>Non-used and Useful</u> To reflect net non-used and useful adjustment. (Issues 9, 10, and 11)	<u>(\$149)</u>	<u>(\$179,690)</u>	
<u>Accumulated Depreciation</u> To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	<u>(\$449)</u>	<u>(\$443)</u>	
<u>Working Capital</u> To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$8,991)</u>	<u>(\$8,486)</u>	

AUF/Leisure Lakes Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$56,931</u>	<u>\$65,646</u>	<u>\$122,577</u>	<u>(\$65,856)</u>	<u>\$56,721</u>	<u>\$54,939</u> 96.86%	<u>\$111,660</u>
Operating Expenses							
2 Operation & Maintenance	\$75,636	(\$5,173)	\$70,463	(\$7,276)	\$63,187		\$63,187
3 Depreciation	10,626	164	10,790	(189)	10,601		10,601
4 Amortization	0	1,344	1,344	0	1,344		1,344
5 Taxes Other Than Income	2,636	7,582	10,218	(3,116)	7,102	2,472	9,574
6 Income Taxes	<u>(12,332)</u>	<u>21,999</u>	<u>9,667</u>	<u>(20,911)</u>	<u>(11,244)</u>	<u>19,743</u>	<u>8,499</u>
7 Total Operating Expense	<u>\$76,566</u>	<u>\$25,916</u>	<u>\$102,482</u>	<u>(\$31,492)</u>	<u>\$70,990</u>	<u>\$22,215</u>	<u>\$93,206</u>
8 Operating Income	<u>(\$19,635)</u>	<u>\$39,730</u>	<u>\$20,095</u>	<u>(\$34,364)</u>	<u>(\$14,269)</u>	<u>\$32,723</u>	<u>\$18,454</u>
9 Rate Base	<u>\$195,965</u>		<u>\$246,776</u>		<u>\$235,482</u>		<u>\$235,482</u>
10 Rate of Return	<u>-10.02%</u>		<u>8.14%</u>		<u>-6.06%</u>		<u>7.84%</u>

AUF/Leisure Lakes Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$68,774	\$31,011	\$99,785	(\$31,419)	\$68,366	\$3,418 5.00%	\$71,784
Operating Expenses							
2 Operation & Maintenance	\$82,913	(\$6,944)	\$75,969	(\$5,449)	\$70,520		\$70,520
3 Depreciation	5854	(1884)	3970	(8,124)	(4,154)		(4,154)
4 Amortization	0	1,269	1,269	0	1,269		1,269
5 Taxes Other Than Income	4,488	1,413	5,901	(1,905)	3,996	154	4,149
6 Income Taxes	(9,444)	13,550	4,106	(5,334)	(1,228)	1,228	(0)
7 Total Operating Expense	\$83,811	\$7,404	\$91,215	(\$20,813)	\$70,402	\$1,382	\$71,784
8 Operating Income	(\$15,037)	\$23,607	\$8,570	(\$10,606)	(\$2,036)	\$2,036	\$0
9 Rate Base	\$76,469		\$106,582		\$0		\$0
10 Rate of Return	-19.66%		8.04%		0.00%		0.00%

AUF/Leisure Lakes Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$66,080)	(\$31,419)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	224	0	
Total	<u>(\$65,856)</u>	<u>(\$31,419)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$1,485)	\$0	
2 Stipulated Issue 33.	(91)	(90)	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(248)	(241)	
4 Stipulated Issue 37.	(161)	(159)	
5 To remove image enhancing advertising expense. (Issue 38)	(8)	(8)	
6 To remove lobbying and acquisition expense. (Issue 39)	(370)	(364)	
7 To remove executive risk insurance expenses. (Issue 40)	(92)	(91)	
8 To remove below-the-line expenses. (Issue 48)	(629)	(619)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(501)	(302)	
10 To reflect the appropriate rate case expense. (Issue 52)	295	340	
11 To reflect appropriate normalization adjustments. (Issue 53)	(627)	(618)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(3,359)</u>	<u>(3,298)</u>	
Total	<u>(\$7,276)</u>	<u>(\$5,449)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$91	\$94	
2 To reflect non-used and useful depreciation expense. (Issues 9, 10, and 11)	(146)	(8,088)	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(134)</u>	<u>(130)</u>	
Total	<u>(\$189)</u>	<u>(\$8,124)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$2,964)	(\$1,414)	
2 To remove Non-U&U property taxes. (Issues 9, 10, and 11)	(2)	(344)	
3 To remove below-the-line payroll taxes. (Issue 48)	(48)	(47)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(1)	(1)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(64)	(63)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(38)</u>	<u>(37)</u>	
Total	<u>(\$3,116)</u>	<u>(\$1,905)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$20,911)</u>	<u>(\$5,334)</u>	

AUF/Morningview		Schedule No. 3-A			
Schedule of Water Rate Base		Docket No. 080121-WS			
Test Year Ended 12/31/07					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$107,243	\$8,377	\$115,620	(\$6,336)	\$109,284
2 Land and Land Rights	882	0	882	0	882
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(33,248)	1,737	(31,511)	(10)	(31,521)
5 CIAC	(4,973)	0	(4,973)	0	(4,973)
6 Amortization of CIAC	3,042	(65)	2,977	99	3,076
7 Working Capital Allowance	0	6,113	6,113	(1,234)	4,879
8 Rate Base	<u>\$72,946</u>	<u>\$16,162</u>	<u>\$89,108</u>	<u>(\$7,482)</u>	<u>\$81,626</u>

AUF/Morningview Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$171,067	\$2,579	\$173,646	(\$200)	\$173,446
2 Land and Land Rights	1,140	0	1,140	0	1,140
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(129,305)	(456)	(129,761)	(58)	(129,819)
5 CIAC	(7,699)	0	(7,699)	0	(7,699)
6 Amortization of CIAC	5,456	(102)	5,354	203	5,557
7 Working Capital Allowance	0	6.141	6.141	(1,030)	5.111
8 Rate Base	<u>\$40,659</u>	<u>\$8,162</u>	<u>\$48,821</u>	<u>(\$1,085)</u>	<u>\$47,736</u>

AUF/Morningview Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro-forma corp. IT. (Issue 4)	(\$231)	(\$200)	
2 To reflect the appropriate amount of pro-forma meters. (Issue 4)	<u>(6,105)</u>	<u>0</u>	
Total	<u>(\$6,336)</u>	<u>(\$200)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro-forma corp. IT. (Issue 4)	(\$58)	(\$58)	
2 To reflect the appropriate amt. acc. depr. of pro-forma meters. (Issue 4)	<u>47</u>	<u>0</u>	
Total	<u>(\$10)</u>	<u>(\$58)</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated issue 15.	<u>\$99</u>	<u>\$203</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$1,234)</u>	<u>(1,030)</u>	

AUF/Morningview Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	\$17,469	\$25,260	\$42,729	(\$25,271)	\$17,458	\$22,180 127.05%	\$39,638
Operating Expenses								
2	Operation & Maintenance	\$20,203	\$3,046	\$23,249	(\$3,188)	\$20,061		\$20,061
3	Depreciation	\$3,160	\$723	\$3,883	(\$343)	\$3,540		\$3,540
4	Amortization	\$0	\$263	\$263	\$2,153	\$2,416		\$2,416
5	Taxes Other Than Income	\$3,501	\$1,037	\$4,538	(\$1,258)	\$3,280	\$998	\$4,278
6	Income Taxes	(\$3,624)	\$7,127	\$3,503	(\$8,528)	(\$5,025)	\$7,971	\$2,946
7	Total Operating Expense	\$23,240	\$12,196	\$35,436	(\$11,164)	\$24,272	\$8,969	\$33,241
8	Operating Income	(\$5,771)	\$13,064	\$7,293	(\$14,107)	(\$6,814)	\$13,211	\$6,397
9	Rate Base	\$72,946		\$89,108		\$81,626		\$81,626
10	Rate of Return	-7.91%		8.18%		-8.35%		7.84%

AUF/Morningview Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
Description								
1	Operating Revenues:	\$21,817	\$22,948	\$44,765	(\$23,204)	\$21,561	\$21,528	\$43,089
							99.85%	
	Operating Expenses							
2	Operation & Maintenance	\$27,565	(\$1,350)	\$26,215	(\$827)	\$25,388		\$25,388
3	Depreciation	6,371	1,812	8,183	(383)	7,800		7,800
4	Amortization	0	202	202	0	202		202
5	Taxes Other Than Income	913	3,416	4,329	(1,063)	3,266	969	4,234
6	Income Taxes	(5,027)	6,916	1,889	(7,902)	(6,013)	7,736	1,723
7	Total Operating Expense	\$29,822	\$10,996	\$40,818	(\$10,175)	\$30,643	\$8,705	\$39,348
8	Operating Income	(\$8,005)	\$11,952	\$3,947	(\$13,029)	(\$9,082)	\$12,823	\$3,741
9	Rate Base	\$40,659		\$48,821		\$47,736		\$47,736
10	Rate of Return	-19.69%		8.08%		-19.02%		7.84%

AUF/Morningview Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$25,285)	(\$23,204)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	14	0	
Total	<u>(\$25,271)</u>	<u>(\$23,204)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$135)	(\$12)	
2 To remove non-utility expenses. (Issue 34)	(32)	(31)	
3 Stipulated Issue 35.	(2,279)	(41)	
4 Stipulated Issue 37.	(21)	(21)	
5 To remove image enhancing advertising expense. (Issue 38)	(1)	(1)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(47)	(47)	
7 To remove executive risk insurance expense. (Issue 40)	(12)	(12)	
8 To remove below-the-line expenses. (Issue 48)	(81)	(81)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(259)	(306)	
10 To reflect the appropriate rate case expense. (Issue 52)	27	55	
11 To reflect appropriate normalization adjustments. (Issue 53)	(80)	(80)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(266)	(250)	
Total	<u>(\$3,188)</u>	<u>(\$827)</u>	
<u>Depreciation Expense</u>			
1 To reflect appropriate amt of depr exp. For pro-forma copr. IT. (Issue 4)	\$11	\$14	
2 To reflect appropriate amt of depr exp. For pro-forma meters. (Issue 4)	(47)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(18)	(17)	
4 To reflect the appropriate pro-forma property taxes. (Issue 57)	(107)	(5)	
5 Stipulated Issue 56.	(182)	(375)	
Total	<u>(\$343)</u>	<u>(\$383)</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$2,153</u>	<u>\$3,467</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,137)	(\$1,044)	
2 To remove below-the-line payroll taxes. (Issue 48)	(6)	(6)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(8)	(8)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	(107)	(5)	
Total	<u>(\$1,258)</u>	<u>(\$1,063)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$8,528)</u>	<u>(\$7,902)</u>	

AUF/Oakwood Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$35,864	\$16,549	\$52,413	(\$1,485)	\$50,928	
2 Land and Land Rights	1,708	0	1,708	0	1,708	
3 Non-Used and Useful Components	0	0	0	(60)	0	
4 Accumulated Depreciation	(21,634)	(1,916)	(23,550)	(337)	(23,887)	
5 CIAC	(4,827)	0	(4,827)	0	(4,827)	
6 Amortization of CIAC	(491)	6	(485)	0	(485)	
7 Working Capital Allowance	0	33,408	33,408	(8,103)	25,305	
8 Rate Base	<u>\$10,620</u>	<u>\$48,047</u>	<u>\$58,667</u>	<u>(\$9,984)</u>	<u>\$48,742</u>	

AUF/Oakwood Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u> To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	<u>(\$1,485)</u>	N/A	
<u>Non-used and Useful</u> To reflect net non-used and useful adjustment . (Issue 10)	<u>(\$60)</u>	N/A	
<u>Accumulated Depreciation</u> To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	<u>(\$337)</u>	N/A	
<u>Working Capital</u> To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$8,103)</u>	N/A	

AUF/Oakwood		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$54,796	\$99,559	\$154,355	(\$99,913)	\$54,442	\$90,294	\$144,735
						165.85%	
Operating Expenses							
2 Operation & Maintenance	\$124,974	\$8,357	\$133,331	(\$7,485)	\$125,846		\$125,846
3 Depreciation	726	2,642	3,368	(63)	3,305		3,305
4 Amortization	0	1,156	1,156	0	1,156		1,156
5 Taxes Other Than Income	2,343	7,063	9,406	(4,619)	4,787	4,063	8,850
6 Income Taxes	(28,255)	30,529	2,274	(32,963)	(30,689)	32,448	1,759
7 Total Operating Expense	\$99,788	\$49,747	\$149,535	(\$45,131)	\$104,404	\$36,512	\$140,916
8 Operating Income	(\$44,992)	\$49,812	\$4,820	(\$54,782)	(\$49,962)	\$53,782	\$3,820
9 Rate Base	\$10,620		\$58,667		\$48,742		\$48,742
10 Rate of Return	-423.65%		8.22%		-102.50%		7.84%

AUF/Oakwood Adjustment to Operating Income Test Year Ended 12/31/07		Schedule No. 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$100,091)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	178	N/A	
Total	<u>(\$99,913)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$69)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(197)	N/A	
3 Stipulated Issue 37.	(121)	N/A	
4 To remove image enhancing advertising expense. (Issue 38)	(6)	N/A	
5 To remove lobbying and acquisition expense. (Issue 39)	(278)	N/A	
6 To remove executive risk insurance expenses. (Issue 40)	(69)	N/A	
7 To reflect the appropriate Materials & Supplies expense. (Issue 44)	(197)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(472)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(3,080)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	41	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(471)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,566)</u>	<u>N/A</u>	
Total	<u>(\$7,485)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$51	N/A	
2 To reflect non-used and useful depreciation expense. (Issue 10)	(8)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(106)</u>	<u>N/A</u>	
Total	<u>(\$63)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$4,496)	N/A	
2 To remove Non-U&U property taxes. (Issue 10)	(6)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(36)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(48)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(32)</u>	<u>N/A</u>	
Total	<u>(\$4,619)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$32,963)</u>	<u>N/A</u>	

AUF/Ocala Oaks		Schedule No. 3-A					
Schedule of Water Rate Base		Docket No. 080121-WS					
Test Year Ended 12/31/07							
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1	Plant in Service	\$2,466,998	\$130,245	\$2,597,243	(\$9,698)	\$2,587,545	
2	Land and Land Rights	109,802	0	109,802	0	109,802	
3	Non-used and Useful Components	0	0	0	0	0	
4	Accumulated Depreciation	(943,229)	(11,801)	(955,030)	(2,981)	(958,011)	
5	CIAC	(845,607)	0	(845,607)	0	(845,607)	
6	Amortization of CIAC	479,486	6,157	485,643	(11,418)	474,225	
7	Working Capital Allowance	0	197,721	197,721	(49,073)	148,648	
8	Rate Base	\$1,267,450	\$322,322	\$1,589,772	(\$73,170)	\$1,516,602	

AUF/Ocala Oaks Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
Plant In Service To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	<u>(\$9,698)</u>	N/A	
<u>Accumulated Depreciation</u> To reflect Acc. Dep. Proforma Corporate IT. (Issue 4)	<u>(\$2,981)</u>	N/A	
<u>Accumulated Amortization of CIAC</u> Stipulation Issue 15.	<u>(\$11,418)</u>	N/A	
<u>Working Capital</u> To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$49,073)</u>	N/A	

AUF/Ocala Oaks		Schedule No. 4-A Docket No. 080121-WS						
Statement of Water Operations Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	<u>\$516,793</u>	<u>\$382,569</u>	<u>\$899,362</u>	<u>(\$386,095)</u>	<u>\$513,267</u>	<u>\$328,137</u> 63.93%	<u>\$841,404</u>
	Operating Expenses							
2	Operation & Maintenance	\$376,654	\$145,796	\$522,450	(\$38,110)	\$484,340		\$484,340
3	Depreciation	110,470	2,192	112,662	(106)	112,556		112,556
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	32,345	42,167	74,512	(18,361)	56,151	14,766	70,918
6	Income Taxes	<u>(1,032)</u>	<u>62,330</u>	<u>61,298</u>	<u>(124,481)</u>	<u>(63,183)</u>	<u>117,921</u>	<u>54,738</u>
7	Total Operating Expense	<u>\$518,437</u>	<u>\$252,485</u>	<u>\$770,922</u>	<u>(\$181,058)</u>	<u>\$589,864</u>	<u>\$132,687</u>	<u>\$722,552</u>
8	Operating Income	<u>(\$1,644)</u>	<u>\$130,084</u>	<u>\$128,440</u>	<u>(\$205,037)</u>	<u>(\$76,597)</u>	<u>\$195,449</u>	<u>\$118,852</u>
9	Rate Base	<u>\$1,267,450</u>		<u>\$1,589,772</u>		<u>\$1,516,602</u>		<u>\$1,516,602</u>
10	Rate of Return	<u>-0.13%</u>		<u>8.08%</u>		<u>-5.05%</u>		<u>7.84%</u>

AUF/Ocala Oaks Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$387,488)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	1,393	N/A	
Total	<u>(\$386,095)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$605)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(1,553)	N/A	
3 Stipulated Issue 35.	(845)	N/A	
4 Stipulated Issue 37.	(1,067)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(\$52)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(2,448)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(612)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(4,162)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(4,052)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	3,355	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(4,153)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(21,916)	N/A	
Total	<u>(\$38,110)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$731	N/A	
2 To reflect the appropriate test year depreciation expense. (Issue 55)	(837)	N/A	
Total	<u>(\$106)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$17,374)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(318)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(4)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(426)	N/A	
5 To reflect the appropriate property taxes. (Issue 57)	(238)	N/A	
Total	<u>(\$18,361)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$124,481)</u>	<u>N/A</u>	

AUF/Orange Hill - Sugar Creek Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$211,872	\$54,881	\$266,753	(\$160)	\$266,593
2 Land and Land Rights	17,232	0	17,232	0	17,232
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(53,532)	8,404	(45,128)	(141)	(45,269)
5 CIAC	(22,014)	0	(22,014)	0	(22,014)
6 Amortization of CIAC	8,371	(377)	7,994	0	7,994
7 Working Capital Allowance	0	24,811	24,811	(6,838)	17,973
8 Rate Base	\$161,929	\$87,719	\$249,648	(\$7,139)	\$242,509

AUF/Orange Hill - Sugar Creek Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	\$91	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(251)	N/A	
Total	<u>(\$160)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$392)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	251	N/A	
Total	<u>(\$141)</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$6,838)</u>	<u>N/A</u>	

AUF/Orange Hill - Sugar Creek Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$52,040</u>	<u>\$68,172</u>	<u>\$120,212</u>	<u>(\$68,391)</u>	<u>\$51,821</u>	<u>\$58,556</u> 113.00%	<u>\$110,373</u>
Operating Expenses							
2 Operation & Maintenance	\$126,362	(\$58,125)	\$68,237	(\$6,098)	\$62,139		\$62,139
3 Depreciation	6,676	4,270	10,946	(272)	10,674		10,674
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	4,391	6,584	10,975	(3,803)	7,172	2,635	9,807
6 Income Taxes	<u>(32,939)</u>	<u>42,671</u>	<u>9,732</u>	<u>(22,022)</u>	<u>(12,290)</u>	<u>21,043</u>	<u>8,753</u>
7 Total Operating Expense	<u>\$104,490</u>	<u>(\$4,600)</u>	<u>\$99,890</u>	<u>(\$32,196)</u>	<u>\$67,694</u>	<u>\$23,678</u>	<u>\$91,373</u>
8 Operating Income	<u>(\$52,450)</u>	<u>\$72,772</u>	<u>\$20,322</u>	<u>(\$36,195)</u>	<u>(\$15,873)</u>	<u>\$34,878</u>	<u>\$19,005</u>
9 Rate Base	<u>\$161,929</u>		<u>\$249,648</u>		<u>\$242,509</u>		<u>\$242,509</u>
10 Rate of Return	<u>-32.39%</u>		<u>8.14%</u>		<u>-6.55%</u>		<u>7.84%</u>

AUF/Orange Hill - Sugar Creek Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
Operating Revenues			
1 Remove requested final revenue increase.	(\$68,594)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	<u>203</u>	<u>N/A</u>	
Total	<u>(\$68,391)</u>	<u>N/A</u>	
Operation and Maintenance Expenses			
1 Stipulated Issue 33.	(\$80)	N/A	
2 To reflect the appropriate pro forma expenses. (Issue 34)	(208)	N/A	
3 Stipulated Issue 35.	(89)	N/A	
4 Stipulated Issue 37.	(140)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(7)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(322)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(81)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(548)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,872)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	391	N/A	
11 To reflect appropriate normalization adjustments (Issue 53)	(246)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,897)</u>	<u>N/A</u>	
Total	<u>(\$6,098)</u>	<u>N/A</u>	
Depreciation Expense			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$91	N/A	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	(251)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(112)</u>	<u>N/A</u>	
Total	<u>(\$272)</u>	<u>N/A</u>	
Taxes Other Than Income			
1 RAFs on revenue adjustments above.	(\$3,078)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(42)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(56)	N/A	
5 To reflect the appropriate property taxes. (Issue 57)	<u>(627)</u>	<u>N/A</u>	
Total	<u>(\$3,803)</u>	<u>N/A</u>	
Income Taxes			
To adjust to test year income tax expense.	<u>(\$22,022)</u>	<u>N/A</u>	

Palm Port		Schedule No. 3-A Docket No. 080121-WS				
Schedule of Water Rate Base Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
Description						
1	Plant in Service	\$116,586	\$22,859	\$139,445	(\$14,570)	\$124,875
2	Land and Land Rights	8,208	0	8,208	0	8,208
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(32,129)	5,530	(26,599)	(213)	(26,812)
5	CIAC	(22,302)	0	(22,302)	0	(22,302)
6	Amortization of CIAC	11,637	123	11,760	0	11,760
7	Working Capital Allowance	0	16,028	16,028	(2,858)	13,170
8	Rate Base	\$82,000	\$44,540	\$126,540	(\$17,641)	\$108,899

Palm Port		Schedule No. 3-B			
Schedule of Wastewater Rate Base		Docket No. 080121-WS			
Test Year Ended 12/31/07					
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year
1 Plant in Service	\$286,022	\$7,666	\$293,688	(\$564)	\$293,124
2 Land and Land Rights	10,023	0	10,023	0	10,023
3 Non-used and Useful Components	0	(3,702)	(3,702)	(13,105)	(16,807)
4 Accumulated Depreciation	(189,819)	(825)	(190,644)	(176)	(190,820)
5 CIAC	(25,882)	0	(25,882)	0	(25,882)
6 Amortization of CIAC	13,642	196	13,838	0	13,838
7 Working Capital Allowance	0	15,930	15,930	(2,833)	13,097
8 Rate Base	<u>\$93,986</u>	<u>\$19,265</u>	<u>\$113,251</u>	<u>(\$16,679)</u>	<u>\$96,572</u>

Palm Port Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$568)	(\$564)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(14,002)</u>	0	
Total	<u>(\$14,570)</u>	<u>(\$564)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10 and 11)	\$0	<u>(\$13,105)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro forma Corp. IT. (Issue 4)	(\$178)	(\$176)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(35)</u>	0	
Total	<u>(\$213)</u>	<u>(\$176)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,858)</u>	<u>(\$2,833)</u>	

Palm Port Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$36,282</u>	<u>\$30,906</u>	<u>\$67,188</u>	<u>(\$31,052)</u>	<u>\$36,136</u>	<u>\$27,248</u> 75.40%	<u>\$63,384</u>
Operating Expenses							
2 Operation & Maintenance	\$24,822	\$9,757	\$34,579	(\$2,513)	\$32,066	\$0	\$32,066
3 Depreciation	2,965	1,329	4,294	30	4,324	0	4,324
4 Amortization	0	588	588	1,966	2,554	0	2,554
5 Taxes Other Than Income	8,607	3,822	12,429	(1,680)	10,749	1,226	11,975
6 Income Taxes	(43)	5,006	4,963	(10,824)	(5,861)	9,792	3,930
7 Total Operating Expense	<u>\$36,351</u>	<u>\$20,502</u>	<u>\$56,853</u>	<u>(\$13,022)</u>	<u>\$43,831</u>	<u>\$11,018</u>	<u>\$54,849</u>
8 Operating Income	<u>(\$69)</u>	<u>\$10,404</u>	<u>\$10,335</u>	<u>(\$18,030)</u>	<u>(\$7,695)</u>	<u>\$16,230</u>	<u>\$8,534</u>
9 Rate Base	<u>\$82,000</u>		<u>\$126,540</u>		<u>\$108,899</u>		<u>\$108,899</u>
10 Rate of Return	<u>-0.08%</u>		<u>8.17%</u>		<u>-7.07%</u>		<u>7.84%</u>

Palm Port Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$58,907</u>	<u>\$31,061</u>	<u>\$89,968</u>	<u>(\$31,491)</u>	<u>\$58,477</u>	<u>\$30,146</u> 51.55%	<u>\$88,623</u>
Operating Expenses							
2 Operation & Maintenance	\$46,328	\$8,201	\$54,529	(\$2,409)	\$52,120	\$0	\$52,120
3 Depreciation	13,742	763	14,505	(2,422)	12,083	0	12,083
4 Amortization	0	589	589	6,375	6,964	0	6,964
5 Taxes Other Than Income	4,514	2,271	6,785	(1,739)	5,046	1,357	6,402
6 Income Taxes	<u>(2,190)</u>	<u>6,587</u>	<u>4,397</u>	<u>(11,745)</u>	<u>(7,348)</u>	<u>10,833</u>	<u>3,486</u>
7 Total Operating Expense	<u>\$62,394</u>	<u>\$18,411</u>	<u>\$80,805</u>	<u>(\$11,940)</u>	<u>\$68,865</u>	<u>\$12,190</u>	<u>\$81,055</u>
8 Operating Income	<u>(\$3,487)</u>	<u>\$12,650</u>	<u>\$9,163</u>	<u>(\$19,551)</u>	<u>(\$10,388)</u>	<u>\$17,956</u>	<u>\$7,568</u>
9 Rate Base	<u>\$93,986</u>		<u>\$113,251</u>		<u>\$96,572</u>		<u>\$96,572</u>
10 Rate of Return	<u>-3.71%</u>		<u>8.09%</u>		<u>-10.76%</u>		<u>7.84%</u>

Palm Port Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
Operating Revenues			
1 Remove requested final revenue increase.	(\$31,052)	(\$31,491)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	91	0	
Total	<u>(\$31,052)</u>	<u>(\$31,491)</u>	
Operation and Maintenance Expenses			
1 Stipulated Issue 33.	(\$36)	(\$36)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(92)	(91)	
3 Stipulated Issue 35.	(54)	0	
4 Stipulated Issue 37.	(64)	(63)	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	(3)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(146)	(145)	
7 To remove executive risk insurance expense. (Issue 40)	(37)	(36)	
8 To remove below-the-line expenses. (Issue 48)	(249)	(247)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(486)	(454)	
10 To reflect the appropriate rate case expense. (Issue 52)	211	209	
11 To reflect appropriate normalization adjustments. (Issue 53)	(248)	(246)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,309)</u>	<u>(1,297)</u>	
Total	<u>(\$2,513)</u>	<u>(\$2,409)</u>	
Depreciation expense			
1 To reflect the appropriate amt. of depr exp. for pro forma Corp IT. (Issue 4)	\$45	\$44	
2 To reflect appropriate amt. of depr exp. for pro forma meters. (Issue 4)	35	0	
3 To reflect non-used and useful depreciation expense. (Issue 10 and 11)	0	(2,417)	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(50)	(49)	
5 Stipulated Issue 56.	0	0	
Total	<u>\$30</u>	<u>(\$2,422)</u>	
Amortization			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$1,966</u>	<u>\$6,375</u>	
Taxes Other Than Income			
1 RAFs on revenue adjustments above.	(\$1,397)	(\$1,417)	
2 To remove Non-U&U property taxes. (Issues 10 and 11)	0	(266)	
3 To remove below-the-line payroll taxes. (Issue 48)	(19)	(19)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(25)	(25)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(238)</u>	<u>(12)</u>	
Total	<u>(\$1,680)</u>	<u>(\$1,739)</u>	
Income Taxes			
To adjust to test year income tax expense.	<u>(\$10,824)</u>	<u>(\$11,745)</u>	

AUF/Palm Terrace		Schedule No. 3-A Docket No. 080121-WS				
Schedule of Water Rate Base Test Year Ended 12/31/07						
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$280,449	\$265,657	\$546,106	(\$232,962)	\$313,144	
2 Land and Land Rights	23,477	0	23,477	0	23,477	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(87,349)	43,429	(43,920)	(1,750)	(45,670)	
5 CIAC	(138,725)	0	(138,725)	0	(138,725)	
6 Amortization of CIAC	94,626	(243)	94,383	41	94,424	
7 Working Capital Allowance	0	178,193	178,193	(35,041)	143,152	
8 Rate Base	\$172,478	\$487,036	\$659,514	(\$269,711)	\$389,803	

AUF/Palm Terrace Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$1,088,918	\$73,433	\$1,162,351	(\$5,809)	\$1,156,542
2	Land and Land Rights	70,890	0	70,890	0	70,890
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(284,379)	(7,821)	(292,200)	1,623	(290,577)
5	CIAC	(343,607)	0	(343,607)	0	(343,607)
6	Amortization of CIAC	294,772	(4,650)	290,122	10,300	300,422
7	Working Capital Allowance	0	154,484	154,484	(30,438)	124,046
8	Rate Base	<u>\$826,594</u>	<u>\$215,446</u>	<u>\$1,042,040</u>	<u>(\$24,323)</u>	<u>\$1,017,717</u>

AUF/Palm Terrace Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$6,736)	(\$5,809)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(226,225)</u>	<u>0</u>	
Total	<u>(\$232,962)</u>	<u>(\$5,809)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate Acc. Dep. for Pro Forma Corporate IT. (Issue 4)	\$1,877	\$1,623	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(3,627)</u>	<u>0</u>	
Total	<u>(\$1,750)</u>	<u>\$1,623</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$41</u>	<u>\$10,300</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$35,041)</u>	<u>(\$30,438)</u>	

AUF/Palm Terrace Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue	Revenue
						Increase	Requirement
1 Operating Revenues:	\$317,409	\$308,628	\$626,037	(\$309,594)	\$316,443	\$355,348	\$671,791
						112.29%	
Operating Expenses							
2 Operation & Maintenance	\$394,440	\$83,512	\$477,952	(\$36,060)	\$441,892	\$0	\$441,892
3 Depreciation	5,741	16,705	22,446	(3,840)	18,606	0	18,606
4 Amortization	0	6,717	6,717	123,511	130,228	0	130,228
5 Taxes Other Than Income	24,660	14,037	38,697	(18,239)	20,458	15,991	36,448
6 Income Taxes	(41,442)	67,437	25,995	(139,626)	(113,631)	127,700	14,069
7 Total Operating Expense	\$383,399	\$188,408	\$571,807	(\$74,254)	\$497,553	\$143,691	\$641,244
8 Operating Income	(\$65,990)	\$120,220	\$54,230	(\$235,340)	(\$181,110)	\$211,657	\$30,548
9 Rate Base	\$172,478		\$659,514		\$389,803		\$389,803
10 Rate of Return	-38.26%		8.22%		-46.46%		7.84%

AUF/Palm Terrace Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year	Utility	Adjusted	Staff	Adjusted	Revenue	Revenue
	Per Utility	Adjust- ments	Test Year Per Utility	Adjust- ments	Test Year	Increase	Requirement
1 Operating Revenues:	\$384,667	\$125,456	\$510,123	(\$128,586)	\$381,537	\$68,707 18.01%	\$450,244
Operating Expenses							
2 Operation & Maintenance	\$211,359	\$78,021	\$289,380	(\$24,727)	\$264,653	\$0	\$264,653
3 Depreciation	29,392	19,843	49,235	(22,706)	26,529	0	26,529
4 Amortization	0	5,720	5,720	0	5,720	0	5,720
5 Taxes Other Than Income	15,143	24,960	40,103	(6,341)	33,762	3,092	36,854
6 Income Taxes	49,674	(8,864)	40,810	(28,769)	12,041	24,691	36,732
7 Total Operating Expense	\$305,568	\$119,680	\$425,248	(\$82,543)	\$342,705	\$27,783	\$370,488
8 Operating Income	\$79,099	\$5,776	\$84,875	(\$46,043)	\$38,832	\$40,924	\$79,756
9 Rate Base	\$826,594		\$1,042,040		\$1,017,717		\$1,017,717
10 Rate of Return	9.57%		8.15%		3.82%		7.84%

AUF/Palm Terrace Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$311,421)	(\$128,586)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	1,827	0	
Total	<u>(\$309,594)</u>	<u>(\$128,586)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$381)	(\$330)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(1,013)	(876)	
3 Stipulated Issue 35.	(473)	(537)	
4 Stipulated Issue 37.	(673)	(582)	
5 To remove image enhancing advertising expense. (Issue 38)	(33)	(28)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(1,543)	(1,335)	
7 To remove executive risk insurance expense. (Issue 40)	(386)	(334)	
8 To remove below-the-line expenses. (Issue 48)	(2,623)	(2,270)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(13,938)	(7,231)	
10 To reflect the appropriate rate case expense. (Issue 52)	1,564	1,370	
11 To reflect appropriate normalization adjustments. (Issue 53)	(2,617)	(2,264)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(13,944)</u>	<u>(10,310)</u>	
Total	<u>(\$36,060)</u>	<u>(\$24,727)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$409	\$409	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(3,627)	(3,627)	
4 To remove test year depreciation expenses. (Issue 55)	(546)	(472)	
5 Stipulated Issue 56.	<u>(76)</u>	<u>(19,016)</u>	
Total	<u>(\$3,840)</u>	<u>(\$22,706)</u>	
<u>Amorization</u>			
To reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$123,511</u>	<u>\$0</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$13,932)	(\$5,786)	
2 To remove below-the-line payroll taxes. (Issue 48)	(201)	(174)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(3)	(2)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(268)	(232)	
5 To reflect the appropriate property taxes. (Issue 57)	<u>(3,836)</u>	<u>(146)</u>	
Total	<u>(\$18,239)</u>	<u>(\$6,341)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$139,626)</u>	<u>(\$28,769)</u>	

AUF/Palms Mobile Home Park Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$115,767	\$16,889	\$132,656	(\$11,923)	\$120,733
2 Land and Land Rights	1,360	0	1,360	0	1,360
3 Non-used and Useful Components	0	(469)	(469)	11	(458)
4 Accumulated Depreciation	(50,022)	1,888	(48,134)	26	(48,108)
5 CIAC	(4,425)	0	(4,425)	0	(4,425)
6 Amortization of CIAC	2,580	(48)	2,532	96	2,628
7 Working Capital Allowance	0	9,076	9,076	(1,896)	7,180
8 Rate Base	<u>\$65,260</u>	<u>\$27,336</u>	<u>\$92,596</u>	<u>(\$13,686)</u>	<u>\$78,910</u>

AUF/Palms Mobile Home Park Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro-forma Corp. IT. (Issue 4)	(\$361)	N/A	
2 To reflect the appropriate amount of pro-forma meters. (Issue 4)	(11,562)	N/A	
Total	<u>(\$11,923)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10)	\$11	N/A	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro-forma Corp. IT. (Issue 4)	(\$97)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro-forma meters. (Issue 4)	123	N/A	
Total	<u>\$26</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	\$96	N/A	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$1,896)</u>	<u>N/A</u>	

AUF/Palms Mobile Home Park Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$11,308	\$34,380	\$45,688	(\$34,454)	\$11,234	\$29,345	\$40,579
						261.21%	
Operating Expenses							
2 Operation & Maintenance	\$22,878	\$1,536	\$24,414	(\$1,865)	\$22,549		\$22,549
3 Depreciation	4,407	1,014	5,421	(307)	5,114		5,114
4 Amortization	0	323	0	0	0		0
5 Taxes Other Than Income	1,308	3,031	4,339	(1,776)	2,563	1,321	3,884
6 Income Taxes	(6,667)	10,308	3,641	(11,338)	(7,697)	10,545	2,848
7 Total Operating Expense	\$21,926	\$16,212	\$37,815	(\$15,286)	\$22,529	\$11,866	\$34,395
8 Operating Income	(\$10,618)	\$18,168	\$7,873	(\$19,168)	(\$11,295)	\$17,479	\$6,184
9 Rate Base	\$65,260		\$92,596		\$78,910		\$78,910
10 Rate of Return	-16.27%		8.50%		-14.31%		7.84%

AUF/Palms Mobile Home Park Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$34,503)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	49	N/A	
Total	<u>(\$34,454)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$47)	N/A	
2 Stipulated Issue 33.	(20)	N/A	
3 To remove non-utility expenses. (Issue 34)	(53)	N/A	
4 Stipulated Issue 35.	(14)	N/A	
5 Stipulated Issue 37.	(35)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(2)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(80)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(20)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(135)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(651)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	69	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(135)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	(743)	N/A	
Total	<u>(\$1,865)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect appropriate amt of depr exp. For pro-forma Corp. IT. (Issue 4)	\$20	N/A	
2 To reflect appropriate amt of depr exp. For pro-forma meters. (Issue 4)	(123)	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 10)	1	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(29)	N/A	
5 Stipulated Issue 56.	(177)	N/A	
Total	<u>(\$307)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,550)	N/A	
2 To remove Non-U&U property taxes. (Issue 10)	1	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(10)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To remove pro forma payroll taxes. (Issue 54)	(14)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	(201)	N/A	
Total	<u>(\$1,776)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$11,338)</u>	<u>N/A</u>	

AUF/Picciola Island		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year	
1 Plant in Service	\$125,077	\$62,637	\$187,714	(\$53,908)	\$133,806	
2 Land and Land Rights	3,481	0	3,481	0	3,481	
3 Non-used and Useful Components	0	(2,582)	(2,582)	2,825	243	
4 Accumulated Depreciation	(67,053)	4,659	(62,394)	729	(61,665)	
5 CIAC	(48,958)	0	(48,958)	0	(48,958)	
6 Amortization of CIAC	29,726	296	30,022	0	30,022	
7 Working Capital Allowance	0	22,796	22,796	(4,677)	18,119	
8 Rate Base	\$42,273	\$87,806	\$130,079	(\$55,031)	\$75,048	

AUF/Picciola Island Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro-forma corp. IT. (Issue 4)	(\$840)	\$0	
2 To reflect the appropriate amount of pro-forma meters. (Issue 4)	<u>(53,068)</u>	\$0	
Total	<u>(\$53,908)</u>	<u>\$0</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10)	<u>\$2,825</u>	<u>\$0</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro-forma corp. IT. (Issue 4)	(\$239)	\$0	
2 To reflect the appropriate amt. acc. depr. of pro-forma meters. (Issue 4)	<u>968</u>	\$0	
Total	<u>\$729</u>	<u>\$0</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(4,677)</u>	<u>\$0</u>	

AUF/Piccioia Island Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$53,117	\$13,317	\$66,434	(\$13,865)	\$52,569	\$825	\$53,394
						1.57%	
Operating Expenses							
2 Operation & Maintenance	\$31,983	\$6,949	\$38,932	(\$3,236)	\$35,696		\$35,696
3 Depreciation	\$2,407	\$2,491	\$4,898	(\$1,124)	\$3,774		\$3,774
4 Amortization	\$0	\$758	\$758	\$0	\$758		\$758
5 Taxes Other Than Income	\$3,084	\$3,024	\$6,108	(\$1,570)	\$4,538	\$37	\$4,575
6 Income Taxes	\$6,034	(\$941)	\$5,093	(\$2,681)	\$2,412	\$296	\$2,709
7 Total Operating Expense	\$43,508	\$12,281	\$55,789	(\$8,610)	\$47,179	\$334	\$47,513
8 Operating Income	\$9,609	\$1,036	\$10,645	(\$5,255)	\$5,390	\$491	\$5,881
9 Rate Base	\$42,273		\$130,079		\$75,048		\$75,048
10 Rate of Return	22.73%		8.18%		7.18%		7.84%

AUF/Picciola Island Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$13,935)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	70	N/A	
Total	<u>(\$13,865)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$44)	N/A	
2 Stipulated Issue 33.	(49)	N/A	
3 To remove non-utility expenses. (Issue 34)	(128)	N/A	
4 Stipulated Issue 35.	(95)	N/A	
5 Stipulated Issue 37.	(86)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(4)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(197)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	49	N/A	
9 To remove below-the-line expenses. (Issue 48)	(334)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(402)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	216	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(334)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,829)</u>	<u>N/A</u>	
Total	<u>(\$3,236)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect appropriate amt of depr exp. For pro-forma copr. IT. (Issue 4)	\$53	N/A	
2 To reflect appropriate amt of depr exp. For pro-forma meters. (Issue 4)	(968)	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 10)	(140)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(69)</u>	<u>N/A</u>	
Total	<u>(\$1,124)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$624)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(26)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To remove pro forma payroll taxes. (Issue 54)	(34)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(886)</u>	<u>N/A</u>	
Total	<u>(\$1,570)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$2,681)</u>	<u>N/A</u>	

AUF/Piney Woods		Schedule No. 3-A Docket No. 080121-WS				
Schedule of Water Rate Base Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
Description						
1	Plant in Service	\$386,513	\$12,824	\$399,337	(\$963)	\$398,374
2	Land and Land Rights	1,867	0	1,867	0	1,867
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(159,028)	(1,399)	(160,427)	(292)	(160,719)
5	CIAC	(20,627)	(216)	(20,843)	0	(20,843)
6	Amortization of CIAC	6,572	0	6,572	431	7,003
7	Working Capital Allowance	0	26,159	26,159	(4,894)	21,265
8	Rate Base	<u>\$215,297</u>	<u>\$37,368</u>	<u>\$252,665</u>	<u>(\$5,718)</u>	<u>\$246,947</u>

AUF/Piney Woods Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u> To reflect the appropriate amount of pro-forma corp. IT. (Issue 4)	<u>(\$963)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u> To reflect the appropriate amt. acc. depr. of pro-forma corp. IT. (Issue 4)	<u>(\$292)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u> Stipulated Issue 15.	<u>\$431</u>	<u>N/A</u>	
<u>Working Capital</u> To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$4,894)</u>	<u>N/A</u>	

AUF/Piney Woods Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year	Utility	Adjusted	Staff	Adjusted	Revenue	Revenue
	Per Utility	Adjust- ments	Test Year Per Utility	Adjust- ments	Test Year	Increase	Requirement
1 Operating Revenues:	<u>\$78,515</u>	<u>\$35,662</u>	<u>\$114,177</u>	<u>(\$36,154)</u>	<u>\$78,023</u>	<u>\$27,402</u> 35.12%	<u>\$105,425</u>
Operating Expenses							
2 Operation & Maintenance	\$47,454	\$10,593	\$58,047	(\$4,363)	\$53,684	\$0	\$53,684
3 Depreciation	11,661	2,327	13,988	(1,841)	12,147	0	12,147
4 Amortization	0	927	927	0	927	0	927
5 Taxes Other Than Income	6,805	4,088	10,893	(1,724)	9,169	1,233	10,402
6 Income Taxes	<u>4,859</u>	<u>4,976</u>	<u>9,835</u>	<u>(10,770)</u>	<u>(935)</u>	<u>9,848</u>	<u>8,913</u>
7 Total Operating Expense	<u>\$70,779</u>	<u>\$22,911</u>	<u>\$93,690</u>	<u>(\$18,698)</u>	<u>\$74,992</u>	<u>\$11,081</u>	<u>\$86,073</u>
8 Operating Income	<u>\$7,736</u>	<u>\$12,751</u>	<u>\$20,487</u>	<u>(\$17,456)</u>	<u>\$3,031</u>	<u>\$16,322</u>	<u>\$19,353</u>
9 Rate Base	<u>\$215,297</u>		<u>\$252,665</u>		<u>\$246,947</u>		<u>\$246,947</u>
10 Rate of Return	<u>3.59%</u>		<u>8.11%</u>		<u>1.23%</u>		<u>7.84%</u>

AUF/Piney Woods Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$36,322)		N/A
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0		N/A
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	168		N/A
Total	<u>(\$36,154)</u>		<u>N/A</u>
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$104)		N/A
2 Stipulated Issue 33.	(59)		N/A
3 To remove non-utility expenses. (Issue 34)	(153)		N/A
4 Stipulated Issue 35.	(130)		N/A
5 Stipulated Issue 37.	(105)		N/A
6 To remove image enhancing advertising expense. (Issue 38)	(5)		N/A
7 To remove lobbying and acquisition expenses. (Issue 39)	(240)		N/A
8 To remove executive risk insurance expense. (Issue 40)	(60)		N/A
9 To remove below-the-line expenses. (Issue 48)	(408)		N/A
10 To reflect the appropriate bad debt expense. (Issue 50)	(792)		N/A
11 To reflect the appropriate rate case expense. (Issue 52)	318		N/A
12 To reflect appropriate normalization adjustments. (Issue 53)	(407)		N/A
13 To reflect the appropriate pro forma expenses. (Issue 54)	(2,218)		N/A
Total	<u>(\$4,363)</u>		<u>N/A</u>
<u>Depreciation Expense</u>			
1 To reflect appropriate amt of depr exp. For pro-forma copr. IT. (Issue 4)	(\$963)		N/A
2 To reflect the appropriate test year depreciation expense. (Issue 55)	(82)		N/A
3 Stipulated Issue 56.	(796)		N/A
Total	<u>(\$1,841)</u>		<u>N/A</u>
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,627)		N/A
2 To remove below-the-line payroll taxes. (Issue 48)	(31)		N/A
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)		N/A
4 To remove pro forma payroll taxes. (Issue 54)	(42)		N/A
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	(24)		N/A
Total	<u>(\$1,724)</u>		<u>N/A</u>
<u>Income Taxes</u>			
To adjust to test year income tax expense.	(\$10,770)		N/A

AUF/Pomona Park Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$419,312	\$33,242	\$452,554	(\$18,202)	\$434,352
2 Land and Land Rights	7,229	0	7,229	0	7,229
3 Non-used and Useful Components	0	(100,724)	(100,724)	(3,600)	(104,324)
4 Accumulated Depreciation	(101,343)	11,378	(89,965)	(615)	(90,580)
5 CIAC	(22,516)	0	(22,516)	0	(22,516)
6 Amortization of CIAC	9,919	(245)	9,674	353	10,027
7 Working Capital Allowance	0	26,973	26,973	(6,091)	20,882
8 Rate Base	\$312,601	(\$29,376)	\$283,225	(\$28,155)	\$255,070

AUF/Pomona Park Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 060368-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,121)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(17,080)	N/A	
Total	<u>(\$18,202)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 7)	<u>(\$3,600)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$261)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	(354)	N/A	
Total	<u>(\$615)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$353</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$6,091)</u>	<u>N/A</u>	

AUF/Pomona Park		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$60,166	\$52,972	\$113,138	(\$53,118)	\$60,020	\$39,442	\$99,462
						65.71%	
Operating Expenses							
2 Operation & Maintenance	\$108,675	(\$54,666)	\$54,009	(\$7,684)	\$46,325	\$0	\$46,325
3 Depreciation	11,743	202	11,945	(477)	11,468	0	11,468
4 Amortization	0	1,047	1,047	0	1,047	0	1,047
5 Taxes Other Than Income	10,197	2,159	12,356	(2,705)	9,651	1,775	11,426
6 Income Taxes	(27,176)	38,128	10,952	(15,920)	(4,968)	14,174	9,206
7 Total Operating Expense	\$103,439	(\$13,130)	\$90,309	(\$26,785)	\$63,524	\$15,949	\$79,473
8 Operating Income	(\$43,273)	\$66,102	\$22,829	(\$26,333)	(\$3,504)	\$23,493	\$19,989
9 Rate Base	\$312,601		\$283,225		\$255,070		\$255,070
10 Rate of Return	-13.84%		8.06%		-1.37%		7.84%

AUF/Pomona Park Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$53,258)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	140	N/A	
Total	<u>(\$53,118)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$9)	N/A	
2 Stipulated Issue 33.	(53)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(151)	N/A	
4 Stipulated Issue 35.	(616)	N/A	
5 Stipulated Issue 37.	(94)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(5)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(215)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(54)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(365)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(3,834)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	56	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(364)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	(1,980)	N/A	
Total	<u>(\$7,684)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$41	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	354	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 7)	(139)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(82)	N/A	
5 Stipulated Issue 56.	(651)	N/A	
Total	<u>(\$477)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$2,390)	N/A	
2 To remove Non-U&U property taxes. (Issue 7)	(29)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(28)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(37)	N/A	
6 To reflect appropriate pro forma property taxes. (Issue 57)	(220)	N/A	
Total	<u>(\$2,705)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	(\$15,920)	N/A	

AUF/Quail Ridge		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year		Utility		Staff	
	Per Utility	Per Utility	Adjustments	Per Utility	Adjustments	Test Year
1 Plant in Service	\$165,496	\$189,354	\$23,858	\$189,354	(\$14,132)	\$175,222
2 Land and Land Rights	3,804	3,804	0	3,804	0	3,804
3 Non-used and Useful Components	0	0	0	0	0	0
4 Accumulated Depreciation	(45,547)	(43,035)	2,512	(43,035)	(99)	(43,134)
5 CIAC	(108,292)	(108,292)	0	(108,292)	0	(108,292)
6 Amortization of CIAC	18,119	16,710	(1,409)	16,710	1,970	18,680
7 Working Capital Allowance	0	10,628	10,628	10,628	(2,721)	7,907
8 Rate Base	\$33,580	\$69,169	\$35,589	\$69,169	(\$14,983)	\$54,186

AUF/Quail Ridge Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$529)		N/A
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(13,603)		N/A
Total	<u>(\$14,132)</u>		<u>N/A</u>
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$155)		N/A
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	55		N/A
Total	<u>(\$99)</u>		<u>N/A</u>
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$1,970</u>		<u>N/A</u>
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,721)</u>		<u>N/A</u>

AUF/Quail Ridge Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$45,950</u>	<u>\$2,454</u>	<u>\$48,404</u>	<u>(\$2,547)</u>	<u>\$45,857</u>	<u>(\$3,374)</u> -7.36%	<u>\$42,483</u>
Operating Expenses							
2 Operation & Maintenance	\$31,873	(\$3,099)	\$28,774	(\$2,226)	\$26,548		\$26,548
3 Depreciation	2,051	4,243	6,294	(3,701)	2,593		2,593
4 Amortization	0	97	97	2,416	2,513		2,513
5 Taxes Other Than Income	3,624	1,552	5,176	(398)	4,778	(152)	4,626
6 Income Taxes	<u>3,242</u>	<u>(642)</u>	<u>2,600</u>	<u>568</u>	<u>3,168</u>	<u>(1,213)</u>	<u>1,956</u>
7 Total Operating Expense	<u>\$40,790</u>	<u>\$2,151</u>	<u>\$42,941</u>	<u>(\$3,340)</u>	<u>\$39,601</u>	<u>(\$1,364)</u>	<u>\$38,237</u>
8 Operating Income	<u>\$5,160</u>	<u>\$303</u>	<u>\$5,463</u>	<u>\$793</u>	<u>\$6,256</u>	<u>(\$2,010)</u>	<u>\$4,246</u>
9 Rate Base	<u>\$33,580</u>		<u>\$69,169</u>		<u>\$54,186</u>		<u>\$54,186</u>
10 Rate of Return	<u>15.37%</u>		<u>7.90%</u>		<u>11.55%</u>		<u>7.84%</u>

AUF/Quail Ridge Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$2,624)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	77	N/A	
Total	<u>(\$2,547)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$0)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(82)	N/A	
3 Stipulated Issue 35.	(62)	N/A	
4 Stipulated Issue 37.	(55)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(127)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(32)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(216)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(406)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	150	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(215)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(1,178)	N/A	
Total	<u>(\$2,226)</u>	<u>N/A</u>	
<u>Depreciation Expenses</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$36	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(55)	N/A	
3 To remove test year depreciation expenses. (Issue 55)	(44)	N/A	
4 Stipulated Issue 56.	(3,637)	N/A	
Total	<u>(\$3,701)</u>	<u>N/A</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$2,416</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$115)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(17)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(22)	N/A	
5 To reflect appropriate pro forma property taxes. (Issue 57)	(245)	N/A	
Total	<u>(\$398)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>\$568</u>	<u>N/A</u>	

AUF/Ravenswood		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year	Utility	Adjusted	Staff	Staff	
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year	
1 Plant in Service	\$45,771	\$5,512	\$51,283	(\$8,701)	\$42,582	
2 Land and Land Rights	368	0	368	0	368	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(19,500)	6,855	(12,645)	(78)	(12,723)	
5 CIAC	(12,090)	0	(12,090)	0	(12,090)	
6 Amortization of CIAC	11,571	261	11,832	0	11,832	
7 Working Capital Allowance	0	4,925	4,925	(1,330)	3,595	
8 Rate Base	\$26,120	\$17,553	\$43,673	(\$10,109)	\$33,564	

AUF/Ravenswood Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$234)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(8,467)	N/A	
Total	(\$8,701)	N/A	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$75)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	(3)	N/A	
Total	(\$78)	N/A	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	(\$1,330)	N/A	

AUF/Ravenswood Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$15,137	\$14,160	\$29,297	(\$14,268)	\$15,029	\$10,757 71.57%	\$25,786
Operating Expenses							
2 Operation & Maintenance	\$15,059	\$4,628	\$19,687	(\$1,870)	\$17,817		\$17,817
3 Depreciation	2,156	(94)	2,062	1	2,063		2,063
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	1,018	1,369	2,387	(807)	1,580	484	2,064
6 Income Taxes	(1,195)	2,874	1,679	(4,333)	(2,654)	3,866	1,211
7 Total Operating Expense	\$17,038	\$8,777	\$25,815	(\$7,009)	\$18,806	\$4,350	\$23,156
8 Operating Income	(\$1,901)	\$5,383	\$3,482	(\$7,259)	(\$3,777)	\$6,407	\$2,630
9 Rate Base	\$26,120		\$43,673		\$33,564		\$33,564
10 Rate of Return	-7.28%		7.97%		-11.25%		7.84%

AUF/Ravenswood Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$14,338)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	70	N/A	
Total	<u>(\$14,268)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$15)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(38)	N/A	
3 Stipulated Issue 37.	(27)	N/A	
4 To remove image enhancing advertising expense. (Issue 38)	(1)	N/A	
5 To remove lobbying and acquisition expenses. (Issue 39)	(61)	N/A	
6 To remove executive risk insurance expense. (Issue 40)	(15)	N/A	
7 To reflect appropriate contractual services other expense. (Issue 41)	(355)	N/A	
8 To remove fuel for purchased power production expense. (Issue 45)	(355)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(104)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(321)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	92	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(104)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	(565)	N/A	
Total	<u>(\$1,870)</u>	<u>N/A</u>	
<u>Depreciation Expenses</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$19	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	3	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(21)	N/A	
Total	<u>\$1</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$642)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(8)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(11)	N/A	
5 To reflect appropriate pro forma property taxes. (Issue 57)	(146)	N/A	
Total	<u>(\$807)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$4,333)</u>	<u>N/A</u>	

AUF/River Grove Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$133,938	\$25,106	\$159,044	(\$8,999)	\$150,045	
2 Land and Land Rights	3,511	0	3,511	0	3,511	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(76,016)	3,349	(72,667)	(73)	(72,740)	
5 CIAC	(27,964)	0	(27,964)	0	(27,964)	
6 Amortization of CIAC	25,580	64	25,644	0	25,644	
7 Working Capital Allowance	<u>0</u>	<u>15,836</u>	<u>15,836</u>	<u>(2,600)</u>	<u>13,236</u>	
8 Rate Base	<u>\$59,049</u>	<u>\$44,355</u>	<u>\$103,404</u>	<u>(\$11,672)</u>	<u>\$91,732</u>	

AUF/River Grove Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$532)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(8,467)	N/A	
Total	<u>(\$8,999)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate Acc. Dep. for Pro Forma Corporate IT. (Issue 4)	(\$182)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	109	N/A	
Total	<u>(\$73)</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,600)</u>	<u>N/A</u>	

AUF/River Grove		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$36,732</u>	<u>\$19,983</u>	<u>\$56,715</u>	<u>(\$20,245)</u>	<u>\$36,470</u>	<u>\$14,392</u>	<u>\$50,862</u>
						39.46%	
Operating Expenses							
2 Operation & Maintenance	\$53,448	(\$20,815)	\$32,633	(\$3,181)	\$29,452		\$29,452
3 Depreciation	3,768	1,449	5,217	(109)	5,108		5,108
4 Amortization	0	578	578	0	578		578
5 Taxes Other Than Income	3,226	2,573	5,799	(1,223)	4,576	648	5,223
6 Income Taxes	<u>(9,146)</u>	<u>13,192</u>	<u>4,046</u>	<u>(5,907)</u>	<u>(1,861)</u>	<u>5,172</u>	<u>3,311</u>
7 Total Operating Expense	<u>\$51,296</u>	<u>(\$3,023)</u>	<u>\$48,273</u>	<u>(\$10,420)</u>	<u>\$37,853</u>	<u>\$5,820</u>	<u>\$43,673</u>
8 Operating Income	<u>(\$14,564)</u>	<u>\$23,006</u>	<u>\$8,442</u>	<u>(\$9,825)</u>	<u>(\$1,383)</u>	<u>\$8,572</u>	<u>\$7,189</u>
9 Rate Base	<u>\$59,049</u>		<u>\$103,404</u>		<u>\$91,732</u>		<u>\$91,732</u>
10 Rate of Return	<u>-24.66%</u>		<u>8.16%</u>		<u>-1.51%</u>		<u>7.84%</u>

AUF/River Grove Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$20,287)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	42	N/A	
Total	<u>(\$20,245)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$37)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(91)	N/A	
3 Stipulated Issue 35.	(588)	N/A	
4 Stipulated Issue 37.	(65)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(149)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(37)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(254)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(635)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	257	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(253)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,324)</u>	<u>N/A</u>	
Total	<u>(\$3,181)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	\$50	N/A	
2 To reflect the appropriate Dep. Exp. for Pro Forma Meters. (Issue 4)	(109)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(49)</u>	<u>N/A</u>	
Total	<u>(\$109)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$911)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(19)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(26)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(267)</u>	<u>N/A</u>	
Total	<u>(\$1,223)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$5,907)</u>	<u>N/A</u>	

AUF/Rosalie Oaks		Schedule No. 3-A Docket No. 080121-WS				
Schedule of Water Rate Base Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
Description						
1	Plant in Service	\$77,933	\$26,812	\$104,745	(\$16,280)	\$88,465
2	Land and Land Rights	4,022	0	4,022	0	4,022
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(23,959)	(1,419)	(25,378)	139	(25,239)
5	CIAC	(3,296)	0	(3,296)	0	(3,296)
6	Amortization of CIAC	670	22	692	0	692
7	Working Capital Allowance	0	10,385	10,385	(3,521)	6,864
8	Rate Base	\$55,370	\$35,800	\$91,170	(\$19,662)	\$71,508

AUF/Rosalie Oaks		Schedule No. 3-B			
Schedule of Wastewater Rate Base		Docket No. 080121-WS			
Test Year Ended 12/31/07					
Description	Test Year	Utility	Adjusted	Staff	Staff
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year
1 Plant in Service	\$286,217	\$6,949	\$293,166	(\$609)	\$292,557
2 Land and Land Rights	0	0	0	0	0
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(16,055)	(287)	(16,342)	(144)	(16,486)
5 CIAC	(8,746)	0	(8,746)	0	(8,746)
6 Amortization of CIAC	1,504	18	1,522	0	1,522
7 Working Capital Allowance	0	<u>12,875</u>	<u>12,875</u>	<u>(3,524)</u>	<u>9,351</u>
8 Rate Base	<u>\$262,920</u>	<u>\$19,555</u>	<u>\$282,475</u>	<u>(\$4,276)</u>	<u>\$278,199</u>

AUF/Rosalie Oaks Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$609)	(\$609)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(15,671)</u>	<u>0</u>	
Total	<u>(\$16,280)</u>	<u>(\$609)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$144)	(\$144)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>283</u>	<u>0</u>	
Total	<u>\$139</u>	<u>(\$144)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$3,521)</u>	<u>(\$3,524)</u>	

AUF/Rosalie Oaks		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$14,022</u>	<u>\$34,605</u>	<u>\$48,627</u>	<u>(\$34,628)</u>	<u>\$13,999</u>	<u>\$29,365</u>	<u>\$43,364</u>
Operating Expenses						209.77%	
2 Operation & Maintenance	\$23,034	\$6,061	\$29,095	(\$2,098)	\$26,997		\$26,997
3 Depreciation	3,038	1,341	4,379	(304)	4,075		4,075
4 Amortization	0	0	0	253	253		253
5 Taxes Other Than Income	5,638	(1,250)	4,388	(1,856)	2,532	1,321	3,854
6 Income Taxes	(6,823)	10,326	3,503	(11,475)	(7,972)	10,553	2,581
7 Total Operating Expense	<u>\$24,887</u>	<u>\$16,478</u>	<u>\$41,365</u>	<u>(\$15,479)</u>	<u>\$25,886</u>	<u>\$11,874</u>	<u>\$37,760</u>
8 Operating Income	<u>(\$10,865)</u>	<u>\$18,127</u>	<u>\$7,262</u>	<u>(\$19,149)</u>	<u>(\$11,887)</u>	<u>\$17,491</u>	<u>\$5,604</u>
9 Rate Base	<u>\$55,370</u>		<u>\$91,170</u>		<u>\$71,508</u>		<u>\$71,508</u>
10 Rate of Return	<u>-19.62%</u>		<u>7.97%</u>		<u>-16.62%</u>		<u>7.84%</u>

AUF/Rosalie Oaks		Schedule No. 4-B					
Statement of Wastewater Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07		Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$26,909	\$73,603	\$100,512	(\$73,365)	\$27,147	\$82,830	\$109,977
						305.12%	
Operating Expenses							
2 Operation & Maintenance	\$41,627	\$3,881	\$45,508	(\$2,977)	\$42,531		\$42,531
3 Depreciation	11,583	31	11,614	(21)	11,593		11,593
4 Amortization	0	0	0	13,080	13,080		13,080
5 Taxes Other Than Income	1,014	9,539	10,553	(3,350)	7,203	3,727	10,930
6 Income Taxes	(10,537)	21,224	10,687	(30,412)	(19,725)	29,766	10,041
7 Total Operating Expense	\$43,687	\$34,675	\$78,362	(\$23,681)	\$54,681	\$33,494	\$88,175
8 Operating Income	(\$16,778)	\$38,928	\$22,150	(\$49,685)	(\$27,535)	\$49,336	\$21,802
9 Rate Base	\$262,920		\$282,475		\$278,199		\$278,199
10 Rate of Return	-6.38%		7.84%		-9.90%		7.84%

AUF/Rosalie Oaks Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$34,726)	(\$73,793)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	428	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	98	0	
Total	<u>(\$34,628)</u>	<u>(\$73,365)</u>	
<u>Operation & Maintenance Expense</u>			
1 Stipulated Issue 33.	(\$29)	(\$149)	
2 To reflect the appropriate pro forma expenses. (Issue 34)	(83)	(83)	
3 Stipulated Issue 37.	(52)	(52)	
4 To remove image enhancing advertising expense. (Issue 38)	(3)	(3)	
5 To remove lobbying and acquisition expenses. (Issue 39)	(119)	(119)	
6 To remove executive risk insurance expense. (Issue 40)	(30)	(30)	
7 To remove below-the-line expenses. (Issue 48)	(202)	(202)	
8 To reflect the appropriate bad debt expense. (Issue 50)	(328)	(1,088)	
9 To reflect the appropriate rate case expense. (Issue 52)	40	40	
10 To reflect appropriate normalization adjustments. (Issue 53)	(201)	(201)	
11 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(1,092)</u>	<u>(1,092)</u>	
Total	<u>(\$2,098)</u>	<u>(\$2,977)</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$24	\$24	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	(283)	0	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(45)</u>	<u>(45)</u>	
Total	<u>(\$304)</u>	<u>(\$21)</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$253</u>	<u>\$13,080</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,558)	(\$3,301)	
2 To remove below-the-line payroll taxes. (Issue 48)	(15)	(15)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(21)	(21)	
5 To reflect the appropriate property taxes. (Issue 57)	<u>(261)</u>	<u>(13)</u>	
Total	<u>(\$1,856)</u>	<u>(\$3,350)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$11,475)</u>	<u>(\$30,412)</u>	

AUF/Sebring Lakes Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$405,608	\$5,516	\$411,124	(\$14,390)	\$396,734	
2 Land and Land Rights	4,800	0	4,800	0	4,800	
3 Non-used and Useful Components	0	(45,572)	(45,572)	(209,258)	(254,830)	
4 Accumulated Depreciation	(72,655)	79	(72,576)	3,893	(68,683)	
5 CIAC	(329,155)	0	(329,155)	0	(329,155)	
6 Amortization of CIAC	77,272	(1,503)	75,769	0	75,769	
7 Working Capital Allowance	0	8,864	8,864	(2,727)	6,137	
8 Rate Base	\$85,870	(\$32,616)	\$53,254	(\$222,482)	\$0	

AUF/Sebring Lakes Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate historical plant balance. (Issue 2)	(\$10,670)	N/A	
2 To reflect the appropriate historical plant balance. (Issue 2)	(3,222)	N/A	
3 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(498)	N/A	
Total	<u>(\$14,390)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 7 and 10)	<u>(\$209,258)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$112)	N/A	
2 To reflect the appropriate historical A/D balance. (Issue 14)	4,005	N/A	
Total	<u>\$3,893</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,727)</u>	<u>N/A</u>	

AUF/Sebring Lakes Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$16,177	\$117,539	\$133,716	(\$117,272)	\$16,444	\$90,075 547.77%	\$106,519
Operating Expenses							
2 Operation & Maintenance	\$66,728	\$43,837	\$110,565	(\$10,720)	\$99,845		\$99,845
3 Depreciation	3,794	1,489	5,283	(7,861)	(2,578)		(2,578)
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	5,386	6,967	12,353	(7,153)	5,200	4,053	9,253
6 Income Taxes	(23,041)	24,822	1,781	(34,151)	(32,370)	32,370	0
7 Total Operating Expense	\$52,867	\$77,115	\$129,982	(\$59,886)	\$70,096	\$36,424	\$106,519
8 Operating Income	(\$36,690)	\$40,424	\$3,734	(\$57,386)	(\$53,652)	\$53,652	\$0
9 Rate Base	\$85,870		\$53,254		\$0		\$0
10 Rate of Return	42.73%		7.01%		0.00%		0.00%

AUF/Sebring Lakes Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$117,356)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	84	N/A	
Total	<u>(\$117,272)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$4,054)	N/A	
2 Stipulated Issue 33.	(23)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(66)	N/A	
4 Stipulated Issue 37.	(40)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(2)	N/A	
6 To remove lobbying and acquisition expense. (Issue 39)	(92)	N/A	
7 To remove executive risk insurance expenses. (Issue 40)	(23)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(157)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,623)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	8	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(156)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(4,493)	N/A	
Total	<u>(\$10,720)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$17	N/A	
2 To reflect non-used and useful depreciation expense. (Issues 7 and 10)	(7,202)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(675)	N/A	
Total	<u>(\$7,861)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$5,277)	N/A	
2 To remove Non-U&U property taxes. (Issues 7 and 10)	(1,837)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(12)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(16)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	(11)	N/A	
Total	<u>(\$7,153)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$34,151)</u>	<u>N/A</u>	

AUF/Silver Lake Estate - Western Shores		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$2,232,448	\$327,141	\$2,559,589	(\$277,353)	\$2,282,236
2	Land and Land Rights	2,434	0	2,434	0	2,434
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(800,096)	101,993	(698,103)	(758)	(698,861)
5	CIAC	(672,239)	0	(672,239)	0	(672,239)
6	Amortization of CIAC	273,219	1,432	274,651	1,998	276,649
7	Working Capital Allowance	0	248,714	248,714	(40,465)	208,249
8	Rate Base	\$1,035,766	\$679,280	\$1,715,046	(\$316,579)	\$1,398,467

AUF/Silver Lake Estate - Western Shores Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro-forma corp. IT. (Issue 4)	(\$8,185)	N/A	
2 To reflect the appropriate amount of pro-forma meters.(Issue 4)	(269,168)	N/A	
Total	<u>(\$277,353)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10)	<u>(\$2,212)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro-forma corp. IT. (Issue 4)	(\$2,710)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro-forma meters. (Issue 4)	1,951	N/A	
Total	<u>(\$758)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$1,998</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$40,465)</u>	<u>N/A</u>	

AUF/Silver Lake Estate - Western Shores Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$535,285</u>	<u>\$202,311</u>	<u>\$737,596</u>	<u>(\$204,334)</u>	<u>\$533,262</u>	<u>\$165,111</u> 30.96%	<u>\$698,373</u>
Operating Expenses							
2 Operation & Maintenance	251,985	111,165	363,150	(37,105)	326,045		326,045
3 Depreciation	78,373	16,843	95,216	(7,386)	87,830		87,830
4 Amortization	0	9,909	9,909	59,109	69,018		69,018
5 Taxes Other Than Income	38,495	23,941	62,436	(14,454)	47,982	7,430	55,412
6 Income Taxes	<u>64,201</u>	<u>3,053</u>	<u>67,254</u>	<u>(76,115)</u>	<u>(8,861)</u>	<u>59,335</u>	<u>50,474</u>
7 Total Operating Expense	<u>433,054</u>	<u>164,911</u>	<u>597,965</u>	<u>(75,952)</u>	<u>522,013</u>	<u>66,765</u>	<u>588,778</u>
8 Operating Income	<u>\$102,231</u>	<u>\$37,400</u>	<u>\$139,631</u>	<u>(\$128,382)</u>	<u>\$11,249</u>	<u>\$98,345</u>	<u>\$109,594</u>
9 Rate Base	<u>\$1,035,766</u>		<u>\$1,715,046</u>		<u>\$1,398,467</u>		<u>\$1,398,467</u>
10 Rate of Return	<u>9.87%</u>		<u>8.14%</u>		<u>0.80%</u>		<u>7.84%</u>

AUF/Silver Lake Estate - Western Shores Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$205,167)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	833	N/A	
Total	<u>(\$204,334)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$638)	N/A	
2 Stipulated Issue 33.	(550)	N/A	
3 To remove non-utility expenses. (Issue 34)	(1,376)	N/A	
4 Stipulated Issue 35.	(991)	N/A	
5 Stipulated Issue 37.	(969)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(47)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(2,223)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(556)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(3,781)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(5,399)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	3,596	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(3,772)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(20,399)</u>	<u>N/A</u>	
Total	<u>(\$37,105)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect appropriate amt of depr exp. pro-forma corp. IT. (Issue 4)	\$716	N/A	
2 To reflect appropriate amt of depr exp. pro-forma meters. (Issue 4)	(1,951)	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 10)	(1,721)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(742)	N/A	
5 Stipulated Issue 56.	<u>(3,688)</u>	<u>N/A</u>	
Total	<u>(\$7,386)</u>	<u>N/A</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$59,109</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$9,195)	N/A	
2 To remove Non-U&U property taxes. (Issue 10)	74	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(289)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(4)	N/A	
5 To remove pro forma payroll taxes. (Issue 54)	(387)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(4,653)</u>	<u>N/A</u>	
Total	<u>(\$14,454)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$76,115)</u>	<u>N/A</u>	

AUF/Silver Lake Oaks		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	
1 Plant in Service	\$115,775	\$5,951	\$121,726	(\$5,641)	\$116,085	
2 Land and Land Rights	1,070	0	1,070	0	1,070	
3 Non-used and Useful Components	0	(544)	(544)	(21)	(565)	
4 Accumulated Depreciation	(33,379)	5,642	(27,737)	(163)	(27,900)	
5 CIAC	(4,739)	0	(4,739)	0	(4,739)	
6 Amortization of CIAC	2,662	49	2,711	33	2,744	
7 Working Capital Allowance	0	5,840	5,840	(2,470)	3,370	
8 Rate Base	\$81,389	\$16,938	\$98,327	(\$8,262)	\$90,065	

AUF/Silver Lake Oaks		Schedule No. 3-B			
Schedule of Wastewater Rate Base		Docket No. 080121-WS			
Test Year Ended 12/31/07					
Description	Test Year	Utility	Adjusted	Staff	Staff
	Per Utility	Adjustments	Test Year Per Utility	Adjustments	Adjusted Test Year
1 Plant in Service	\$103,220	\$3,080	\$106,300	(\$392)	\$105,908
2 Land and Land Rights	6,602	0	6,602	0	6,602
3 Non-used and Useful Components	0	(7,465)	(7,465)	(26,601)	(34,066)
4 Accumulated Depreciation	(80,795)	(324)	(81,119)	(44)	(81,163)
5 CIAC	(18,397)	0	(18,397)	0	(18,397)
6 Amortization of CIAC	12,069	148	12,217	0	12,217
7 Working Capital Allowance	0	10,166	10,166	(2,367)	7,799
8 Rate Base	\$22,699	\$5,605	\$28,304	(\$29,404)	\$0

AUF/Silver Lake Oaks Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$408)	(\$392)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(5,232)</u>	<u>0</u>	
Total	<u>(\$5,641)</u>	<u>(\$392)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 9, 10 and 11)	<u>(\$21)</u>	<u>(\$26,601)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$44)	(\$44)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(120)</u>	<u>0</u>	
Total	<u>(\$163)</u>	<u>(\$44)</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$33</u>	<u>\$0</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,470)</u>	<u>(\$2,367)</u>	

AUF/Silver Lake Oaks Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$13,240	\$32,420	\$45,660	(\$32,361)	\$13,299	\$28,875 217.12%	\$42,174
Operating Expenses							
2 Operation & Maintenance	\$21,440	\$2,233	\$23,673	(\$1,809)	\$21,864	\$0	\$21,864
3 Depreciation	3,586	592	4,178	86	4,264	0	4,264
4 Amortization	0	159	159	0	159	0	159
5 Taxes Other Than Income	3,947	1,895	5,842	(1,564)	4,278	1,299	5,578
6 Income Taxes	(6,069)	9,897	3,828	(10,954)	(7,126)	10,377	3,251
7 Total Operating Expense	\$22,904	\$14,776	\$37,680	(\$14,240)	\$23,440	\$11,676	\$35,116
8 Operating Income	(\$9,664)	\$17,644	\$7,980	(\$18,121)	(\$10,141)	\$17,199	\$7,058
9 Rate Base	\$81,389		\$98,327		\$90,065		\$90,065
10 Rate of Return	-11.87%		8.12%		-11.26%		7.84%

AUF/Silver Lake Oaks		Schedule No. 4-B					
Statement of Wastewater Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$18,823</u>	<u>\$32,138</u>	<u>\$50,961</u>	<u>(\$32,262)</u>	<u>\$18,699</u>	<u>\$28,189</u> 150.75%	<u>\$46,888</u>
Operating Expenses							
2 Operation & Maintenance	\$38,743	\$1,282	\$40,025	(\$4,488)	\$35,537		\$35,537
3 Depreciation	4,543	(960)	3,583	(276)	3,307		3,307
4 Amortization	0	149	149	4,253	4,402		4,402
5 Taxes Other Than Income	740	3,112	3,852	(1,479)	2,373	1,269	3,641
6 Income Taxes	(9,722)	<u>10,797</u>	<u>1,075</u>	<u>(11,205)</u>	<u>(10,130)</u>	<u>10,130</u>	<u>0</u>
7 Total Operating Expense	<u>\$34,304</u>	<u>\$14,380</u>	<u>\$48,684</u>	<u>(\$13,195)</u>	<u>\$35,489</u>	<u>\$11,399</u>	<u>\$46,888</u>
8 Operating Income	<u>(\$15,481)</u>	<u>\$17,758</u>	<u>\$2,277</u>	<u>(\$19,067)</u>	<u>(\$16,790)</u>	<u>\$16,790</u>	<u>\$0</u>
9 Rate Base	<u>\$22,699</u>		<u>\$28,304</u>		<u>\$0</u>		<u>\$0</u>
10 Rate of Return	<u>-68.20%</u>		<u>8.04%</u>		<u>0.00%</u>		<u>0.00%</u>

AUF/Silver Lake Oaks Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$32,564)	(\$32,262)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	203	0	
Total	<u>(\$32,361)</u>	<u>(\$32,262)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$9)	(\$9)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(38)	(37)	
3 Stipulated Issue 35.	(21)	0	
4 Stipulated Issue 37.	(16)	(16)	
5 To remove image enhancing advertising expense. (Issue 38)	(1)	(1)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(36)	(36)	
7 To remove executive risk insurance expense. (Issue 40)	(9)	(9)	
8 To remove below-the-line expenses. (Issue 48)	(62)	(62)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(992)	(3,711)	
10 To reflect the appropriate rate case expense. (Issue 52)	(183)	(170)	
11 To reflect appropriate normalization adjustments. (Issue 53)	(62)	(62)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(381)</u>	<u>(377)</u>	
Total	<u>(\$1,809)</u>	<u>(\$4,488)</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	(\$11)	(\$10)	
2 To reflect the appropriate Dep. Exp. for Pro Forma Meters. (Issue 4)	120	0	
3 To reflect non-used and useful depreciation expense. (Issue 9, 10, and 11)	(2)	(185)	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(20)	(20)	
5 Stipulated issue 56.	0	(60)	
Total	<u>\$86</u>	<u>(\$276)</u>	
<u>Amortization</u>			
To reflect regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$0</u>	<u>\$4,253</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,456)	(\$1,452)	
2 To remove Non-U&U property taxes. (Issues 9, 10, and 11)	(3)	(9)	
3 To remove below-the-line payroll taxes. (Issue 48)	(5)	(5)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(6)	(6)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(94)</u>	<u>(7)</u>	
Total	<u>(\$1,564)</u>	<u>(\$1,479)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$10,954)</u>	<u>(\$11,205)</u>	

AUF/Skycrest Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$161,446	\$27,292	\$188,738	(\$20,802)	\$167,936
2 Land and Land Rights	431	0	431	0	431
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(34,212)	4,605	(29,607)	22	(29,585)
5 CIAC	(18,914)	0	(18,914)	0	(18,914)
6 Amortization of CIAC	8,875	(213)	8,662	331	8,993
7 Working Capital Allowance	0	17,853	17,853	(3,275)	14,578
8 Rate Base	<u>\$117,626</u>	<u>\$49,537</u>	<u>\$167,163</u>	<u>(\$23,724)</u>	<u>\$143,439</u>

AUF/Skycrest Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro-forma corp. IT. (Issue 4)	(\$648)	N/A	
2 To reflect the appropriate amount of pro-forma meters. (Issue 4)	<u>(20,154)</u>	<u>N/A</u>	
Total	<u>(\$20,802)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro-forma corp. IT. (Issue 4)	(\$200)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro-forma meters. (Issue 4)	<u>222</u>	<u>N/A</u>	
Total	<u>\$22</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$331</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$3,275)</u>	<u>N/A</u>	

AUF/Skycrest Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$52,187</u>	<u>\$17,096</u>	<u>\$69,283</u>	<u>(\$17,231)</u>	<u>\$52,052</u>	<u>\$14,452</u>	<u>\$66,504</u>
Operating Expenses						27.77%	
2 Operation & Maintenance	\$25,842	\$8,703	\$34,545	(\$3,672)	\$30,873		\$30,873
3 Depreciation	5,377	2,140	7,517	(840)	6,677		6,677
4 Amortization	0	635	635	5,939	6,574		6,574
5 Taxes Other Than Income	4,006	2,480	6,486	(1,173)	5,313	650	5,963
6 Income Taxes	<u>6,543</u>	<u>(32)</u>	<u>6,511</u>	<u>(6,528)</u>	<u>(17)</u>	<u>5,194</u>	<u>5,177</u>
7 Total Operating Expense	<u>\$41,768</u>	<u>\$13,926</u>	<u>\$55,694</u>	<u>(\$6,275)</u>	<u>\$49,419</u>	<u>\$5,844</u>	<u>\$55,264</u>
8 Operating Income	<u>\$10,419</u>	<u>\$3,170</u>	<u>\$13,589</u>	<u>(\$10,956)</u>	<u>\$2,633</u>	<u>\$8,608</u>	<u>\$11,241</u>
9 Rate Base	<u>\$117,626</u>		<u>\$167,163</u>		<u>\$143,439</u>		<u>\$143,439</u>
10 Rate of Return	<u>8.86%</u>		<u>8.13%</u>		<u>1.84%</u>		<u>7.84%</u>

AUF/Skycrest Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$17,392)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	161	N/A	
Total	<u>(\$17,231)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$41)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(104)	N/A	
3 Stipulated Issue 35.	(83)	N/A	
4 Stipulated Issue 37.	(72)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(165)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(41)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(280)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,313)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	228	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(279)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(1,519)	N/A	
Total	<u>(\$3,672)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect appropriate amt of depr exp. pro-forma copr. IT. (Issue 4)	\$49	N/A	
2 To reflect appropriate amt of depr exp. pro-forma meters. (Issue 4)	(222)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(56)	N/A	
4 Stipulated Issue 56.	(611)	N/A	
Total	<u>(\$840)</u>	<u>N/A</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$5,939</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$775)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(21)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
4 To remove pro forma payroll taxes. (Issue 54)	(29)	N/A	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	(348)	N/A	
Total	<u>(\$1,173)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$6,528)</u>	<u>N/A</u>	

AUF/South Seas		Schedule No. 3-B Docket No. 080121-WS				
Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
Description						
1	Plant in Service	\$3,335,676	\$124,872	\$3,460,548	(\$107,542)	\$3,353,006
2	Land and Land Rights	60,000	0	60,000	0	60,000
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(1,716,196)	(2,926)	(1,719,122)	1,683	(1,717,439)
5	CIAC	(424,732)	0	(424,732)	0	(424,732)
6	Amortization of CIAC	377,613	(1,087)	376,526	0	376,526
7	Working Capital Allowance	0	11,755	11,755	(2,559)	9,196
8	Rate Base	\$1,632,361	\$132,614	\$1,764,975	(\$108,419)	\$1,656,556

AUF/South Seas Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	N/A	(\$423)	
2 To adjust pro-forma plant for effluent disposal. (Issue 4)	N/A	(80,000)	
3 To adjust pro-forma plant for misc plant equipment. (Issue 4)	N/A	(27,120)	
Total	N/A	(\$107,542)	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	N/A	(\$101)	
2 To adjust pro-forma accum depr for effluent disposal. (Issue 4)	N/A	1,250	
3 To adjust pro-forma accum depr for misc plant equipment. (Issue 4)	N/A	534	
Total	N/A	\$1,683	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	N/A	(\$2,559)	

AUF/South Seas Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$452,894</u>	<u>\$420,081</u>	<u>\$872,975</u>	<u>(\$451,501)</u>	<u>\$421,474</u>	<u>\$368,331</u> 87.39%	<u>\$789,805</u>
Operating Expenses							
2 Operation & Maintenance	\$329,334	\$98,840	\$428,174	(\$49,428)	\$378,746		\$378,746
3 Depreciation	148,356	5,234	153,590	(1,798)	151,792		151,792
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	43,085	35,129	78,214	(25,131)	53,083	16,575	69,658
6 Income Taxes	<u>(26,185)</u>	<u>95,511</u>	<u>69,326</u>	<u>(141,902)</u>	<u>(72,576)</u>	<u>132,366</u>	<u>59,789</u>
7 Total Operating Expense	<u>\$494,590</u>	<u>\$234,714</u>	<u>\$729,304</u>	<u>(\$218,260)</u>	<u>\$511,044</u>	<u>\$148,941</u>	<u>\$659,985</u>
8 Operating Income	<u>(\$41,696)</u>	<u>\$185,367</u>	<u>\$143,671</u>	<u>(\$233,241)</u>	<u>(\$89,570)</u>	<u>\$219,390</u>	<u>\$129,820</u>
9 Rate Base	<u>\$1,632,361</u>		<u>\$1,764,975</u>		<u>\$1,656,556</u>		<u>\$1,656,556</u>
10 Rate of Return	<u>-2.55%</u>		<u>8.14%</u>		<u>-5.41%</u>		<u>7.84%</u>

AUF/South Seas Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested interim revenue increase.	N/A	(\$451,501)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	N/A	0	
Total	N/A	<u>(\$451,501)</u>	
<u>Operation & Maintenance Expenses</u>			
1 Stipulated Issue 33.	N/A	(\$21)	
2 To reflect the appropriate pro forma expenses. (Issue 34)	N/A	(58)	
3 Stipulated Issue 35.	N/A	(1,057)	
4 Stipulated Issue 37.	N/A	(36)	
5 To remove image enhancing advertising expense. (Issue 38)	N/A	(2)	
6 To remove lobbying and acquisition expenses. (Issue 39)	N/A	(84)	
7 To remove executive risk insurance expense. (Issue 40)	N/A	(21)	
8 To remove below-the-line expenses. (Issue 48)	N/A	(39,656)	
9 To reflect the appropriate bad debt expense. (Issue 50)	N/A	(7,619)	
10 To reflect the appropriate rate case expense. (Issue 52)	N/A	35	
11 To reflect appropriate normalization adjustments. (Issue 53)	N/A	(142)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	N/A	<u>(768)</u>	
Total	N/A	<u>(\$49,428)</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	N/A	\$17	
2 To adjust pro-forma depr for effluent disposal. (Issue 4)	N/A	(1,250)	
3 To adjust pro-forma depr for misc plant equipment. (Issue 4)	N/A	(534)	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	N/A	<u>(31)</u>	
Total	N/A	<u>(\$1,798)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	N/A	(\$20,318)	
2 To remove below-the-line payroll taxes. (Issue 48)	N/A	(3,034)	
3 To reflect appropriate normalization adjustments. (Issue 53)	N/A	(0)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	N/A	(15)	
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	N/A	<u>(1,765)</u>	
Total	N/A	<u>(\$25,131)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	N/A	<u>(\$141,902)</u>	

AUF/St. Johns Highlands Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$28,310	\$20,311	\$48,621	(\$16,563)	\$32,058
2 Land and Land Rights	1,037	0	1,037	0	1,037
3 Non-used and Useful Components	0	(1,067)	(1,067)	(7,690)	(8,757)
4 Accumulated Depreciation	(8,692)	5,523	(3,169)	(39)	(3,208)
5 CIAC	(16,183)	0	(16,183)	0	(16,183)
6 Amortization of CIAC	7,469	(244)	7,225	260	7,485
7 Working Capital Allowance	0	14,076	14,076	(2,639)	11,437
8 Rate Base	<u>\$11,941</u>	<u>\$38,599</u>	<u>\$50,540</u>	<u>(\$26,671)</u>	<u>\$23,869</u>

AUF/St. Johns Highlands Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 060368-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$524)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(16,039)	N/A	
Total	<u>(\$16,563)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 7 and 10)	<u>(\$7,690)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$163)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	124	N/A	
Total	<u>(\$39)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$260</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$2,639)</u>	<u>N/A</u>	

AUF/St. Johns Highlands Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$24,755	\$4,453	\$29,208	(\$4,086)	\$25,122	(\$2,569)	\$22,553
Operating Expenses						-10.22%	
2 Operation & Maintenance	\$16,182	\$1,930	\$18,112	(\$1,615)	\$16,497		\$16,497
3 Depreciation	383	1,760	2,143	(892)	1,251		1,251
4 Amortization	0	467	467	0	467		467
5 Taxes Other Than Income	1,402	956	2,358	(636)	1,722	(116)	1,606
6 Income Taxes	2,619	(634)	1,985	(200)	1,785	(923)	861
7 Total Operating Expense	\$20,586	\$4,479	\$25,065	(\$3,343)	\$21,722	(\$1,039)	\$20,683
8 Operating Income	\$4,169	(\$26)	\$4,143	(\$743)	\$3,400	(\$1,530)	\$1,871
9 Rate Base	\$11,941		\$50,540		\$23,869		\$23,869
10 Rate of Return	34.91%		8.20%		14.25%		7.84%

AUF/St. Johns Highlands Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$4,184)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	98	N/A	
Total	<u>(\$4,086)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$33)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(85)	N/A	
3 Stipulated Issue 35.	(32)	N/A	
4 Stipulated Issue 37.	(58)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(3)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(134)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(34)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(228)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	227	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	189	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(227)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(1,198)	N/A	
Total	<u>(\$1,615)</u>	<u>N/A</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	\$40	N/A	
2 To reflect the appropriate Dep. Exp. for Pro Forma Meters. (Issue 4)	(124)	N/A	
3 To reflect non-used and useful depreciation expense. (Issues 7 and 10)	(246)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(46)	N/A	
5 Stipulated Issue 56.	(517)	N/A	
Total	<u>(\$892)</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$184)	N/A	
2 To remove Non-U&U property taxes. (Issues 7 and 10)	(142)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(17)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(23)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	(269)	N/A	
Total	<u>(\$636)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$200)</u>	<u>N/A</u>	

AUF/Stone Mountain Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$17,211	\$2,347	\$19,558	(\$1,890)	\$17,668
2 Land and Land Rights	84	0	84	0	84
3 Non-used and Useful Components	0	(450)	(450)	(13)	(463)
4 Accumulated Depreciation	(8,688)	315	(8,373)	11	(8,362)
5 CIAC	(5,818)	0	(5,818)	0	(5,818)
6 Amortization of CIAC	1,522	(76)	1,446	106	1,552
7 Working Capital Allowance	0	1,377	1,377	(243)	1,134
8 Rate Base	\$4,311	\$3,513	\$7,824	(\$2,028)	\$5,796

AUF/Stone Mountain Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro-forma corp.IT. (Issue 4)	(\$50)	N/A	
2 To reflect the appropriate amount of pro-forma meters. (Issue 4)	(1,840)	N/A	
Total	<u>(\$1,890)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10)	(\$13)	N/A	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro-forma corp. IT. (Issue 4)	(\$17)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro-forma meters. (Issue 4)	28	N/A	
Total	<u>\$11</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	\$106	N/A	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	(\$243)	N/A	

AUF/Stone Mountain Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$4,996	\$8,760	\$13,756	(\$8,758)	\$4,998	\$8,932 178.70%	\$13,930
Operating Expenses							
2 Operation & Maintenance	\$11,979	(\$1,424)	\$10,555	(\$296)	\$10,259		\$10,259
3 Depreciation	445	276	721	(221)	500		500
4 Amortization	0	42	42	979	1,021		1,021
5 Taxes Other Than Income	383	1,133	1,516	(432)	1,084	402	1,486
6 Income Taxes	(3,013)	3,309	296	(3,297)	(3,001)	3,210	209
7 Total Operating Expense	\$9,794	\$3,336	\$13,130	(\$3,266)	\$9,864	\$3,612	\$13,475
8 Operating Income	(\$4,798)	\$5,424	\$626	(\$5,492)	(\$4,866)	\$5,320	\$454
9 Rate Base	\$4,311		\$7,824		\$5,796		\$5,796
10 Rate of Return	-111.30%		8.00%		-83.95%		7.84%

AUF/Stone Mountain Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$8,758)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	0	N/A	
Total	<u>(\$8,758)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$3)	N/A	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(9)	N/A	
3 Stipulated Issue 37.	(6)	N/A	
4 To remove image enhancing advertising expense. (Issue 38)	(0)	N/A	
5 To remove lobbying and acquisition expenses. (Issue 39)	(14)	N/A	
6 To remove executive risk insurance expense. (Issue 40)	(3)	N/A	
7 To remove below-the-line expenses. (Issue 48)	(24)	N/A	
8 To reflect the appropriate bad debt expense. (Issue 50)	(109)	N/A	
9 To reflect the appropriate rate case expense. (Issue 52)	24	N/A	
10 To reflect appropriate normalization adjustments. (Issue 53)	(24)	N/A	
11 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(128)</u>	<u>N/A</u>	
Total	<u>(\$296)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect appropriate amt of depr exp. pro-forma copr. IT. (Issue 4)	\$5	N/A	
2 To reflect appropriate amt of depr exp. pro-forma meters. (Issue 4)	(28)	N/A	
3 To reflect non-used and useful depreciation expense. (Issue 10)	(1)	N/A	
4 Stipulated Issue 56.	<u>(196)</u>	<u>N/A</u>	
Total	<u>(\$221)</u>	<u>N/A</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$979</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$394)	N/A	
2 To remove Non-U&U property taxes. (Issue 10)	(2)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(2)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To remove pro forma payroll taxes. (Issue 54)	(2)	N/A	
6 To reflect the appropriate property taxes. (Issue 57)	<u>(31)</u>	<u>N/A</u>	
Total	<u>(\$432)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$432)</u>	<u>N/A</u>	

AUF/Sunny Hills Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$2,634,063	\$100,662	\$2,734,725	(\$86,024)	\$2,648,701
2	Land and Land Rights	10,779	0	10,779	0	10,779
3	Non-used and Useful Components	0	(926,633)	(926,633)	(14,925)	(941,558)
4	Accumulated Depreciation	(1,143,902)	86,985	(1,056,917)	(29,790)	(1,086,707)
5	CIAC	(624,977)	0	(624,977)	0	(624,977)
6	Amortization of CIAC	86,743	5,019	91,762	0	91,762
9	Working Capital Allowance	0	88,603	88,603	(16,037)	72,566
11	Rate Base	\$962,706	(\$645,364)	\$317,342	(\$146,776)	\$170,566

AUF/Sunny Hills Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$626,582	\$12,896	\$639,478	(\$1,095)	\$638,383
2	Land and Land Rights	4,483	0	4,483	0	4,483
3	Non-used and Useful Components	0	(52,884)	(52,884)	(9,938)	(62,822)
4	Accumulated Depreciation	(487,962)	(5,865)	(493,827)	(272)	(494,099)
5	CIAC	(2,483)	0	(2,483)	0	(2,483)
6	Amortization of CIAC	1,574	(22)	1,552	0	1,552
7	Working Capital Allowance	0	26,802	26,802	(5,852)	20,950
8	Rate Base	<u>\$142,194</u>	<u>(\$19,073)</u>	<u>\$123,121</u>	<u>(\$17,156)</u>	<u>\$105,965</u>

AUF/Sunny Hills Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp IT. (Issue 4)	(\$3,146)	(\$1,095)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(89,353)	0	
3 To reflect the appropriate amount to replace Water Pump. (Issue 4)	6,475	0	
Total	<u>(\$86,024)</u>	<u>(\$1,095)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 10 and 11)	<u>(\$14,925)</u>	<u>(\$9,938)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amount of pro forma Corp IT. (Issue 4)	(\$942)	(\$272)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(224)	\$0	
3 To reflect the appropriate amount to replace Water Pump. (Issue 4)	<u>(28,624)</u>	<u>\$0</u>	
Total	<u>(\$29,790)</u>	<u>(\$272)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$16,037)</u>	<u>(\$5,852)</u>	

AUF/Sunny Hills Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$275,600	\$44,053	\$319,653	(\$46,444)	\$273,209	\$23,577 8.63%	\$296,786
Operating Expenses							
2 Operation & Maintenance	\$147,974	\$48,405	\$196,379	(\$12,624)	\$183,755	\$0	\$183,755
3 Depreciation	61,031	(22,472)	38,559	(217)	38,342	0	38,342
4 Amortization	0	3,457	3,457	8,269	11,726	0	11,726
5 Taxes Other Than Income	55,436	(9,461)	45,975	(3,596)	42,379	1,061	43,440
6 Income Taxes	4,305	7,076	11,381	(13,698)	(2,317)	8,473	6,156
7 Total Operating Expense	\$268,746	\$27,005	\$295,751	(\$21,865)	\$273,886	\$9,534	\$283,419
8 Operating Income	\$6,854	\$17,048	\$23,902	(\$24,579)	(\$677)	\$14,043	\$13,367
9 Rate Base	\$962,706		\$317,342		\$170,566		\$170,566
10 Rate of Return	0.71%		7.53%		-0.40%		7.84%

AUF/Sunny Hills Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$86,899	\$46,965	\$133,864	(\$49,234)	\$84,630	\$46,735 55.22%	\$131,365
Operating Expenses							
2 Operation & Maintenance	\$89,288	(\$4,514)	\$84,774	(\$4,617)	\$80,157	\$0	\$80,157
3 Depreciation	16,482	3,094	19,576	(4,142)	15,434	0	15,434
4 Amortization	0	991	991	9,587	10,578	0	10,578
5 Taxes Other Than Income	3,540	10,372	13,912	(2,947)	10,965	2,103	13,068
6 Income Taxes	(8,645)	13,368	4,723	(17,694)	(12,971)	16,795	3,825
7 Total Operating Expense	\$100,665	\$23,311	\$123,976	(\$19,813)	\$104,163	\$18,898	\$123,061
8 Operating Income	(\$13,766)	\$23,654	\$9,888	(\$29,421)	(\$19,533)	\$27,837	\$8,304
9 Rate Base	\$142,194		\$123,121		\$105,965		\$105,965
10 Rate of Return	-9.68%		8.03%		-18.43%		7.84%

AUF/Sunny Hills Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
Operating Revenues			
1 Remove requested final revenue increase.	(\$46,444)	(\$49,234)	
2 To reflect Commission's proposed annualized revenue adjustment.	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	609	0	
Total	<u>(\$46,444)</u>	<u>(\$49,234)</u>	
Operation and Maintenance Expenses			
1 Stipulated Issue 5	(\$328)	\$0	
2 Stipulated Issue 33.	(191)	(56)	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(495)	(154)	
4 Stipulated Issue 35.	(429)	0	
5 Stipulated Issue 37.	(338)	(98)	
6 To remove image enhancing advertising expense. (Issue 38)	(16)	(5)	
7 To remove lobbying and acquisition expenses. (Issue 39)	(774)	(225)	
8 To remove executive risk insurance expense. (Issue 40)	(194)	(56)	
9 To remove below-the-line expenses. (Issue 48)	(1,316)	(382)	
10 To reflect the appropriate bad debt expense. (Issue 50)	(1,274)	(1,337)	
11 To reflect the appropriate rate case expense. (Issue 52)	992	127	
12 To reflect appropriate normalization adjustments. (Issue 53)	(1,313)	(381)	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(6,947)</u>	<u>(2,053)</u>	
Total	<u>(\$12,624)</u>	<u>(\$4,617)</u>	
Depreciation Expense			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$224	\$50	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	224	0	
3 To reflect the appropriate amt. of depr. exp. for Water Pump. (Issue 4)	624	0	
4 To reflect non-used and useful depreciation expense. (Issue 10 and 11)	(1,022)	(4,109)	
5 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(267)</u>	<u>(83)</u>	
Total	<u>(\$217)</u>	<u>(\$4,142)</u>	
Amortization			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$8,269</u>	<u>\$9,587</u>	
Taxes Other Than Income			
1 RAFs on revenue adjustments above.	(\$2,090)	(\$2,216)	
2 To remove Non-U&U property taxes. (Issues 10 and 11)	695	(638)	
3 To remove below-the-line payroll taxes. (Issue 48)	(101)	(29)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(1)	(0)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(135)	(39)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(1,964)</u>	<u>(25)</u>	
Total	<u>(\$3,596)</u>	<u>(\$2,947)</u>	
Income Taxes			
To adjust to test year income tax expense.	<u>(\$13,698)</u>	<u>(\$17,694)</u>	

AUF/Tangerine		Schedule No. 3-A				
Schedule of Water Rate Base		Docket No. 080121-WS				
Test Year Ended 12/31/07						
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$347,892	\$51,967	\$399,859	(\$31,077)	\$368,782	
2 Land and Land Rights	0	0	0	0	0	
3 Non-used and Useful Components	0	(59,478)	(59,478)	(2,014)	(61,492)	
4 Accumulated Depreciation	(70,920)	19,363	(51,557)	(917)	(52,474)	
5 CIAC	(68,020)	0	(68,020)	0	(68,020)	
6 Amortization of CIAC	40,730	(233)	40,497	2,830	43,327	
9 Working Capital Allowance	0	29,099	29,099	(9,259)	19,840	
11 Rate Base	\$249,682	\$40,718	\$290,400	(\$40,437)	\$249,963	

AUF/Tangerine Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,733)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(29,344)	N/A	
Total	<u>(\$31,077)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 10)	<u>(\$2,014)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$432)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	(484)	N/A	
Total	<u>(\$917)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$2,830</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$9,259)</u>	<u>N/A</u>	

AUF/Tangerine		Schedule No. 4-A Docket No. 080121-WS						
Statement of Water Operations Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	<u>\$74,140</u>	<u>\$82,366</u>	<u>\$156,506</u>	<u>(\$83,149)</u>	<u>\$73,357</u>	<u>\$64,938</u> 88.52%	<u>\$138,295</u>
Operating Expenses								
2	Operation & Maintenance	\$60,584	\$26,398	\$86,982	(\$8,685)	\$78,297		\$78,297
3	Depreciation	9,530	2,564	12,094	240	12,334		12,334
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	6,116	16,126	22,242	(6,112)	16,130	2,922	19,053
6	Income Taxes	(806)	12,184	11,378	(25,693)	(14,315)	23,336	9,022
7	Total Operating Expense	<u>\$75,424</u>	<u>\$57,272</u>	<u>\$132,696</u>	<u>(\$40,249)</u>	<u>\$92,447</u>	<u>\$26,259</u>	<u>\$118,706</u>
8	Operating Income	<u>(\$1,284)</u>	<u>\$25,094</u>	<u>\$23,810</u>	<u>(\$42,900)</u>	<u>(\$19,090)</u>	<u>\$38,679</u>	<u>\$19,589</u>
9	Rate Base	<u>\$249,682</u>		<u>\$290,400</u>		<u>\$249,963</u>		<u>\$249,963</u>
10	Rate of Return	<u>-0.51%</u>		<u>8.20%</u>		<u>-7.64%</u>		<u>7.84%</u>

AUF/Tangerine Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested interim revenue increase.	(\$83,149)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	140	N/A	
Total	<u>(\$83,149)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulation Issue 5.	(\$178)	N/A	
2 Stipulated Issue 33.	(88)	N/A	
3 To reflect the appropriate pro forma expenses. (Issue 34)	(238)	N/A	
4 Stipulated Issue 35.	(213)	N/A	
5 Stipulated Issue 37.	(155)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(8)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(356)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(89)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(605)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(3,334)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	203	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(271)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(3,353)</u>	<u>N/A</u>	
Total	<u>(\$8,685)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$79	N/A	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	484	N/A	
3 To reflect net non-used and useful adjustment. (Issue 10)	(195)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(129)</u>	<u>N/A</u>	
Total	<u>\$240</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$3,742)	N/A	
2 To reflect net non-used and useful adjustment. (Issue 10)	(1,726)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(46)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(62)	N/A	
6 To reflect the appropriate property taxes. (Issue 57)	<u>(535)</u>	<u>N/A</u>	
Total	<u>(\$6,112)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$25,693)</u>	<u>N/A</u>	

The Woods Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$191,062	\$17,118	\$208,180	(\$11,268)	\$196,912	
2 Land and Land Rights	0	0	\$0	0	0	
3 Non-used and Useful Components	0	(2,942)	(2,942)	26	(2,916)	
4 Accumulated Depreciation	(119,472)	(1,390)	(\$120,862)	9	(120,853)	
5 CIAC	(90,466)	0	(\$90,466)	0	(90,466)	
6 Amortization of CIAC	78,331	(236)	\$78,095	1,011	79,106	
7 Working Capital Allowance	0	7,920	7,920	(3,480)	4,440	
8 Rate Base	\$59,455	\$20,470	\$79,925	(\$13,702)	\$66,223	

The Woods Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$123,587	\$5,159	\$128,746	(\$579)	\$128,167
2	Land and Land Rights	7,500	0	7,500	0	7,500
3	Non-used and Useful Components	0	(3,651)	(3,651)	(1,378)	(5,029)
4	Accumulated Depreciation	(90,087)	(2,916)	(93,003)	(85)	(93,088)
5	CIAC	(64,175)	0	(64,175)	0	(64,175)
6	Amortization of CIAC	61,996	(10)	61,986	0	61,986
7	Working Capital Allowance	0	<u>12,846</u>	<u>12,846</u>	<u>(3,383)</u>	<u>9,463</u>
8	Rate Base	\$38,821	\$11,428	\$50,249	(\$5,425)	\$44,824

The Woods		Schedule No. 3-C	
Adjustments to Rate Base		Docket No. 080121-WS	
Test Year Ended 12/31/07			
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$598)	(\$579)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(10,670)</u>	<u>0</u>	
Total	<u>(\$11,268)</u>	<u>(\$579)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment	<u>\$26</u>	<u>(\$1,378)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc.depr. of pro forma Corp. IT. (Issue 4)	(\$92)	(\$85)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>101</u>	<u>0</u>	
Total	<u>\$9</u>	<u>(\$85)</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$1,011</u>	<u>\$0</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$3,480)</u>	<u>(\$3,383)</u>	

The Woods Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS						
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement	
1 Operating Revenues:	\$23,203	\$50,625	\$73,828	(\$50,634)	\$23,194	\$51,256 220.99%	\$74,450	
Operating Expenses								
2 Operation & Maintenance	\$42,437	\$6,538	\$48,975	(\$5,162)	\$43,813	\$0	\$43,813	
3 Depreciation	(1,105)	7,681	6,576	(2,017)	4,559	0	4,559	
4 Amortization	0	0	0	9,869	9,869	0	9,869	
5 Taxes Other Than Income	2,175	6,781	8,956	(2,480)	6,476	2,306	8,783	
6 Income Taxes	(7,832)	10,863	3,031	(19,119)	(16,088)	18,420	2,332	
7 Total Operating Expense	\$35,675	\$31,863	\$67,538	(\$18,908)	\$48,630	\$20,726	\$69,356	
8 Operating Income	(\$12,472)	\$18,762	\$6,290	(\$31,726)	(\$25,436)	\$30,530	\$5,093	
9 Rate Base	\$59,455		\$79,925		\$66,223		\$66,223	
10 Rate of Return	-20.98%		7.87%		-38.41%		7.69%	

The Woods Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$20,232</u>	<u>\$46,464</u>	<u>\$66,696</u>	<u>(\$46,620)</u>	<u>\$20,076</u>	<u>\$45,050</u> 224.39%	<u>\$65,126</u>
Operating Expenses							
2 Operation & Maintenance	<u>\$46,187</u>	<u>\$2,170</u>	<u>\$48,357</u>	<u>(\$2,870)</u>	<u>\$45,487</u>	<u>\$0</u>	<u>\$45,487</u>
3 Depreciation	<u>1,794</u>	<u>5,279</u>	<u>7,073</u>	<u>(82)</u>	<u>6,991</u>	<u>0</u>	<u>6,991</u>
4 Amortization	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,294</u>	<u>2,294</u>	<u>0</u>	<u>2,294</u>
5 Taxes Other Than Income	<u>940</u>	<u>4,392</u>	<u>5,332</u>	<u>(2,136)</u>	<u>3,196</u>	<u>2,027</u>	<u>5,223</u>
6 Income Taxes	<u>(11,067)</u>	<u>12,996</u>	<u>1,929</u>	<u>(16,501)</u>	<u>(14,572)</u>	<u>16,189</u>	<u>1,618</u>
7 Total Operating Expense	<u>\$37,854</u>	<u>\$24,837</u>	<u>\$62,691</u>	<u>(\$19,294)</u>	<u>\$43,397</u>	<u>\$18,217</u>	<u>\$61,613</u>
8 Operating Income	<u>(\$17,622)</u>	<u>\$21,627</u>	<u>\$4,005</u>	<u>(\$27,325)</u>	<u>(\$23,320)</u>	<u>\$26,833</u>	<u>\$3,513</u>
9 Rate Base	<u>\$38,821</u>		<u>\$50,249</u>		<u>\$44,824</u>		<u>\$44,824</u>
10 Rate of Return	<u>-45.39%</u>		<u>7.97%</u>		<u>-52.03%</u>		<u>7.84%</u>

The Woods Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$50,809)	(\$47,151)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	531	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	175	0	
Total	<u>(\$50,634)</u>	<u>(\$46,620)</u>	
<u>Operations and Maintenance Expense</u>			
1 Stipulated Issue 33.	(\$19)	(\$18)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(65)	(62)	
3 Stipulated Issue 35.	(572)	0	
4 Stipulated Issue 37.	(33)	(31)	
5 To remove image enhancing advertising expense. (Issue 38)	(2)	(2)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(77)	(71)	
7 To remove executive risk insurance expense. (Issue 40)	(19)	(18)	
8 To remove below-the-line expenses. (Issue 48)	(130)	(121)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(3,189)	(1,544)	
10 To reflect the appropriate rate case expense. (Issue 52)	(154)	(164)	
11 To reflect appropriate normalization adjustments. (Issue 53)	(130)	(121)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(770)	(720)	
Total	<u>(\$5,162)</u>	<u>(\$2,870)</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	(\$2)	(\$4)	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(101)	0	
3 To reflect non-used and useful depreciation expense. (Issue 10 and 11)	(14)	(45)	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(35)	(33)	
5 Stipulated Issue 56.	(1,866)	0	
Total	<u>(\$2,017)</u>	<u>(\$82)</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$9,869</u>	<u>\$2,294</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$2,279)	(\$2,098)	
2 To remove Non-U&U property taxes. (Issues 10 and 11)	19	(4)	
3 To remove below-the-line payroll taxes. (Issue 48)	(10)	(9)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(13)	(12)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	(196)	(12)	
Total	<u>(\$2,480)</u>	<u>(\$2,136)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$19,119)</u>	<u>(\$16,501)</u>	

Tomoka Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$251,758	\$52,388	\$304,146	(\$28,223)	\$275,923	
2 Land and Land Rights	2,000	0	2,000	0	2,000	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(73,574)	18,825	(54,749)	(1,066)	(55,815)	
5 CIAC	(49,712)	0	(49,712)	0	(49,712)	
6 Amortization of CIAC	39,591	(569)	39,022	1,190	40,212	
7 Working Capital Allowance	0	27,670	27,670	(7,129)	20,541	
8 Rate Base	\$170,063	\$98,314	\$268,377	(\$35,229)	\$233,148	

Tomoka Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,421)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(26,803)</u>	<u>N/A</u>	
Total	<u>(\$28,223)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$448)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(618)</u>	<u>N/A</u>	
Total	<u>(\$1,066)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$1,190</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$7,129)</u>	<u>N/A</u>	

Tomoka Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$47,538	\$141,657	\$189,195	(\$141,825)	\$47,370	\$124,496	\$171,866
						262.82%	
Operating Expenses							
2 Operation & Maintenance	\$104,526	\$21,727	\$126,253	(\$8,640)	\$117,613		\$117,613
3 Depreciation	7,449	4,728	12,177	(1,590)	10,587		10,587
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	5,731	12,526	18,257	(6,878)	11,379	5,602	16,981
6 Income Taxes	(27,068)	37,631	10,563	(46,888)	(36,325)	44,740	8,415
7 Total Operating Expense	\$90,638	\$76,612	\$167,250	(\$63,997)	\$103,253	\$50,342	\$153,595
8 Operating Income	(\$43,100)	\$65,045	\$21,945	(\$77,828)	(\$55,883)	\$74,154	\$18,271
9 Rate Base	\$170,063		\$268,377		\$233,148		\$233,148
10 Rate of Return	-25.34%		8.18%		-23.97%		7.84%

Tomoka Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
Operating Revenues			
1 Remove requested final revenue increase.	(\$141,944)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
To reflect the appropriate miscellaneous service revenues. (Issue 31)	119	N/A	
Total	<u>(\$141,825)</u>	<u>N/A</u>	
Operation and Maintenance Expenses			
1 Stipulated Issue 5.	(\$169)	N/A	
2 Stipulated Issue 33.	(91)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(232)	N/A	
4 Stipulated Issue 35.	(1,226)	N/A	
5 Stipulated Issue 37.	(161)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(8)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(368)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(92)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(626)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(2,293)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	538	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(625)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(3,288)</u>	<u>N/A</u>	
Total	<u>(\$8,640)</u>	<u>N/A</u>	
Depreciation Expense			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$113	N/A	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	618	N/A	
3 Stipulated Issue 56.	(2,197)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(125)</u>	<u>N/A</u>	
Total	<u>(\$1,590)</u>	<u>N/A</u>	
Taxes Other Than Income			
1 RAFs on revenue adjustments above.	(\$6,382)	N/A	
2 To remove below-the-line payroll taxes. (Issue 48)	(48)	N/A	
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	N/A	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(64)	N/A	
5 To reflect appropriate pro forma property taxes. (Issue 57)	<u>(383)</u>	<u>N/A</u>	
Total	<u>(\$6,878)</u>	<u>N/A</u>	
Income Taxes			
To adjust to test year income tax expense.	<u>(\$46,888)</u>	<u>N/A</u>	

AUF/Valencia Terrace Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$277,712	\$50,032	\$327,744	(\$30,725)	\$297,019	
2 Land and Land Rights	1,191	0	1,191	0	1,191	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(20,495)	12,058	(8,437)	(513)	(8,950)	
5 CIAC	(42,611)	0	(42,611)	0	(42,611)	
6 Amortization of CIAC	15,578	53	15,631	192	15,823	
7 Working Capital Allowance	0	54,474	54,474	(10,079)	44,395	
8 Rate Base	\$231,375	\$116,617	\$347,992	(\$41,125)	\$306,867	

AUF/Valencia Terrace Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year	Utility	Adjusted	Staff	Staff
	Per Utility	Adjust- ments	Test Year Per Utility	Adjust- ments	Adjusted Test Year
1 Plant in Service	\$467,025	\$25,003	\$492,028	(\$1,955)	\$490,073
2 Land and Land Rights	2,460	0	2,460	0	2,460
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(233,725)	(2,788)	(236,513)	(556)	(237,069)
5 CIAC	(39,496)	0	(39,496)	0	(39,496)
6 Amortization of CIAC	13,357	155	13,512	263	13,775
7 Working Capital Allowance	0	<u>62,162</u>	<u>62,162</u>	0	<u>62,162</u>
8 Rate Base	<u>\$209,621</u>	<u>\$84,532</u>	<u>\$294,153</u>	<u>(\$2,249)</u>	<u>\$291,904</u>

AUF/Valencia Terrace Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro-forma corp. IT. (Issue 4)	(\$1,960)	(\$1,955)	
2 To reflect the appropriate amount of pro-forma meters. (Issue 4)	(3,765)	N/A	
3 To reflect the appropriate amount of pro-forma SCADA . (Issue 4)	<u>(25,000)</u>	<u>0</u>	
Total	<u>(\$30,725)</u>	<u>(\$1,955)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. depr. of pro-forma corp. IT. (Issue 4)	(\$569)	(\$556)	
2 To reflect the appropriate amt. acc. depr. of pro-forma meters. (Issue 4)	(639)	N/A	
3 To reflect the appropriate amount acc. Depr of pro-forma SCADA. (Issue 4)	<u>694</u>	<u>0</u>	
Total	<u>(\$513)</u>	<u>(\$556)</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$192</u>	<u>\$263</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$10,079)</u>	<u>(\$10,113)</u>	

AUF/Valencia Terrace Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year	Utility	Adjusted	Staff	Staff	Revenue	Revenue
	Per Utility	Adjust- ments	Test Year Per Utility	Adjust- ments	Test Year	Increase	Requirement
1 Operating Revenues:	\$93,574	\$57,610	\$151,184	(\$58,226)	\$92,958	\$42,165	\$135,123
						45.36%	
Operating Expenses							
2 Operation & Maintenance	\$59,004	\$22,167	\$81,171	(\$7,965)	\$73,206		\$73,206
3 Depreciation	8,649	4,199	12,848	251	13,099		13,099
4 Amortization	0	2,140	2,140	0	2,140		2,140
5 Taxes Other Than Income	9,348	3,596	12,944	(3,288)	9,656	1,897	11,554
6 Income Taxes	6,393	7,286	13,679	(17,756)	(4,077)	15,153	11,076
7 Total Operating Expense	\$63,394	\$39,388	\$122,782	(\$28,758)	\$94,024	\$17,050	\$111,074
8 Operating Income	\$10,180	\$18,222	\$28,402	(\$29,468)	(\$1,066)	\$25,115	\$24,048
9 Rate Base	\$231,375		\$347,992		\$306,867		\$306,867
10 Rate of Return	4.40%		8.16%		-0.35%		7.84%

AUF/Valencia Terrace		Schedule No. 4-B					
Statement of Wastewater Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year	Utility	Adjusted	Staff	Staff	Revenue	Revenue
	Per Utility	Adjust-ments	Test Year Per Utility	Adjust-ments	Adjusted Test Year	Increase	Requirement
1 Operating Revenues:	\$127,704	\$55,990	\$183,694	\$56,827	\$240,521	(\$67,391)	\$173,130
						-28.02%	
Operating Expenses							
2 Operation & Maintenance	\$91,642	\$20,032	\$111,674	(\$7,685)	\$103,989		\$103,989
3 Depreciation	17,303	3,500	20,803	(71)	20,732		20,732
4 Amortization	0	2,154	2,154	0	2,154		2,154
5 Taxes Other Than Income	5,053	8,453	13,506	2,370	15,876	(3,033)	12,844
6 Income Taxes	5,287	6,270	11,557	23,197	34,754	(24,218)	10,536
7 Total Operating Expense	\$119,285	\$40,409	\$159,694	\$17,810	\$177,504	(\$27,251)	\$150,254
8 Operating Income	\$8,419	\$15,581	\$24,000	\$39,016	\$63,016	(\$40,140)	\$22,876
9 Rate Base	\$209,621		\$294,153		\$291,904		\$291,904
10 Rate of Return	4.02%		8.16%		21.59%		7.84%

**AUF/Valencia Terrace
Adjustment to Operating Income
Test Year Ended 12/31/07**

Explanation	Water	Wastewater
<u>Operating Revenues</u>		
1 Remove requested final revenue increase.	(\$58,226)	\$57,135
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	<u>0</u>	(308)
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	<u>336</u>	<u>336</u>
Total	<u>(\$58,226)</u>	<u>\$56,827</u>
<u>Operation and Maintenance Expenses</u>		
1 Stipulated Issue 33.	(\$116)	(\$113)
2 Remove miscellaneous non-utility expenses. (Issue 34)	(303)	(298)
3 Stipulated Issue 35.	(191)	(293)
4 Stipulated Issue 37.	(204)	(199)
5 To remove image enhancing advertising expense. (Issue 38)	(10)	(10)
6 To remove lobbying and acquisition expenses. (Issue 39)	(467)	(458)
7 To remove executive risk insurance expense. (Issue 40)	(117)	(114)
8 To remove below-the-line expenses. (Issue 48)	(795)	(778)
9 To reflect the appropriate bad debt expense. (Issue 50)	(1,179)	(1,021)
10 To reflect the appropriate rate case expense. (Issue 52)	545	501
11 To reflect appropriate normalization adjustments. (Issue 53)	(793)	(776)
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(4,338)</u>	<u>(4,127)</u>
Total	<u>(\$7,965)</u>	<u>(\$7,685)</u>
<u>Depreciation Expense</u>		
1 To reflect appropriate amt of depr exp. pro-forma copr. IT. (Issue 4)	\$131	\$124
2 To reflect appropriate amt of depr exp. pro-forma meters. (Issue 4)	639	0
3 To reflect non-used and useful depreciation expense. (Issue 10)	0	451
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(163)	(161)
5 Stipulated Issue 56.	<u>(355)</u>	<u>(486)</u>
Total	<u>\$251</u>	<u>(\$71)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.	(\$2,620)	\$2,557
2 To remove below-the-line payroll taxes. (Issue 48)	(61)	(60)
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	(1)
4 To remove pro forma payroll taxes. (Issue 54)	(81)	(80)
5 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(525)</u>	<u>(47)</u>
Total	<u>(\$3,288)</u>	<u>\$2,370</u>
<u>Income Taxes</u>		
To adjust to test year income tax expense.	<u>(\$17,756)</u>	<u>\$23,197</u>

AUF/Venetian Village Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$247,924	\$37,304	\$285,228	(\$28,071)	\$257,157
2 Land and Land Rights	1,782	0	1,782	0	1,782
3 Non-used and Useful Components	0	(2,691)	(2,691)	(202)	(2,893)
4 Accumulated Depreciation	(62,283)	5,227	(57,056)	68	(56,988)
5 CIAC	(73,078)	0	(73,078)	0	(73,078)
6 Amortization of CIAC	32,221	394	32,615	0	32,615
7 Working Capital Allowance	0	23,434	23,434	(4,476)	18,958
8 Rate Base	\$146,566	\$63,668	\$210,234	(\$32,681)	\$177,553

AUF/Venetian Village Schedule of Wastewater Rate Base Test Year Ended 12/31/07		Schedule No. 3-B Docket No. 080121-WS			
Description	Test Year	Utility	Adjusted	Staff	Staff
	Per Utility	Adjust- ments	Test Year Per Utility	Adjust- ments	Adjusted Test Year
1 Plant in Service	\$312,144	\$6,806	\$318,950	(\$472)	\$318,478
2 Land and Land Rights	17,279	0	17,279	0	17,279
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(177,639)	(711)	(178,350)	(162)	(178,512)
5 CIAC	(150,021)	0	(150,021)	0	(150,021)
6 Amortization of CIAC	140,844	547	141,391	0	141,391
7 Working Capital Allowance	0	13,883	13,883	(2,309)	11,574
8 Rate Base	\$142,607	\$20,525	\$163,132	(\$2,942)	\$160,190

AUF/Venetian Village Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$883)	(\$472)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	(27,188)	0	
Total	<u>(\$28,071)</u>	<u>(\$472)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issue 7)	<u>(\$202)</u>	<u>\$0</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$270)	(\$162)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	337	0	
Total	<u>\$68</u>	<u>(\$162)</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$4,476)</u>	<u>(\$2,309)</u>	

AUFVenetian Village		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07		Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$58,436</u>	<u>\$27,180</u>	<u>\$85,616</u>	<u>(\$27,506)</u>	<u>\$58,110</u>	<u>\$17,395</u> 29.93%	<u>\$75,505</u>
Operating Expenses							
2 Operation & Maintenance	<u>\$35,981</u>	<u>\$9,731</u>	<u>\$45,712</u>	<u>(\$3,762)</u>	<u>\$41,950</u>		<u>\$41,950</u>
3 Depreciation	<u>4,935</u>	<u>1,406</u>	<u>6,341</u>	<u>(450)</u>	<u>5,891</u>		<u>5,891</u>
4 Amortization	<u>0</u>	<u>775</u>	<u>775</u>	<u>0</u>	<u>775</u>		<u>775</u>
5 Taxes Other Than Income	<u>4,938</u>	<u>2,616</u>	<u>7,554</u>	<u>(1,770)</u>	<u>5,784</u>	<u>783</u>	<u>6,566</u>
6 Income Taxes	<u>4,853</u>	<u>3,328</u>	<u>8,181</u>	<u>(8,024)</u>	<u>157</u>	<u>6,251</u>	<u>6,408</u>
7 Total Operating Expense	<u>\$50,707</u>	<u>\$17,856</u>	<u>\$68,563</u>	<u>(\$14,006)</u>	<u>\$54,557</u>	<u>\$7,034</u>	<u>\$61,591</u>
8 Operating Income	<u>\$7,729</u>	<u>\$9,324</u>	<u>\$17,053</u>	<u>(\$13,500)</u>	<u>\$3,553</u>	<u>\$10,361</u>	<u>\$13,914</u>
9 Rate Base	<u>\$146,566</u>		<u>\$210,234</u>		<u>\$177,553</u>		<u>\$177,553</u>
10 Rate of Return	<u>5.27%</u>		<u>8.11%</u>		<u>2.00%</u>		<u>7.84%</u>

AUF/Venetian Village Statement of Wastewater Operations Test Year Ended 12/31/07		Schedule No. 4-B Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$49,873	\$27,331	\$77,204	(\$27,764)	\$49,440	\$24,594 49.74%	\$74,034
Operating Expenses							
2 Operation & Maintenance	\$114,732	(\$71,990)	\$42,742	(\$1,705)	\$41,037		\$41,037
3 Depreciation	8,418	(155)	8,263	(0)	8,263		8,263
4 Amortization	0	492	492	0	492		492
5 Taxes Other Than Income	2,072	4,018	6,090	(1,291)	4,799	1,107	5,906
6 Income Taxes	(29,066)	35,432	6,366	(9,422)	(3,056)	8,838	5,782
7 Total Operating Expense	\$96,156	(\$32,203)	\$63,953	(\$12,418)	\$51,535	\$9,945	\$61,480
8 Operating Income	(\$46,283)	\$59,534	\$13,251	(\$15,346)	(\$2,095)	\$14,649	\$12,554
9 Rate Base	\$142,607		\$163,132		\$160,190		\$160,190
10 Rate of Return	-32.45%		8.12%		-1.31%		7.84%

AUF/Venetian Village Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$27,667)	(\$27,764)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	0	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	161	0	
Total	<u>(\$27,506)</u>	<u>(\$27,764)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 33.	(\$55)	(\$33)	
2 Remove miscellaneous non-utility expenses. (Issue 34)	(141)	(81)	
3 Stipulated Issue 35.	(79)	(72)	
4 Stipulated Issue 37.	(97)	(58)	
5 To remove image enhancing advertising expense. (Issue 38)	(5)	(3)	
6 To remove lobbying and acquisition expenses. (Issue 39)	(222)	(133)	
7 To remove executive risk insurance expense. (Issue 40)	(55)	(33)	
8 To remove below-the-line expenses. (Issue 48)	(377)	(225)	
9 To reflect the appropriate bad debt expense. (Issue 50)	(607)	104	
10 To reflect the appropriate rate case expense. (Issue 52)	300	228	
11 To reflect appropriate normalization adjustments. (Issue 53)	(376)	(225)	
12 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,049)</u>	<u>(1,175)</u>	
Total	<u>(\$3,762)</u>	<u>(\$1,705)</u>	
<u>Depreciation Expenses</u>			
1 To reflect the appropriate amt of depr exp. for pro forma Corp IT. (Issue 4)	\$66	\$44	
2 To reflect appropriate amt of depr exp. for pro forma meters. (Issue 4)	(337)	0	
3 To reflect non-used and useful depreciation expense. (Issue 7)	(103)	0	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(76)</u>	<u>(44)</u>	
Total	<u>(\$450)</u>	<u>(\$0)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,238)	(\$1,249)	
2 To remove Non-U&U property taxes. (Issue 7)	3	0	
3 To remove below-the-line payroll taxes. (Issue 48)	(29)	(6)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(39)	(23)	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	<u>(467)</u>	<u>(12)</u>	
Total	<u>(\$1,770)</u>	<u>(\$1,291)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$8,024)</u>	<u>(\$9,422)</u>	

AUFVillage Water Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year
1	Plant in Service	\$278,247	\$33,984	\$312,231	(\$22,259)	\$289,972
2	Land and Land Rights	0	0	0	0	0
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(85,354)	14,165	(71,189)	(552)	(71,741)
5	CIAC	(3,321)	0	(3,321)	0	(3,321)
6	Amortization of CIAC	811	43	854	0	854
7	Working Capital Allowance	0	<u>18,787</u>	<u>18,787</u>	<u>(6,494)</u>	<u>12,293</u>
8	Rate Base	\$190,383	\$66,979	\$257,362	(\$29,305)	\$228,057

AUF/Village Water		Schedule No. 3-B Docket No. 080121-WS					
Schedule of Wastewater Rate Base Test Year Ended 12/31/07							
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1	Plant in Service	\$858,975	\$352,507	\$1,211,482	(\$337,734)	\$873,748	
2	Land and Land Rights	19,000	0	19,000	0	19,000	
3	Non-used and Useful Components	0	(205,604)	(205,604)	79,673	(125,931)	
4	Accumulated Depreciation	(120,199)	(3,832)	(124,031)	5,022	(119,009)	
5	CIAC	(1,193)	0	(1,193)	0	(1,193)	
6	Amortization of CIAC	0	13	13	0	13	
7	Working Capital Allowance	0	27,134	27,134	(1,852)	25,282	
8	Rate Base	\$756,583	\$170,218	\$926,801	(\$254,891)	\$671,910	

AUF/Village Water Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$1,188)	(\$184)	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(21,071)</u>	<u>(337,550)</u>	
Total	<u>(\$22,259)</u>	<u>(\$337,734)</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 9 and 11)	\$0	\$79,673	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$267)	(\$58)	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(285)</u>	<u>5,080</u>	
Total	<u>(\$552)</u>	<u>\$5,022</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$6,494)</u>	<u>(\$1,852)</u>	

AUF/Village Water Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$100,514</u>	<u>\$113,068</u>	<u>\$213,582</u>	<u>(\$113,329)</u>	<u>\$100,253</u>	<u>\$103,674</u> 103.41%	<u>\$203,927</u>
Operating Expenses							
2 Operation & Maintenance	\$151,888	(\$8,154)	\$143,734	(\$6,340)	\$137,394		\$137,394
3 Depreciation	17,258	1,663	18,921	240	19,161		19,161
4 Amortization	0	0	0	2,331	2,331		2,331
5 Taxes Other Than Income	18,343	1,483	19,826	(5,553)	14,273	4,665	18,939
6 Income Taxes	(33,551)	43,645	10,094	(39,120)	(29,026)	37,257	8,231
7 Total Operating Expense	<u>\$153,938</u>	<u>\$38,637</u>	<u>\$192,575</u>	<u>(\$48,442)</u>	<u>\$144,133</u>	<u>\$41,922</u>	<u>\$186,055</u>
8 Operating Income	<u>(\$53,424)</u>	<u>\$74,431</u>	<u>\$21,007</u>	<u>(\$64,886)</u>	<u>(\$43,879)</u>	<u>\$61,752</u>	<u>\$17,872</u>
9 Rate Base	<u>\$190,383</u>		<u>\$257,362</u>		<u>\$228,057</u>		<u>\$228,057</u>
10 Rate of Return	<u>-28.06%</u>		<u>8.16%</u>		<u>-19.24%</u>		<u>7.84%</u>

AUF/Village Water		Schedule No. 4-B					
Statement of Wastewater Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$156,101	\$146,890	\$302,991	(\$209,359)	\$93,632	\$124,634	\$218,266
						133.11%	
Operating Expenses							
2 Operation & Maintenance	\$113,499	\$5,317	\$118,816	(\$30,727)	\$88,089		\$88,089
3 Depreciation	37,614	(2,152)	\$35,462	(9,672)	25,790		25,790
4 Amortization	0	0	\$0	0	0		0
5 Taxes Other Than Income	6,951	27,852	\$34,803	(12,931)	21,872	5,609	27,481
6 Income Taxes	(757)	37,831	\$37,074	(57,612)	(20,538)	44,789	24,251
7 Total Operating Expense	\$157,307	\$68,848	\$226,155	(\$110,943)	\$115,212	\$50,398	\$165,610
8 Operating Income	(\$1,206)	\$78,042	\$76,836	(\$98,416)	(\$21,580)	\$74,236	\$52,656
9 Rate Base	\$756,583		\$926,801		\$671,910		\$671,910
10 Rate of Return	-0.16%		8.29%		-3.21%		7.84%

AUF/Village Water Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested interim revenue increase.	(\$113,499)	(\$209,512)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	153	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	170	0	
Total	<u>(\$113,329)</u>	<u>(\$209,359)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Audit Finding 17.	\$0	(\$11,841)	
2 Stipulated Issue 33.	(54)	(122)	
3 To reflect the appropriate pro forma expenses. (Issue 34)	(156)	(30)	
4 Stipulated Issue 35.	0	(15,014)	
5 Stipulated Issue 37.	(96)	(21)	
6 To remove image enhancing advertising expense. (Issue 38)	(5)	(1)	
7 To remove lobbying and acquisition expenses. (Issue 39)	(220)	(47)	
8 To remove executive risk insurance expense. (Issue 40)	(55)	(12)	
9 To remove below-the-line expenses. (Issue 48)	(375)	(6)	
10 To reflect the appropriate bad debt expense. (Issue 50)	(2,989)	(3,197)	
11 To reflect the appropriate rate case expense. (Issue 52)	24	68	
12 To reflect appropriate normalization adjustments. (Issue 53)	(374)	(80)	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(2,040)</u>	<u>(423)</u>	
Total	<u>(\$6,340)</u>	<u>(\$30,727)</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$39	\$15	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	285	(5,080)	
3 To reflect non-used and useful adjustments. (Issues 9 and 11)	0	(4,591)	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	<u>(84)</u>	<u>(16)</u>	
Total	<u>\$240</u>	<u>(\$9,672)</u>	
<u>Amortization</u>			
Reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$2,331</u>	<u>\$0</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$5,100)	(\$9,421)	
2 To reflect non-used and useful adjustments. (Issues 9 and 11)	0	2,021	
3 To remove below-the-line payroll taxes. (Issue 48)	(29)	(6)	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	(0)	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(38)	(8)	
6 To reflect the appropriate property taxes. (Issue 57)	<u>(386)</u>	<u>(5,516)</u>	
Total	<u>(\$5,553)</u>	<u>(\$12,931)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$39,120)</u>	<u>(\$57,612)</u>	

AUF/Welaka-Saratoga Harbour Schedule of Water Rate Base Test Year Ended 12/31/07		Schedule No. 3-A Docket No. 080121-WS			
Description	Test Year		Adjusted		Staff
	Per Utility	Utility Adjust- ments	Test Year Per Utility	Test Year Per Utility	Adjusted Test Year
1 Plant in Service	\$228,599	\$25,287	\$253,886	(\$22,045)	\$231,841
2 Land and Land Rights	4,864	0	4,864	0	4,864
3 Non-used and Useful Components	0	(10,590)	(10,590)	(1,790)	(12,380)
4 Accumulated Depreciation	(83,360)	14,533	(68,827)	(377)	(69,204)
5 CIAC	(30,376)	0	(30,376)	0	(30,376)
6 Amortization of CIAC	6,266	113	6,379	0	6,379
7 Working Capital Allowance	0	22,417	22,417	(4,544)	17,873
8 Rate Base	\$125,993	\$51,760	\$177,753	(\$28,757)	\$148,996

AUF/Welaka-Saratoga Harbour Adjustments to Rate Base Test Year Ended 12/31/07		Schedule 3-C Docket No. 060368-WS	
Explanation	Water	Wastewater	
<u>Plant in Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$875)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(21,170)</u>	<u>N/A</u>	
Total	<u>(\$22,045)</u>	<u>N/A</u>	
<u>Non-used and Useful</u>			
To reflect net non-used and useful adjustment. (Issues 7 and 10)	<u>(\$1,790)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$246)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(131)</u>	<u>N/A</u>	
Total	<u>(\$377)</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$4,544)</u>	<u>N/A</u>	

AUF/Welaka-Saratoga Harbour Statement of Water Operations Test Year Ended 12/31/07		Schedule No. 4-A Docket No. 080121-WS					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$46,594</u>	<u>\$44,584</u>	<u>\$91,178</u>	<u>(\$44,709)</u>	<u>\$46,469</u>	<u>\$35,151</u> 75.64%	<u>\$81,620</u>
Operating Expenses							
2 Operation & Maintenance	\$57,294	(\$6,319)	\$50,975	(\$4,770)	\$46,205	\$0	\$46,205
3 Depreciation	6,381	1,437	7,818	(1,777)	6,041	0	6,041
4 Amortization	0	775	775	2,204	2,979	0	2,979
5 Taxes Other Than Income	5,714	4,524	10,238	(2,479)	7,759	1,582	9,341
6 Income Taxes	<u>(8,793)</u>	<u>15,729</u>	<u>6,936</u>	<u>(14,190)</u>	<u>(7,254)</u>	<u>12,632</u>	<u>5,378</u>
7 Total Operating Expense	<u>60,596</u>	<u>16,146</u>	<u>76,742</u>	<u>(21,012)</u>	<u>55,730</u>	<u>14,214</u>	<u>69,944</u>
8 Operating Income	<u>(14,002)</u>	<u>28,438</u>	<u>14,436</u>	<u>(23,697)</u>	<u>(9,261)</u>	<u>20,937</u>	<u>11,676</u>
\$9 Rate Base	<u>\$125,993</u>		<u>\$177,753</u>		<u>\$148,996</u>		<u>\$148,996</u>
10 Rate of Return	<u>-11.11%</u>		<u>8.12%</u>		<u>-6.22%</u>		<u>7.84%</u>

AUF/Welaka-Saratoga Harbour Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$44,968)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	259	N/A	
Total	(\$44,709)	N/A	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$5)	N/A	
2 Stipulated Issue 33.	(50)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(132)	N/A	
4 Stipulated Issue 35.	(65)	N/A	
5 Stipulated Issue 37.	(88)	N/A	
6 To remove image enhancing advertising expense. (Issue 38)	(4)	N/A	
7 To remove lobbying and acquisition expenses. (Issue 39)	(202)	N/A	
8 To remove executive risk insurance expense. (Issue 40)	(51)	N/A	
9 To remove below-the-line expenses. (Issue 48)	(344)	N/A	
10 To reflect the appropriate bad debt expense. (Issue 50)	(1,876)	N/A	
11 To reflect the appropriate rate case expense. (Issue 52)	212	N/A	
12 To reflect appropriate normalization adjustments. (Issue 53)	(343)	N/A	
13 To reflect the appropriate pro forma expenses. (Issue 54)	(1,826)	N/A	
Total	(\$4,770)	N/A	
<u>Depreciation Expense</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	\$54	N/A	
2 To reflect the appropriate Dep. Exp. for Pro Forma Meters. (Issue 4)	131	N/A	
3 To reflect non-used and useful depreciation expense. (Issues 7 and 10)	(1,891)	N/A	
4 To reflect the appropriate test year depreciation expense. (Issue 55)	(71)	N/A	
Total	(\$1,777)	N/A	
<u>Amortization</u>			
To reflect regulatory asset from Capped Interim Rates. (Issue 73)	\$2,204	N/A	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$2,012)	N/A	
2 To remove Non-U&U property taxes. (Issues 7 and 10)	(42)	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(26)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(35)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	(363)	N/A	
Total	(\$2,479)	N/A	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	(\$14,190)	N/A	

AUF/Wootens		Schedule No. 3-A Docket No. 080121-WS					
Schedule of Water Rate Base Test Year Ended 12/31/07		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
Description							
1	Plant in Service	\$87,578	\$4,423	\$92,001	(\$5,037)	\$86,964	
2	Land and Land Rights	196	0	196	0	196	
3	Non-used and Useful Components	0	(343)	(343)	0	(343)	
4	Accumulated Depreciation	(28,009)	3,115	(24,894)	(38)	(24,932)	
5	CIAC	(9,972)	0	(9,972)	0	(9,972)	
6	Amortization of CIAC	2,608	(141)	2,467	173	2,640	
7	Working Capital Allowance	0	4,116	4,116	(782)	3,334	
8	Rate Base	<u>\$52,401</u>	<u>\$11,170</u>	<u>\$63,571</u>	<u>(\$5,684)</u>	<u>\$57,887</u>	

AUF/Wootens Adjustments to Rate Base Test Year Ended 12/31/07		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amount of pro forma Corp. IT. (Issue 4)	(\$154)	N/A	
2 To reflect the appropriate amount of pro forma meters. (Issue 4)	<u>(4,883)</u>	<u>N/A</u>	
Total	<u>(\$5,037)</u>	<u>N/A</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate amt. acc. Depr. of pro forma Corp. IT. (Issue 4)	(\$47)	N/A	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	9	<u>N/A</u>	
Total	<u>(\$38)</u>	<u>N/A</u>	
<u>Accumulated Amortization of CIAC</u>			
Stipulated Issue 15.	<u>\$173</u>	<u>N/A</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$782)</u>	<u>N/A</u>	

AUF/Wootens		Schedule No. 4-A					
Statement of Water Operations		Docket No. 080121-WS					
Test Year Ended 12/31/07							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	7,130	24,566	31,696	(24,619)	7,077	23,055	30,132
						325.78%	
Operating Expenses							
2 Operation & Maintenance	41,974	(25,415)	16,559	(753)	15,806		15,806
3 Depreciation	2,843	694	3,537	(329)	3,208		3,208
4 Amortization	0	136	136	706	842		842
5 Taxes Other Than Income	1,570	2,238	3,808	(1,195)	2,613	1,037	3,651
6 Income Taxes	(15,143)	17,633	2,490	(8,686)	(6,196)	8,285	2,089
7 Total Operating Expense	31,244	(4,714)	26,530	(10,257)	16,273	9,323	25,596
8 Operating Income	(24,114)	29,280	5,166	(14,362)	(9,196)	13,732	4,536
9 Rate Base	52,401		63,571		57,887		57,887
10 Rate of Return	-46.02%		8.13%		-15.89%		7.84%

AUF/Wootens Adjustment to Operating Income Test Year Ended 12/31/07		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$24,619)	N/A	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	N/A	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	35	N/A	
Total	<u>(\$24,619)</u>	<u>N/A</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$10)	N/A	
2 Stipulated Issue 33.	(10)	N/A	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(25)	N/A	
4 Stipulated Issue 37.	(17)	N/A	
5 To remove image enhancing advertising expense. (Issue 38)	(1)	N/A	
6 To remove lobbying and acquisition expenses. (Issue 39)	(39)	N/A	
7 To remove executive risk insurance expense. (Issue 40)	(10)	N/A	
8 To remove below-the-line expenses. (Issue 48)	(66)	N/A	
9 To reflect the appropriate bad debt expense. (Issue 50)	(223)	N/A	
10 To reflect the appropriate rate case expense. (Issue 52)	53	N/A	
11 To reflect appropriate normalization adjustments. (Issue 53)	(66)	N/A	
12 To reflect the appropriate pro forma expenses. (Issue 54)	(350)	N/A	
Total	<u>(\$753)</u>	<u>N/A</u>	
<u>Depreciation Expense</u>			
1 To reflect the appropriate Dep. Exp. for Pro Forma Corporate IT. (Issue 4)	\$12	N/A	
2 To reflect the appropriate Dep. Exp. for Pro Forma Meters. (Issue 4)	(9)	N/A	
3 To reflect the appropriate test year depreciation expense. (Issue 55)	(13)	N/A	
4 Stipulated Issue 56.	(319)	N/A	
Total	<u>(\$329)</u>	<u>N/A</u>	
<u>Amortization</u>			
To reflect regulatory asset from Capped Interim Rates. (Issue 73)	<u>\$706</u>	<u>N/A</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$1,108)	N/A	
2 To remove Non-U&U property taxes. (Issues 10)	7	N/A	
3 To remove below-the-line payroll taxes. (Issue 48)	(5)	N/A	
4 To reflect appropriate normalization adjustments. (Issue 53)	(0)	N/A	
5 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(7)	N/A	
6 To reflect the appropriate pro-forma property taxes. (Issue 57)	(82)	N/A	
Total	<u>(\$1,195)</u>	<u>N/A</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$8,686)</u>	<u>N/A</u>	

AUF/Zephyr Shores Schedule of Water Rate Base Test Year Ended 12/31/05		Schedule No. 3-A Docket No. 080121-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$240,638	\$113,344	\$353,982	(\$108,271)	\$245,711	
2 Land and Land Rights	0	0	0	0	0	
3 Non-used and Useful Components	0	0	0	0	0	
4 Accumulated Depreciation	(7,519)	21,738	14,219	(1,137)	13,082	
5 CIAC	(49,490)	0	(49,490)	0	(49,490)	
6 Amortization of CIAC	25,160	1,014	26,174	0	26,174	
7 Working Capital Allowance	0	76,760	76,760	(19,584)	57,176	
8 Rate Base	\$208,789	\$212,856	\$421,645	(\$128,991)	\$292,654	

AUF/Zephyr Shores Schedule of Wastewater Rate Base Test Year Ended 12/31/05		Schedule No. 3-B Docket No. 080121-WS				
	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1	Plant in Service	\$302,575	\$37,039	\$339,614	(\$3,474)	\$336,140
2	Land and Land Rights	44,384	0	44,384	0	44,384
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(149,424)	(3,898)	(153,322)	728	(152,594)
5	CIAC	(83,828)	0	(83,828)	0	(83,828)
6	Amortization of CIAC	40,407	1,592	41,999	0	41,999
7	Working Capital Allowance	0	<u>76,257</u>	<u>76,257</u>	<u>(19,253)</u>	<u>57,004</u>
8	Rate Base	<u>\$154,114</u>	<u>\$110,990</u>	<u>\$265,104</u>	<u>(\$22,000)</u>	<u>\$243,104</u>

AUF/Zephyr Shores Adjustments to Rate Base Test Year Ended 12/31/05		Schedule No. 3-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1 To reflect the appropriate amt. of proforma Corporate IT. (Issue 4)	(\$3,526)	(\$3,474)	
2 To reflect the app. amt. of proforma Meter Replacements. (Issue 4)	<u>(104,745)</u>	<u>0</u>	
Total	<u>(\$108,271)</u>	<u>(\$3,474)</u>	
<u>Accumulated Depreciation</u>			
1 To reflect the appropriate Acc. Dep. for Pro Forma Corporate IT. (Issue 4)	\$730	\$728	
2 To reflect the appropriate amt. acc. depr. of pro forma meters. (Issue 4)	<u>(1,866)</u>	<u>0</u>	
Total	<u>(\$1,137)</u>	<u>\$728</u>	
<u>Working Capital</u>			
To reflect the appropriate working capital allowance. (Issue 21)	<u>(\$19,584)</u>	<u>(\$19,253)</u>	

AUF/Zephyr Shores Statement of Water Operations Test Year Ended 12/31/05		Schedule No. 4-A Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	\$76,898	\$123,055	\$199,953	(\$122,989)	\$76,964	\$82,877	\$159,841
							107.68%	
	Operating Expenses							
2	Operation & Maintenance	\$85,620	\$31,177	\$116,797	(\$16,660)	\$100,137	\$0	\$100,137
3	Depreciation	6,304	6,409	12,713	(2,022)	10,691	0	10,691
4	Amortization	0	2,772	2,772	0	2,772	0	2,772
5	Taxes Other Than Income	7,265	9,223	16,488	(7,474)	9,014	3,729	12,744
6	Income Taxes	(8,599)	25,238	16,639	(35,860)	(19,221)	29,783	10,563
7	Total Operating Expense	\$90,590	\$74,819	\$165,409	(\$62,015)	\$103,394	\$33,513	\$136,907
8	Operating Income	(\$13,692)	\$48,236	\$34,544	(\$60,974)	(\$26,430)	\$49,365	\$22,935
9	Rate Base	\$208,789		\$421,645		\$292,654		\$292,654
10	Rate of Return	-6.56%		8.19%		-9.03%		7.84%

AUF/Zephyr Shores Statement of Wastewater Operations Test Year Ended 12/31/05		Schedule No. 4-B Docket No. 080121-WS						
		Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	\$134,430	\$41,376	\$175,806	(\$42,747)	\$133,059	\$37,110 27.89%	\$170,169
Operating Expenses								
2	Operation & Maintenance	\$78,936	\$36,720	\$115,656	(\$10,221)	\$105,435	\$0	\$105,435
3	Depreciation	10,153	4,329	14,482	(149)	14,333	0	14,333
4	Amortization	0	2,761	2,761	9,411	12,172	0	12,172
5	Taxes Other Than Income	4,821	6,100	10,921	(2,187)	8,734	1,670	10,404
6	Income Taxes	15,631	(5,240)	10,391	(14,953)	(4,562)	13,336	8,774
7	Total Operating Expense	\$109,541	\$44,670	\$154,211	(\$18,099)	\$136,112	\$15,006	\$151,118
8	Operating Income	\$24,889	(\$3,294)	\$21,595	(\$24,647)	(\$3,052)	\$22,104	\$19,051
9	Rate Base	\$154,114		\$265,104		\$243,104		\$243,104
10	Rate of Return	16.15%		8.15%		-1.26%		7.84%

AUF/Zephyr Shores Adjustment to Operating Income Test Year Ended 12/31/05		Schedule 4-C Docket No. 080121-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$123,654)	(\$42,086)	
2 To reflect appropriate annualized revenue adjustment. (Issue 30)	0	(661)	
3 To reflect the appropriate miscellaneous service revenues. (Issue 31)	665	0	
Total	<u>(\$122,989)</u>	<u>(\$42,747)</u>	
<u>Operation and Maintenance Expenses</u>			
1 Stipulated Issue 5.	(\$423)	\$0	
2 Stipulated Issue 33.	(149)	(149)	
3 Remove miscellaneous non-utility expenses. (Issue 34)	(445)	(442)	
4 Stipulated Issue 35.	(3,629)	(221)	
5 Stipulated Issue 37.	(263)	(262)	
6 To remove image enhancing advertising expense. (Issue 38)	(13)	(13)	
7 To remove lobbying and acquisition expenses. (Issue 39)	(603)	(601)	
8 To remove executive risk insurance expense. (Issue 40)	(151)	(150)	
9 To remove below-the-line expenses. (Issue 48)	(1,025)	(1,022)	
10 To reflect the appropriate bad debt expense. (Issue 50)	(3,126)	(562)	
11 To reflect the appropriate rate case expense. (Issue 52)	(177)	(138)	
12 To reflect appropriate normalization adjustments. (Issue 53)	(1,022)	(1,020)	
13 To reflect the appropriate pro forma expenses. (Issue 54)	<u>(5,635)</u>	<u>(5,640)</u>	
Total	<u>(\$16,660)</u>	<u>(\$10,221)</u>	
<u>Depreciation Expense</u>			
1 To reflect app. Dep. Expense for proforma Corporate IT. (Issue 4)	\$85	\$89	
2 To reflect app. Dep. Expense for proforma meters. (Issue 4)	(1,866)	0	
3 To remove test year depreciation expenses. (Issue 55)	<u>(240)</u>	<u>(238)</u>	
Total	<u>(\$2,022)</u>	<u>(\$149)</u>	
<u>Amorization</u>			
To reflect appropriate regulatory asset from Capped Interim Rates. (Issue 73)	\$0	<u>\$9,411</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$5,535)	(\$1,924)	
2 To remove below-the-line payroll taxes. (Issue 48)	(78)	(78)	
3 To reflect appropriate normalization adjustments. (Issue 53)	(1)	(1)	
4 To reflect the appropriate pro forma payroll taxes. (Issue 54)	(105)	(105)	
5 To reflect the appropriate property taxes. (Issue 57)	<u>(1,755)</u>	<u>(80)</u>	
Total	<u>(\$7,474)</u>	<u>(\$2,187)</u>	
<u>Income Taxes</u>			
To adjust to test year income tax expense.	<u>(\$35,860)</u>	<u>(\$14,953)</u>	

Carlton Village Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 1 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	39.20	512.01	1,014.59	1,549.26	2,118.54	
February	78.39	553.67	1,058.90	1,596.44	2,168.82	
March	117.59	595.33	1,103.22	1,643.62	2,219.09	
April	156.78	636.99	1,147.54	1,690.81	2,269.36	
May	195.98	678.65	1,191.85	1,737.99	2,319.64	
June	235.17	720.31	1,236.17	1,785.17	2,369.91	
July	274.37	761.97	1,280.49	1,832.35	2,420.18	
August	313.57	803.63	1,324.81	1,879.54	2,470.46	
September	352.76	845.29	1,369.12	1,926.72	2,520.73	
October	391.96	886.95	1,413.44	1,973.90	2,571.00	
November	431.15	928.61	1,457.76	2,021.09	2,621.28	
December	470.35	970.27	1,502.07	2,068.27	2,671.55	
*Remaining ERCs 78 (350 GPD/ERC)						

Hermits Cove Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 2 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	1.69	22.21	45.07	70.45	98.56	
February	3.39	24.10	47.17	72.77	101.12	
March	5.08	25.99	49.26	75.09	103.69	
April	6.77	27.87	51.36	77.41	106.25	
May	8.47	29.76	53.45	79.74	108.82	
June	10.16	31.65	55.55	82.06	111.38	
July	11.86	33.54	57.65	84.38	113.95	
August	13.55	35.43	59.74	86.70	116.51	
September	15.24	37.31	61.84	89.02	119.08	
October	16.94	39.20	63.93	91.35	121.64	
November	18.63	41.09	66.03	93.67	124.21	
December	20.32	42.98	68.13	95.99	126.77	
*Remaining ERCs 200 (350 GPD/ERC)						

Hermits Cove Water Treatment Plant DOCKET NO. 080121-WS		SCHEDULE 5 Page 3 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	8.34	110.32	234.41	369.65	513.45	
February	16.68	120.58	245.62	381.55	526.27	
March	25.01	130.84	256.83	393.46	539.09	
April	33.35	141.10	268.04	405.37	551.91	
May	41.69	151.37	279.26	417.28	564.73	
June	50.03	161.63	290.47	429.18	577.56	
July	58.37	171.89	301.68	441.09	590.38	
August	66.71	182.15	312.89	453.00	603.20	
September	75.04	192.41	324.10	464.91	616.02	
October	83.38	202.67	335.31	476.81	628.84	
November	91.72	212.94	346.53	488.72	641.66	
December	100.06	223.20	357.74	500.63	654.48	
*Remaining ERCs 66 (350 GPD/ERC)						

Holiday Haven Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 4 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	2.45	32.01	63.59	97.36	133.47	
February	4.90	34.63	66.39	100.35	136.67	
March	7.35	37.25	69.19	103.34	139.88	
April	9.80	39.86	71.99	106.33	143.08	
May	12.25	42.48	74.78	109.33	146.28	
June	14.70	45.10	77.58	112.32	149.48	
July	17.15	47.71	80.38	115.31	152.68	
August	19.60	50.33	83.18	118.30	155.88	
September	22.05	52.95	85.97	121.29	159.09	
October	24.50	55.56	88.77	124.29	162.29	
November	26.95	58.18	91.57	127.28	165.49	
December	29.40	60.79	94.37	130.27	168.69	
*Remaining ERCs 156 (350 GPD/ERC)						

Holiday Haven Wastewater Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 5 of 31			
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:					
	2008	2009	2010	2011	2012
January	8.09	105.68	209.30	319.42	436.56
February	16.18	114.27	218.42	329.13	446.89
March	24.27	122.86	227.55	338.84	457.23
April	32.36	131.45	236.68	348.54	467.57
May	40.45	140.04	245.81	358.25	477.90
June	48.54	148.63	254.94	367.96	488.24
July	56.64	157.22	264.07	377.67	498.58
August	64.73	165.81	273.19	387.38	508.91
September	72.82	174.40	282.32	397.09	519.25
October	80.91	182.99	291.45	406.80	529.59
November	89.00	191.58	300.58	416.51	539.92
December	97.09	200.17	309.71	426.22	550.26
*Remaining ERCs 161 (280 GPD/ERC)					

Holiday Haven Wastewater Treatment Plant DOCKET NO. 080121-WS		SCHEDULE 5 Page 6 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	124.18	1,619.30	3,174.54	4,794.63	6,484.62	
February	248.36	1,748.46	3,309.07	4,934.94	6,631.17	
March	372.54	1,877.62	3,443.59	5,075.25	6,777.73	
April	496.72	2,006.77	3,578.12	5,215.56	6,924.29	
May	620.90	2,135.93	3,712.64	5,355.87	7,070.84	
June	745.07	2,265.08	3,847.17	5,496.19	7,217.40	
July	869.25	2,394.24	3,981.69	5,636.50	7,363.96	
August	993.43	2,523.40	4,116.22	5,776.81	7,510.52	
September	1,117.61	2,652.55	4,250.74	5,917.12	7,657.07	
October	1,241.79	2,781.71	4,385.26	6,057.44	7,803.63	
November	1,365.97	2,910.86	4,519.79	6,197.75	7,950.19	
December	1,490.15	3,040.02	4,654.31	6,338.06	8,096.74	
*Remaining ERCs 30 (280 GPD/ERC)						

Interlachen Lake Estates Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 7 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	1.16	15.17	30.05	45.91	62.79	
February	2.32	16.40	31.37	47.31	64.28	
March	3.48	17.64	32.68	48.71	65.78	
April	4.65	18.87	34.00	50.11	67.27	
May	5.81	20.10	35.31	51.51	68.76	
June	6.97	21.34	36.63	52.91	70.25	
July	8.13	22.57	37.94	54.31	71.74	
August	9.29	23.81	39.26	55.70	73.24	
September	10.45	25.04	40.57	57.10	74.73	
October	11.61	26.27	41.88	58.50	76.22	
November	12.77	27.51	43.20	59.90	77.71	
December	13.94	28.74	44.51	61.30	79.20	
*Remaining ERCs 375 (350 GPD/ERC)						

J Swiderski 48 Estates - Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 8 of 31			
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:					
	2008	2009	2010	2011	2012
January	2.52	32.97	65.35	99.77	136.43
February	5.05	35.66	68.20	102.81	139.66
March	7.57	38.34	71.05	105.85	142.90
April	10.10	41.02	73.91	108.89	146.13
May	12.62	43.71	76.76	111.92	149.37
June	15.14	46.39	79.61	114.96	152.61
July	17.67	49.07	82.47	118.00	155.84
August	20.19	51.76	85.32	121.04	159.08
September	22.72	54.44	88.17	124.08	162.31
October	25.24	57.12	91.03	127.11	165.55
November	27.76	59.81	93.88	130.15	168.79
December	30.29	62.49	96.73	133.19	172.02
*Remaining ERCs 134 (350 GPD/ERC)					

Leisure Lakes Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 9 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	1.58	20.69	41.02	62.68	85.74	
February	3.17	22.38	42.82	64.59	87.78	
March	4.75	24.06	44.61	66.50	89.81	
April	6.34	25.75	46.41	68.41	91.85	
May	7.92	27.43	48.20	70.32	93.89	
June	9.50	29.12	50.00	72.23	95.93	
July	11.09	30.80	51.79	74.14	97.97	
August	12.67	32.49	53.59	76.05	100.00	
September	14.26	34.17	55.38	77.97	102.04	
October	15.84	35.86	57.18	79.88	104.08	
November	17.42	37.54	58.97	81.79	106.12	
December	19.01	39.23	60.76	83.70	108.16	
*Remaining ERCs 401 (350 GPD/ERC)						

Palm Port Wastewater Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 10 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	3.78	49.44	97.94	149.51	204.41	
February	7.57	53.46	102.21	154.06	209.25	
March	11.35	57.48	106.49	158.61	214.10	
April	15.14	61.50	110.76	163.16	218.94	
May	18.92	65.52	115.04	167.71	223.79	
June	22.71	69.54	119.31	172.26	228.63	
July	26.49	73.56	123.59	176.81	233.48	
August	30.28	77.58	127.86	181.36	238.32	
September	34.06	81.60	132.14	185.91	243.17	
October	37.85	85.62	136.41	190.46	248.02	
November	41.63	89.64	140.69	195.01	252.86	
December	45.42	93.66	144.96	199.56	257.71	
*Remaining ERCs 136 (350 GPD/ERC)						

Palms MHP Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 11 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	0.71	9.28	18.39	28.07	38.34	
February	1.42	10.04	19.20	28.92	39.24	
March	2.13	10.79	20.00	29.77	40.15	
April	2.84	11.55	20.80	30.62	41.06	
May	3.55	12.30	21.60	31.47	41.97	
June	4.26	13.06	22.40	32.32	42.87	
July	4.97	13.81	23.20	33.17	43.78	
August	5.68	14.57	24.01	34.02	44.69	
September	6.39	15.33	24.81	34.88	45.59	
October	7.11	16.08	25.61	35.73	46.50	
November	7.82	16.84	26.41	36.58	47.41	
December	8.53	17.59	27.21	37.43	48.31	
*Remaining ERCs 80 (350 GPD/ERC)						

Picciola Island Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 12 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	0.37	4.77	9.36	14.19	19.24	
February	0.73	5.15	9.76	14.61	19.68	
March	1.10	5.53	10.16	15.03	20.12	
April	1.46	5.91	10.57	15.45	20.56	
May	1.83	6.29	10.97	15.87	21.00	
June	2.19	6.67	11.37	16.28	21.44	
July	2.56	7.06	11.77	16.70	21.88	
August	2.92	7.44	12.17	17.12	22.32	
September	3.29	7.82	12.57	17.54	22.75	
October	3.65	8.20	12.97	17.96	23.19	
November	4.02	8.58	13.37	18.38	23.63	
December	4.39	8.96	13.77	18.80	24.07	
*Remaining ERCs 200 (350 GPD/ERC)						

Picciola Island Water Treatment Plant DOCKET NO. 080121-WS		SCHEDULE 5 Page 13 of 31			
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:					
	2008	2009	2010	2011	2012
January	2.75	35.94	71.22	108.76	148.72
February	5.50	38.87	74.33	112.07	152.24
March	8.25	41.79	77.45	115.38	155.77
April	11.01	44.72	80.56	118.69	159.30
May	13.76	47.64	83.67	122.01	162.83
June	16.51	50.57	86.78	125.32	166.35
July	19.26	53.49	89.89	128.63	169.88
August	22.01	56.41	93.00	131.94	173.41
September	24.76	59.34	96.11	135.25	176.94
October	27.52	62.26	99.22	138.57	180.46
November	30.27	65.19	102.33	141.88	183.99
December	33.02	68.11	105.45	145.19	187.52
*Remaining ERCs 37 (350 GPD/ERC)					

Pomona Park Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 14 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	8.53	111.44	221.58	339.53	465.88	
February	17.05	120.57	231.35	350.00	477.09	
March	25.58	129.69	241.12	360.47	488.31	
April	34.11	138.81	250.89	370.93	499.53	
May	42.63	147.94	260.67	381.40	510.75	
June	51.16	157.06	270.44	391.86	521.96	
July	59.69	166.19	280.21	402.33	533.18	
August	68.21	175.31	289.98	412.80	544.40	
September	76.74	184.43	299.75	423.26	555.62	
October	85.26	193.56	309.52	433.73	566.83	
November	93.79	202.68	319.30	444.19	578.05	
December	102.32	211.81	329.07	454.66	589.27	
*Remaining ERCs 347 (350 GPD/ERC)						

Sebring Lakes Water Treatment Plant DOCKET NO. 080121-WS		SCHEDULE 5 Page 15 of 31			
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:					
	2008	2009	2010	2011	2012
January	13.60	177.78	353.44	541.46	742.83
February	27.20	192.34	369.02	558.14	760.71
March	40.81	206.89	384.59	574.82	778.58
April	54.41	221.44	400.17	591.50	796.46
May	68.01	235.99	415.74	608.19	814.33
June	81.61	250.55	431.32	624.87	832.20
July	95.22	265.10	446.90	641.55	850.08
August	108.82	279.65	462.47	658.23	867.95
September	122.42	294.21	478.05	674.91	885.82
October	136.02	308.76	493.62	691.60	903.70
November	149.63	323.31	509.20	708.28	921.57
December	163.23	337.86	524.77	724.96	939.45
*Remaining ERCs 105 (350 GPD/ERC)					

Silver Lake Oaks Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 16 of 31			
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:					
	2008	2009	2010	2011	2012
January	0.61	7.92	15.74	24.10	33.05
February	1.21	8.57	16.44	24.84	33.85
March	1.82	9.22	17.13	25.59	34.64
April	2.42	9.87	17.82	26.33	35.43
May	3.03	10.51	18.51	27.07	36.23
June	3.64	11.16	19.21	27.81	37.02
July	4.24	11.81	19.90	28.55	37.81
August	4.85	12.46	20.59	29.29	38.61
September	5.45	13.11	21.28	30.04	39.40
October	6.06	13.75	21.98	30.78	40.19
November	6.67	14.40	22.67	31.52	40.99
December	7.27	15.05	23.36	32.26	41.78
*Remaining ERCs 52 (350 GPD/ERC)					

Silver Lake Oaks Wastewater Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 17 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	3.05	39.93	79.71	122.63	168.94	
February	6.11	43.22	83.26	126.46	173.08	
March	9.16	46.52	86.82	130.30	177.21	
April	12.21	49.81	90.37	134.13	181.35	
May	15.27	53.10	93.92	137.97	185.48	
June	18.32	56.40	97.48	141.80	189.62	
July	21.37	59.69	101.03	145.64	193.75	
August	24.42	62.98	104.58	149.47	197.89	
September	27.48	66.28	108.14	153.31	202.02	
October	30.53	69.57	111.69	157.14	206.16	
November	33.58	72.86	115.24	160.98	210.29	
December	36.64	76.16	118.80	164.81	214.43	
*Remaining ERCs 53 (350 GPD/ERC)						

Silver Lake Oaks Wastewater Treatment Plant DOCKET NO. 080121-WS		SCHEDULE 5 Page 18 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	4.47	58.42	116.91	180.28	248.90	
February	8.93	63.26	122.15	185.96	255.05	
March	13.40	68.10	127.40	191.64	261.20	
April	17.86	72.94	132.64	197.31	267.35	
May	22.33	77.78	137.88	202.99	273.50	
June	26.79	82.62	143.13	208.67	279.65	
July	31.26	87.46	148.37	214.35	285.80	
August	35.72	92.30	153.62	220.03	291.95	
September	40.19	97.14	158.86	225.71	298.10	
October	44.65	101.98	164.11	231.39	304.25	
November	49.12	106.82	169.35	237.07	310.39	
December	53.58	111.66	174.60	242.75	316.54	
*Remaining ERCs 18 (280 GPD/ERC)						

St. John's Highlands Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 19 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	0.73	9.51	19.04	29.40	40.63	
February	1.45	10.30	19.90	30.33	41.64	
March	2.18	11.08	20.75	31.26	42.65	
April	2.91	11.87	21.61	32.19	43.66	
May	3.63	12.66	22.47	33.12	44.67	
June	4.36	13.45	23.33	34.05	45.68	
July	5.09	14.24	24.18	34.97	46.69	
August	5.81	15.03	25.04	35.90	47.70	
September	6.54	15.82	25.90	36.83	48.71	
October	7.27	16.60	26.76	37.76	49.72	
November	7.99	17.39	27.61	38.69	50.73	
December	8.72	18.18	28.47	39.62	51.74	
*Remaining ERCs 144 (350 GPD/ERC)						

Stone Mountain Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 20 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	0.71	9.23	18.28	27.92	38.15	
February	1.41	9.98	19.08	28.77	39.06	
March	2.12	10.73	19.88	29.61	39.96	
April	2.83	11.48	20.68	30.46	40.86	
May	3.53	12.23	21.48	31.31	41.76	
June	4.24	12.98	22.27	32.16	42.67	
July	4.95	13.73	23.07	33.01	43.57	
August	5.65	14.48	23.87	33.86	44.47	
September	6.36	15.23	24.67	34.70	45.38	
October	7.07	15.98	25.47	35.55	46.28	
November	7.77	16.73	26.27	36.40	47.18	
December	8.48	17.48	27.07	37.25	48.08	
*Remaining ERCs 21 (350 GPD/ERC)						

Sunny Hills Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 21 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	3.11	40.62	80.69	123.55	169.37	
February	6.22	43.94	84.24	127.34	173.44	
March	9.32	47.26	87.79	131.14	177.50	
April	12.43	50.58	91.34	134.94	181.57	
May	15.54	53.90	94.89	138.73	185.63	
June	18.65	57.22	98.44	142.53	189.70	
July	21.76	60.54	101.99	146.33	193.76	
August	24.86	63.86	105.55	150.12	197.83	
September	27.97	67.18	109.10	153.92	201.89	
October	31.08	70.50	112.65	157.72	205.95	
November	34.19	73.82	116.20	161.51	210.02	
December	37.30	77.14	119.75	165.31	214.08	
*Remaining ERCs 5,592 (350 GPD/ERC)						

Sunny Hills Wastewater Distribution Lines		SCHEDULE 5				
DOCKET NO. 080121-WS		Page 22 of 31				
Allowance for Funds Prudently Invested						
Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	11.57	151.57	304.99	472.92	656.44	
February	23.15	164.25	318.88	488.09	673.02	
March	34.72	176.94	332.76	503.27	689.59	
April	46.29	189.62	346.65	518.45	706.16	
May	57.87	202.31	360.54	533.63	722.73	
June	69.44	214.99	374.42	548.80	739.31	
July	81.01	227.68	388.31	563.98	755.88	
August	92.59	240.36	402.19	579.16	772.45	
September	104.16	253.05	416.08	594.34	789.03	
October	115.73	265.73	429.97	609.51	805.60	
November	127.31	278.42	443.85	624.69	822.17	
December	138.88	291.11	457.74	639.87	838.74	
*Remaining ERCs 508 (280 GPD/ERC)						

Tangerine Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 23 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	4.32	56.51	112.54	172.70	237.31	
February	8.65	61.15	117.52	178.05	243.06	
March	12.97	65.79	122.50	183.40	248.81	
April	17.29	70.43	127.49	188.75	254.56	
May	21.61	75.07	132.47	194.10	260.31	
June	25.94	79.71	137.45	199.46	266.06	
July	30.26	84.35	142.44	204.81	271.81	
August	34.58	88.99	147.42	210.16	277.56	
September	38.90	93.63	152.40	215.51	283.31	
October	43.23	98.27	157.38	220.86	289.06	
November	47.55	102.91	162.37	226.21	294.81	
December	51.87	107.55	167.35	231.56	300.55	
*Remaining ERCs 561 (350 GPD/ERC)						

The Woods Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 24 of 31			
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:					
	2008	2009	2010	2011	2012
January	0.44	5.79	11.53	17.69	24.31
February	0.89	6.27	12.04	18.24	24.90
March	1.33	6.75	12.55	18.79	25.48
April	1.77	7.22	13.06	19.33	26.07
May	2.22	7.70	13.57	19.88	26.66
June	2.66	8.17	14.08	20.43	27.25
July	3.10	8.65	14.59	20.98	27.84
August	3.55	9.12	15.10	21.53	28.42
September	3.99	9.60	15.61	22.08	29.01
October	4.43	10.07	16.12	22.62	29.60
November	4.88	10.55	16.63	23.17	30.19
December	5.32	11.02	17.14	23.72	30.77
*Remaining ERCs 139 (350 GPD/ERC)					

The Woods Wastewater Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 25 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	1.11	14.47	28.70	43.89	60.11	
February	2.22	15.65	29.96	45.23	61.55	
March	3.32	16.83	31.22	46.58	62.98	
April	4.43	18.01	32.48	47.92	64.41	
May	5.54	19.19	33.73	49.27	65.84	
June	6.65	20.37	34.99	50.61	67.28	
July	7.75	21.54	36.25	51.96	68.71	
August	8.86	22.72	37.51	53.30	70.14	
September	9.97	23.90	38.77	54.65	71.58	
October	11.08	25.08	40.03	55.99	73.01	
November	12.18	26.26	41.29	57.34	74.44	
December	13.29	27.44	42.54	58.68	75.87	
*Remaining ERCs 140 (280 GPD/ERC)						

Venetian Village Water Treatment Plant DOCKET NO. 080121-WS		SCHEDULE 5 Page 26 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	2.68	34.92	68.77	104.36	141.80	
February	5.35	37.73	71.73	107.47	145.07	
March	8.03	40.54	74.68	110.57	148.35	
April	10.71	43.35	77.63	113.68	151.62	
May	13.38	46.16	80.59	116.79	154.89	
June	16.06	48.97	83.54	119.89	158.16	
July	18.73	51.78	86.49	123.00	161.43	
August	21.41	54.59	89.44	126.11	164.70	
September	24.09	57.40	92.40	129.21	167.98	
October	26.76	60.20	95.35	132.32	171.25	
November	29.44	63.01	98.30	135.42	174.52	
December	32.12	65.82	101.26	138.53	177.79	
*Remaining ERCs 70 (350 GPD/ERC)						

Village Water Wastewater Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 27 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	48.75	637.13	1,266.84	1,941.08	2,663.41	
February	97.49	689.29	1,322.69	2,000.92	2,727.53	
March	146.24	741.46	1,378.55	2,060.75	2,791.66	
April	194.99	793.63	1,434.40	2,120.59	2,855.79	
May	243.73	845.80	1,490.26	2,180.43	2,919.91	
June	292.48	897.97	1,546.11	2,240.26	2,984.04	
July	341.22	950.14	1,601.97	2,300.10	3,048.16	
August	389.97	1,002.31	1,657.82	2,359.94	3,112.29	
September	438.72	1,054.47	1,713.68	2,419.77	3,176.42	
October	487.46	1,106.64	1,769.54	2,479.61	3,240.54	
November	536.21	1,158.81	1,825.39	2,539.44	3,304.67	
December	584.96	1,210.98	1,881.25	2,599.28	3,368.80	
*Remaining ERCs 73 (280 GPD/ERC)						

Village Water Wastewater Treatment Plant DOCKET NO. 080121-WS		SCHEDULE 5 Page 28 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	45.56	595.20	1,180.30	1,803.59	2,468.12	
February	91.12	643.70	1,231.96	1,858.66	2,526.87	
March	136.68	692.19	1,283.61	1,913.74	2,585.63	
April	182.24	740.69	1,335.27	1,968.81	2,644.38	
May	227.80	789.18	1,386.93	2,023.88	2,703.13	
June	273.35	837.67	1,438.58	2,078.95	2,761.88	
July	318.91	886.17	1,490.24	2,134.02	2,820.64	
August	364.47	934.66	1,541.90	2,189.09	2,879.39	
September	410.03	983.16	1,593.55	2,244.16	2,938.14	
October	455.59	1,031.65	1,645.21	2,299.23	2,996.89	
November	501.15	1,080.15	1,696.87	2,354.30	3,055.65	
December	546.71	1,128.64	1,748.52	2,409.37	3,114.40	
*Remaining ERCs 36 (280 GPD/ERC)						

Welaka/Saratoga Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 29 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	1.15	14.97	29.24	43.99	59.25	
February	2.30	16.16	30.46	45.26	60.56	
March	3.45	17.34	31.69	46.53	61.88	
April	4.60	18.53	32.92	47.80	63.19	
May	5.75	19.72	34.14	49.06	64.50	
June	6.89	20.90	35.37	50.33	65.81	
July	8.04	22.09	36.59	51.60	67.13	
August	9.19	23.27	37.82	52.87	68.44	
September	10.34	24.46	39.05	54.14	69.75	
October	11.49	25.64	40.27	55.40	71.06	
November	12.64	26.83	41.50	56.67	72.37	
December	13.79	28.01	42.72	57.94	73.69	
*Remaining ERCs 470 (350 GPD/ERC)						

Welaka/Saratoga Water Treatment Plant		SCHEDULE 5			
DOCKET NO. 080121-WS		Page 30 of 31			
Allowance for Funds Prudently Invested					
Calculation of Carrying Cost Per ERC Per Month:					
	2008	2009	2010	2011	2012
January	7.23	94.57	188.32	289.00	397.13
February	14.47	102.33	196.66	297.95	406.75
March	21.70	110.10	204.99	306.91	416.37
April	28.93	117.86	213.33	315.86	425.99
May	36.17	125.63	221.67	324.82	435.62
June	43.40	133.39	230.01	333.78	445.24
July	50.63	141.16	238.35	342.73	454.86
August	57.87	148.92	246.69	351.69	464.48
September	65.10	156.68	255.03	360.64	474.10
October	72.33	164.45	263.36	369.60	483.72
November	79.57	172.21	271.70	378.55	493.34
December	86.80	179.98	280.04	387.51	502.96
*Remaining ERCs 62 (350 GPD/ERC)					

Wootens Water Distribution Lines DOCKET NO. 080121-WS		SCHEDULE 5 Page 31 of 31				
Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Month:						
	2008	2009	2010	2011	2012	
January	0.23	2.96	5.87	8.95	12.24	
February	0.45	3.20	6.13	9.23	12.53	
March	0.68	3.45	6.38	9.50	12.81	
April	0.91	3.69	6.64	9.77	13.10	
May	1.13	3.93	6.89	10.04	13.39	
June	1.36	4.17	7.15	10.32	13.68	
July	1.59	4.41	7.41	10.59	13.96	
August	1.81	4.65	7.66	10.86	14.25	
September	2.04	4.89	7.92	11.13	14.54	
October	2.27	5.14	8.17	11.41	14.83	
November	2.49	5.38	8.43	11.68	15.12	
December	2.72	5.62	8.68	11.95	15.40	
*Remaining ERCs 60 (350 GPD/ERC)						