STATE OF FLORIDA

MARSHALL WILLIS, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

February 8, 2011

Mr. Stan Shirah
Tymber Creek Utilities, Incorporated
1951 W. Granada Boulevard
Ormond Beach, Florida 32174

Re: Staff-Assisted Rate Case for Tymber Creek Utilities, Incorporated in Volusia County, Docket No. 100359-WS

Dear Mr. Shirah:

Enclosed are two copies of the staff report. Please ensure that a copy of the completed Application for Staff Assistance and the staff report are available for review, pursuant to Rule 25-22.0407 (9)(b), Florida Administrative Code, by all interested persons at the following location:

Tymber Creek Utilities, Incorporated
1951 W. Granada Boulevard
Ormond Beach, FL 32174

Should you have any questions about any of the matters contained herein, please do not hesitate to contact me at (850) 413-7021.

Sincerely,

Shannon J. Hudson
Regulatory Analyst IV

Enclosures

SH/as

cc: Division of Economic Regulation (Maurey, Smith, Fletcher, Daniel, Simpson)
Office of General Counsel (Teitzman, Brown, Harris)
Office of Commission Clerk (100359-WS)
Mr. Robert Dodrill
Mr. Alex Cvercko

State of Florida

Public Service Commission

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

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

DATE: February 9, 2011 ALM

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

FROM: Avy Smith, Regulatory Analyst II AS
Robert Simpson, Engineering Specialist II RS
Sonica Bruce, Regulatory Analyst III SB

RE: Docket No. 100359-WS – Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Incorporated.

– STAFF REPORT –

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

Case Background

This Staff Report is a **preliminary** analysis of the Utility prepared by the Florida Public Service Commission (PSC) staff to give Utility customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission (currently scheduled to be filed April 7, 2011, for the April 19, 2011, Commission Conference) will be revised as necessary using updated information and results of customer quality of service or other relevant comments received at the customer meeting.

Tymber Creek Utilities, Inc. (Tymber Creek or Utility) is a Class C utility serving approximately 449 water customers and 420 wastewater customers in Volusia County. According to the Utility's 2009 Annual Report, total gross revenues were $115,459 and $204,257 for water and wastewater, respectively, and operating expenses were $121,835 for water and $175,488 for wastewater.

Tymber Creek was granted water Certificate No. 303-W and wastewater Certificate No. 252-S, on April 6, 1978. The Utility's last water rate case was in Docket No. 950647-WS, which resulted in Order No. PSC-97-0096-FOF-WS,[1] and the Utility's last wastewater rate case was in Docket No. 040300-SU, which resulted in Order No. PSC-04-1264-PAA-SU.[2]

On July 22, 2010, the Commission received Tymber Creek's application for a SARC. The Commission has the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

[1] See Order No. PSC-97-0096-FOF-WS, issued January 27, 1997, in Docket No. 950647-WS, In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Inc.
[2] See Order No. PSC-04-1264-PAA-SU, issued December 21, 2004, in Docket No. 040300-SU, In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities.

Discussion of Issues

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

Preliminary Recommendation: The staff recommendation regarding customer satisfaction and overall quality of service will not be finalized until after the February 23, 2011 customer meeting. (Simpson)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service provided by a utility by evaluating three separate components of water and wastewater operations. These components are the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received by the Commission from customers are reviewed and the Utility's compliance with the Florida Department of Environmental Protection (DEP) is also considered.

Staff conducted a field investigation of the service area on October 7, 2010. In addition, staff reviewed Tymber Creek's DEP sanitary surveys, compliance inspection reports, and wastewater operating permit correspondence over the last three years. The Utility purchases bulk water from the City of Ormond Beach. In the Utility's last rate case, the Commission found that the quality of wastewater service was satisfactory; however, the order identified several DEP compliance issues that the Utility was working to correct.

On January 27, 2009, DEP issued a noncompliance letter as a result of three separate occurrences of sewage spills at a lift station. DEP required the Utility to prepare an engineering evaluation report to address the problems with the collection system. In addition, on December 3, 2009, DEP issued a noncompliance letter noting deficiencies related to leaks in the filter tanks, failure to report spills or discharges, and the failure to meet total suspended solids standards. In response to DEP, the Utility had an engineering study performed and a capital improvement plan report prepared. The report contains a description of proposed system improvements, including leakage tests of force main and repairs of the collection system, installation of an automatic dialer at the main lift station, replacement of filter media, installation of a backup surge pump, replacement of blowers and motor assembly, replacement of two pumps at one of the lift stations, and additional sludge removal. The proposed system improvements are addressed in Issue 11. Many improvements have already been completed to address the lift station sewage spills, as well as to repair the surge tank and aeration tank blowers.

Tymber Creek applied for and obtained a DEP wastewater facility operating permit on August 16, 2010; however, the Tymber Creek Homeowner's Association Inc. (HOA) petitioned the issuance of the permit on grounds that the Utility has not adequately addressed the problems in the collection system. Tymber Creek has provided a copy of the capital improvement plan report to the HOA. The HOA will review the report and provide a response to the Utility. The DEP is monitoring the negotiations between the Utility and the HOA, and the operating permit has been held in abeyance.

The consumer activity tracking system reflected two customer complaints in the last three years which were closed. The staff recommendation regarding customer satisfaction and the overall quality of service provided by Tymber Creek will not be finalized until after the February 23, 2011, customer meeting.

Issue 2: What are the used and useful percentages for this Utility?

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

Staff Analysis: The Utility's records for the test year ended June 30, 2010, were used in analyzing the used and usefulness of the water and wastewater facilities.

Wastewater Treatment Plant

The Tymber Creek wastewater treatment plant (WWTP) uses extended aeration treatment, and has a permitted capacity of 131,000 gallons per day (gpd) based on the system's annual average daily flow. Rule 25-30.432, F.A.C., provides that the wastewater plant used and useful percentage should be calculated based on customer demand and the permitted capacity of the plant. The rule also provides that customer demand should be determined using the same basis as the permitted capacity. Consideration is given to growth, infiltration and inflow, and other factors.

Customer demand for the test year based on the system's annual average daily flow is 75,967 gpd. The system does not appear to have excessive infiltration and inflow. Therefore, the WWTP is approximately 58 percent U&U based on the current customer demand. In the last rate case, the WWTP was found to be 61 percent U&U. A field investigation of the service area shows that the system is close to build out. Further, there has been minimal growth in the last five years. Thus, staff recommends that the wastewater treatment plant be considered 100 percent U&U because the service area appears to be built out.

Water Distribution and Wastewater Collection Systems

The U&U calculations for the water distribution and wastewater collection systems are based on the number of customers connected to the systems divided by the capacity of the lines. Consideration is also given to growth. The service area has had minimal growth in the last five years. It appears that the system is built out, therefore the water distribution and the collection system should be considered 100 percent U&U.

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

Preliminary Recommendation: The appropriate average test year rate base for Tymber Creek is $178,344 for water and $200,516 for wastewater. (Smith)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital.

Staff selected a test year ended June 30, 2010, for this rate case. A summary of each component and the adjustments follows:

Utility Plant in Service: The Utility recorded $204,914 and $704,807 in UPIS, for water and wastewater, respectively. Staff recommends the following adjustments to reflect the appropriate plant additions and retirements to water and wastewater UPIS amounts.

Table 3-1

	Adjustment Description	Water	Wastewater
1.	To reflect the appropriate balance for Account No. 309.	($14,371)	$0
2.	To reflect the appropriate balance for Account No. 310.	3,180	0
3.	To reflect the appropriate balance for Account No. 331.	58,234	0
4.	To reflect the appropriate balance for Account No. 333.	(13,917)	0
5.	To reflect the appropriate balance for Account No. 334.	(14,490)	0
6.	To reflect the appropriate balance for Account No. 335.	4,755	0
7.	To reflect the appropriate balances for Account Nos. 340 & 390.	4,416	450
8.	To reflect the appropriate balance for Account No. 310.	373	0
9.	To reflect the appropriate balance for Account No. 345.	(660)	0
10.	To reflect the appropriate balance for Account No. 360	0	11,308
11.	To reflect the appropriate balance for Account No. 361	0	(6,968)
12.	To reflect the appropriate balance for Account No. 364	0	853
13.	To reflect the appropriate balance for Account No. 370	0	(4,779)
14.	To reflect the appropriate balance for Account No. 380	0	(9,256)
15.	To reflect the appropriate balance for Account No. 382	0	(468)
16.	Plant items completed outside the test year.	0	5,000
17.	Averaging Adjustment	(305)	(1,085)
	Total	$27,215	($4,944)

Staff's net adjustments to UPIS are an increase of $27,215 for water and a decrease of $4,944 for wastewater. Staff recommends UPIS balances of $232,129 for water and $699,863 for wastewater.

Non-Used and Useful Plant: As discussed in Issue No. 2 of this recommendation, Tymber Creek's water distribution system, wastewater treatment plant, and the wastewater collection

system are 100 percent used and useful. Therefore, a non-used and useful adjustment is not necessary.

Contribution in Aid of Construction: The Utility recorded $155,793 and $380,306 in this account for water and wastewater, respectively. Staff has compiled CIAC additions for the period August 31, 1995, through June 30, 2010, to determine the Utility's CIAC balance as of June 30, 2010. Staff used information from the Utility's 1995-2010 annual reports, customer service connection records, and the Utility's authorized service availability tariff to determine the number of new customers connected since the Utility's last rate case. Pursuant to Audit Finding 4, Tymber Creek improperly accounted for late charges and other miscellaneous revenues in the amount of $2,410 for water. Therefore, staff has made an adjustment to decrease this account by $2,410 for water. Staff recommends CIAC of $153,383 for water, and $380,306 for wastewater.

Accumulated Depreciation: Tymber Creek recorded a balance for accumulated depreciation of $122,996 for water and $517,943 for wastewater. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, staff has increased this account by $40,452 for water and $17,911 for wastewater to reflect depreciation calculated by staff. Staff has decreased this account by $2,801 and $10,763 to reflect an averaging adjustment for water and wastewater, respectively. The aforementioned adjustments result in average accumulated depreciation of $160,647 for water and $525,091 for wastewater.

Amortization of CIAC: The Utility recorded $140,026 and $380,306 for amortization of CIAC for water and wastewater, respectively. Amortization of CIAC has been recalculated by staff using composite depreciation rates. In order to reflect amortization of CIAC as calculated by staff, this account has been increased by $108,840 for water. Staff has decreased this account by $6,702 for water to reflect an averaging adjustment. Staff's net adjustments to CIAC result in Amortization of CIAC of $242,164 for water and $380,306 for wastewater.

Working Capital Allowance: Tymber Creek recorded a working capital allowance of $15,176 for water and $21,119 for wastewater. Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Consistent with Rule 25-30.433(2), F.A.C., staff recommends that the one-eighth of the O&M expense formula approach be used for calculating working capital allowance. Applying this formula, staff recommends working capital allowance of $16,951 (based on water O&M of $135,609) and $21,220 (based on wastewater O&M of $169,759) for water and wastewater, respectively. Thus, working capital has been increased by $1,775 for water and $101 for wastewater to reflect one-eighth of staff's recommended O&M expenses.

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year average rate base is $178,344 for water and $200,516 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B, and staff's adjustments are shown on Schedule No. 1-C.

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

Preliminary Recommendation: The appropriate return on equity (ROE) is 9.40 percent with a range of 8.40 percent to 10.40 percent. The appropriate overall rate of return is 8.10 percent. (Smith)

Staff Analysis: According to Audit Finding 10, Tymber Creek's capital structure consists of the following:

Table 4-1

Account Description	Balance
Common Stock	$100
Retained Earnings	79,288
Long Term Debt–Officer's Loan	78,920
Long Term Debt–Sun Trust	33,502
Customer Deposits	10,260
Total	$202,070

The Utility's trial balance as of June 30, 2010, had two outstanding officer's loans of $39,578 and $39,342. There is no interest on the loans, no loan documents, and Tymber Creek is not making any payments on the principal. Accordingly, staff believes these loans should be treated as common equity in accordance with Commission practice.[3] Staff has increased the balance of paid in capital by $78,920, and decreased long term-debt by the same amount. The Utility's long-term debt also consists of a revolving credit line of $35,000 with a current balance of $33,502, and an annual interest rate of 3.25 percent at Sun Trust Bank. The credit line was used for a wastewater plant expansion. Staff has calculated an outstanding loan balance of $33,488 as of June 30, 2010, based on the bank's monthly statements. Staff recommends decreasing this account by $14 to reflect the balance of $33,488.

The Utility's capital structure has been reconciled with staff's recommended rate base. Consistent with the most recent Commission-approved leverage formula, the appropriate rate of

[3] See Order Nos. PSC-05-0621-PAA-WU, issued June 6, 2005, in Docket No. 041145-WU, In re: Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.; PSC-09-0618-PAA-WS, issued September 11, 2009, in Docket No. 080709-WS, In re: Application for staff-assisted rate case in Highlands County by Damon Utilities, Inc.; and PSC-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 090414-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

return on equity is 9.40 percent.[4] Staff recommends an ROE of 9.40 percent with a range of 8.40 percent to 10.40 percent, and an overall rate of return of 8.10 percent. The ROE and overall rate of return are shown on Schedule No. 2.

[4] See Order No. PSC-10-0401-PAA-WS, issued June 19, 2010, in Docket No. 100006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

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

Preliminary Recommendation: The appropriate test year revenue for this Utility is $113,580 for water and $196,667 for wastewater. (Smith, Bruce)

Staff Analysis: Tymber Creek recorded total revenues of $116,474 for water and $189,599 for wastewater for the 12-month period ended June 30, 2010. Staff analyzed the Utility's reported revenues and based on the billing determinants, staff recommends test year revenue of $113,580 for water and $196,667 for wastewater. Therefore, staff has decreased water revenue by $2,894 and increased wastewater revenue by $7,068. Test year revenue amounts are shown on Schedule Nos. 3-A and 3-B.

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

Preliminary Recommendation: The appropriate amount of operating expense for this Utility is $148,613 for water and $197,217 for wastewater. (Smith)

Staff Analysis: Tymber Creek recorded operating expense of $129,139 for water and $200,887 for wastewater, for the test year ended June 30, 2010. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Employees (601/701) – Tymber Creek recorded $7,000 and $21,042 in this account for water and wastewater, respectively. There is one full-time employee who works in the office. The Utility allocated 25 percent of the employee's salary to water and 75 percent to wastewater. It is Commission practice to allocate common costs based on the number of customers.[5] Therefore, staff believes a 50 percent allocation to both water and wastewater is more appropriate based on the number of customers for each system. Accordingly, staff has increased this expense for water by $7,021, and decreased this expense for wastewater by $7,021, to reflect the 50 percent allocation to both water and wastewater. Staff recommends salaries and wages – employees expense of $14,021 for water and $14,021 for wastewater.

Salaries and Wages - Officers (603/703) – The Utility recorded $9,461 in this account for both water and wastewater. This amount includes the weekly salary of two officers, who are both paid the same amount. Staff has calculated an annual expense of $4,873 for this account for each officer. Therefore, staff has increased this account by $285 for water and $285 for wastewater. Staff recommends salaries and wages – officers expense of $9,746 ($4,873 x 2) for water and the same amount for wastewater.

Purchased Water (610) – Tymber Creek recorded $63,587 for purchased water. The Utility purchases bulk water from the City of Ormond Beach. On September 22, 2010, the City of Ormond Beach informed the Utility that there would be an increase in the bulk water rate charge, effective January 1, 2011. Staff has increased this account by $2,521 to reflect the annualized increase in bulk water rates. Staff recommends purchased water expense of $66,108.

Sludge Removal Expense (711) – The Utility recorded $34,163 in this account. Staff has increased this account by $2,065 to reflect an invoice for three loads of sludge that were not included in the test year. Staff recommends sludge removal expense of $36,228.

Chemicals (718) – Tymber Creek recorded $6,155 in this account. Staff has increased this account by $110 for an invoice that was not included in the amount reported for the test year. Staff recommends chemicals expense of $6,265.

[5] See Order Nos. PSC-05-0442-PAA-WU, issued April 25, 2005, in Docket No. 040254-WU, In re: Application for staff-assisted rate increase in Polk County by Keen Sales, Rental and Utilities, Inc.; and PSC-09-0618-PAA-WS, p. 8.

Materials and Supplies (620/720) – The Utility recorded $867 for water and $901 for wastewater in this account. Based on invoices for materials and supplies, staff calculated $1,507 and $2,014 in this account for water and wastewater, respectively. Therefore, staff has increased this account by $640 for water and $1,113 for wastewater. Staff recommends materials and supplies expense of $1,507 for water and $2,014 for wastewater.

Contractual Services – Professional (631/731) – Tymber Creek recorded $5,588 in this account for both water and wastewater. Based on audited amounts, staff has decreased this account by $28 for water and increased this account by $1,565 for wastewater. In addition, the Utility has incurred costs of $16,942 for engineering and legal costs related to wastewater improvements. Staff has amortized this amount over 5 years and increased the amount for wastewater by $3,388. Staff recommends contractual services – professional expense of $5,560 for water and $10,541 for wastewater.

Contractual Services – Testing (635/735) – The Utility recorded $7,808 for water and $38,451 for wastewater in this account. Staff has decreased this account by $40 for water to reflect the audited amount. Tymber Creek recorded $13,155 for effluent testing. The monthly cost of effluent testing is $1,750. Staff has annualized the total cost of effluent testing and increased this account by $7,845 ($1,750 x 12 months - $13,155) for wastewater. Further, staff has reduced the amount reported for wastewater by $25,296 to reclassify costs that should have been included in contractual services – other. On June 17, 2010, the Utility received a notice from the Volusia County Health Department stating that the rate for testing coliform drinking water analysis would be increased from $20 to $25. Tymber Creek normally has two coliform drinking water analysis tests performed per month. Staff has made an adjustment to increase this account by $120 for water ($50 x 12 months - $40 x 12 months). After the completion of the audit report, the Utility provided staff with invoices for bi-monthly phosphorus tests required by the DEP. The cost of the bi-monthly phosphorus test is $20. Staff has increased this account by $960 ($40 x 12 months) for wastewater. According to the staff engineer, Tymber Creek also incurred an expense of $300 for dye testing. Staff has amortized this amount over 5 years and increased this account by $60 for wastewater. Staff recommends contractual services – testing expense of $7,888 ($7,808 - $40 + $120) for water and $22,020 ($38,451 + $7,845 - $25,296 + $960 + $60) for wastewater.

Contractual Services – Other (636/736) – Tymber Creek recorded $12,425 for water and $8,791 for wastewater in this account. As mentioned above, the Utility misclassified $25,296 in contractual services – testing that should have been recorded in this account for wastewater. Staff has increased this account by $25,296 to reclassify these costs. The Utility provided staff with additional invoices for leak repairs totaling $726. Staff has increased the amount reported for water by $726 to reflect this amount. The Utility provided staff with an invoice for chlorine tank repairs of $5,000. Staff has amortized the $5,000 over 5 years, and increased this account by $1,000 for wastewater. The Utility also provided staff with an invoice for videography of wastewater lines of $5,000. Likewise, staff has amortized this amount over 5 years and increased this account by $1,000 for wastewater. Steve Fryson, the meter reader for Tymber Creek, has requested a $25 increase in his $175 monthly fee. Staff believes this amount is reasonable. Accordingly, staff has increased this account by $300 for water ($25 x 12 months). Staff has also increased this account by $300 for wastewater based on invoices for leak repairs

completed by Steve Fryson. The Utility's contract water operator, Steve Woodman requested a $100 increase is his monthly fee due to increased DEP monitoring requirements. Mr. Woodman's current monthly fee is $500. Staff has increased this account by $1,200 ($600 x 12 months - $500 x 12 months) to reflect Mr. Woodman's fee. Finally, staff has amortized the cost of a $1,300 fence installation over 5 years and increased this account by $260. Staff net adjustments to this account result in an increase of $2,226 ($726 + $300 + $1,200) for water and $27,856 ($25,296 + $1,000 + $1,000 + $300 + $260) for wastewater. Staff recommends contractual services – other expense of $14,651 ($12,425 + $2,226) for water and $36,647 ($8,791 + $27,856) for wastewater.

Rents (640/740) – The Utility recorded $3,662 for water and $17,082 for wastewater in this account. Based on the audit report, Tymber Creek's total office rent is $7,324. As previously stated, staff believes a 50 percent allocation to both water and wastewater should be applied. Therefore, staff has decreased the amount reported for wastewater by $13,420. After the completion of the audit, the Utility submitted an invoice for an excavation rental of $405. Staff has increased the amount reported for water to reflect this amount. Staff recommends rents of $4,067 ($3,662 + $405) for water and $3,662 ($17,082 - $13,420) for wastewater.

Transportation Expenses (650) – Tymber Creek recorded $260 for water in this account. The Utility's records substantiated a water expense of $182. Accordingly, staff has decreased this account by $78. Staff recommends transportation expense of $182 for water.

Insurance Expenses (655/755) – The Utility recorded $100 for water and $2,300 for wastewater in this account. Staff has allocated 50 percent to each system and increased water by $1,100 and decreased wastewater by $1,100 for this account. Staff recommends insurance expense of $1,200 for water and $1,200 for wastewater.

Regulatory Commission Expense (665/765) – Tymber Creek recorded $0 for both water and wastewater in this account. By Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated $765 for postage expense, $695 for printing expense, and $87 for envelopes. The above results in $1,547 for postage, mailing notices, and envelopes. The Utility paid a $2,000 rate case filing fee. The total rate case expense is $3,547. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. The 4 year amortization is $886. Accordingly, staff has increased this account by $443 each for water and wastewater. Staff recommends regulatory commission expense of $443 each for water and wastewater.

Miscellaneous Expense (675/775) – The Utility recorded $3,937 for water and $6,080 for wastewater in this account. Staff has decreased this account by $71 for water to disallow late telephone charges. Staff has decreased this account by $346 for water and $2,663 for wastewater to remove the remaining unsupported balance. Additionally, staff has increased this account by $396 for wastewater to reflect the 5-year amortization of the Utility's permit renewal. Staff recommends miscellaneous expense of $3,520 ($3,937 - $71 - $346) for water and $3,813 ($6,080 - $2,663 + $396) for wastewater.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense results in an increase of $14,198 for water and a decrease of $3,413 for wastewater. Staff's

recommended O&M expense is $135,609 for water and $169,759 for wastewater. O&M expenses are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Related Amortization of CIAC) – Tymber Creek recorded $684 for water and $14,196 for wastewater in this account. Staff has calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff's calculated test year depreciation is $4,241 and $26,285 for water and wastewater, respectively. Thus, staff has made an adjustment to increase the amount reported for water by $3,557 and to increase the amount reported for wastewater by $12,089. Staff has decreased amortization of CIAC by $2,326 for water and $15,458 for wastewater based on composite rates. This results in a net depreciation expense of $1,914 ($684 + $3,557 - $2,326) for water and $10,827 ($14,196 + $12,089 - $15,458) for wastewater.

Taxes Other Than Income (TOTI) – The Utility recorded $7,044 for water and $13,519 for wastewater in this account for TOTI. Tymber Creek did not record any amount for payroll tax for either water or wastewater. Staff has calculated payroll tax of $1,904 for water and $1,904 for wastewater. Accordingly, staff has increased this account by $1,904 for both water and wastewater to reflect staff's calculated payroll tax. The amounts included in this account for property taxes are $1,848 and $4,620 for water and wastewater, respectively. Staff reviewed the Volusia County non-ad valorem and ad valorem tax assessment notices, and the appropriate amount of property taxes is $1,848 for water and $5,122 for wastewater. Therefore, staff increased this account by $502 for wastewater. The Utility recorded RAFs of $5,196 for water and $8,899 for wastewater. Based on staff's recommended test year revenues, the Utility's RAFs should be $5,111 for water and $8,850 for wastewater. Therefore, staff has decreased this account by $85 and $49 for water and wastewater, respectively, to reflect the appropriate RAFs. As discussed in Issue 7, revenues have been increased by $49,479 for water and $16,792 for wastewater to reflect the change in revenue required to cover expenses and afford the Utility an opportunity to earn the recommended return on investment. As a result, TOTI should be increased by $2,227 for water and $756 for wastewater to reflect RAFs of 4.5 percent on the change in revenues. Staff recommends TOTI of $11,089 ($7,044 + $1,904 - $85 + $2,227) for water and $16,631 ($13,519 + $1,904 + $502 - $49 + $756) for wastewater.

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

Operating Expenses Summary – The application of staff's recommended adjustments to Tymber Creek's recorded test year operating expenses result in staff's recommended operating expenses of $148,613 for water and $197,217 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. No. 3-C.

Issue 7: What is the appropriate revenue requirement?

Preliminary Recommendation: The appropriate revenue requirement is $163,059 for water and $213,459 for wastewater. (Smith)

Staff Analysis: Tymber Creek should be allowed an annual increase of $49,479 (43.56 percent) for water and an annual increase of $16,792 (8.54 percent) for wastewater. This will allow the Utility the opportunity to recover its expenses and earn an 8.10 percent return on its investment. The calculation is as follows:

Table 7-1

	Water	Wastewater
Adjusted Rate Base	$178,344	$200,516
Rate of Return	x .0810	x .0810
Return on Rate Base	$14,446	$16,242
Adjusted O&M expense	135,609	169,759
Depreciation expense (Net)	1,914	10,827
Amortization	0	0
Taxes Other Than Income	11,089	16,631
Income Taxes	0	0
Revenue Requirement	$163,059	$213,459
Less Test Year Revenues	113,580	196,667
Annual Increase	$49,479	$16,792
Percent Increase/(Decrease)	43.56%	8.54%

Issue 8: What is the appropriate rate structure for this Utility?

Preliminary Recommendation: The appropriate rate structure for the water system's residential class is a three-tier inclining block rate structure. However, staff's preliminary rate design called for a two-tier rate structure with usage blocks of: a) 0-10 kgals in the first usage block; and b) all usage in excess of 10 kgals in the second usage block. Moreover, as discussed in Issue 9, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 6 kgal per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgals in the third usage block and usage block rate factors of 1.0, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 32 percent. Furthermore, the appropriate rate structure for the wastewater residential class and non-residential class is a continuation of the traditional BFC/gallonage charge rate structure. The BFC cost recovery percentage for the wastewater system should be set at 50 percent. (Bruce)

Staff Analysis: The Utility's current water and wastewater system rate structure for the residential and non-residential class consists of a monthly base facility charge (BFC) and uniform gallonage charge. The current BFC for the water customers is $9.75 and the gallonage charge is $2.56 per 1,000 gallons.

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

Tymber Creek is located in Volusia County within the St. Johns River Water Management District (SJRWMD). The Utility provides wastewater service to its customers. However, the Utility purchases bulk water from the City of Ormond Beach and resells these services to the customers of the Utility. Therefore, the Utility is considered non-jurisdictional by SJRWMD.

Based on staff's analysis of the billing data, the overall average consumption is 4.8 kgals per month. This does not indicate a high overall average consumption. However, the billing data indicates that 8 percent of the customers consume over 10 kgal of water per month. Furthermore, the appropriate threshold for a customer's discretionary usage is 6.0 kgal per month. This number is derived based on the average number persons per household, gallons per day per person, and the number of days per month (4 x .050 x 30). For this reason, staff recommends that a three-tier inclining block rate structure with usage blocks set at 0-6 kgal; 6-10 kgal; and usage in excess of 10 kgals be implemented. Implementing this rate structure is done in an effort to restrict recovery due to repression being applied to non-discretionary usage below 6 kgals in the first block, while targeting families in the second block and customers who consume well over 10 kgals in the third block.

Staff's recommended rate design for the water system is shown on Table 8-1. Also, staff presented two alternate rate structures to illustrate other recovery methodologies.

Table 8-1

TYMBER CREEK UTILITIES, INC.
STAFF'S PRELIMINARY RECOMMENDED AND ALTERNATIVE WATER RATE STRUCTURES AND RATES

Current Rate Structure and Rates	
BFC/Uniform gallonage charge Rate structure BFC = 42%	
BFC	$9.75
Gallonage Charge	$2.56

Typical Monthly Bills (1)	
Cons (kgals)	
0	$9.75
1	$12.31
3	$17.43
5	$22.55
10	$35.35
20	$60.95

Recommended Rate Structure and Rates		
3-Tier Inclining Block Rate Structure Rate Factors 1.00 and 1.50 BFC = 32%		
BFC		$9.71
1st tier (no repression)	0-6 kgals	$4.25
2nd tier (discretionary)	6-10 kgal	$5.52
3rd tier (discretionary)	10+	$8.27

Typical Monthly Bills	
Cons (kgals)	
0	$9.71
1	$13.96
3	$22.46
5	$30.96
10	$57.29
20	$139.99

Alternative 1		
3-Tier Inclining Block Rate Structure Rate Factors 1.00 and 1.50 BFC = 32%		
BFC		$9.73
1st tier (no repression)	0-6 kgals	$4.36
2nd tier (discretionary)	6-14 kgal	$5.50
3rd tier (discretionary)	14+	$8.25

Typical Monthly Bills	
Cons (kgals)	
0	$9.73
1	$14.09
3	$22.81
5	$31.53
10	$57.89
20	$129.39

Alternative 2		
3- Tier Inclining Block Rate Structure Rate Factors 1.00 and 1.50 BFC =40%		
BFC		$12.20
1st tier (no repression)	0-6 kgals	$3.75
2nd tier (discretionary)	6-10 kgal	$4.61
3rd tier (discretionary)	10+	$6.92

Typical Monthly Bills	
Cons (kgals)	
0	$12.20
1	$15.95
3	$23.45
5	$30.95
10	$53.14
20	$122.34

The Utility's current BFC cost recovery is 42 percent. However, staff recommends that the BFC cost recovery of 42 percent be reduced to 32 percent. Staff's recommended BFC

allocation is appropriate because it sends the appropriate pricing signals and falls within the guidelines of setting the BFC allocation no greater than 40 percent. Furthermore, the recommended BFC cost recovery will enable customers at nondiscretionary levels of consumption to pay a lower price for their water consumption while targeting customers who use a greater consumption of water.

Staff recommends that the rate structure for the water system's non-residential class should remain unchanged and therefore continue the BFC/uniform gallonage charge rate structure. This rate structure has been the Commission's choice for non-residential customer classes.[6]

Based on the foregoing, staff recommends that the appropriate rate structure for the water system's residential class is a three-tier inclining block rate structure. However, staff's preliminary rate design called for a two-tier rate structure with usage blocks of: a) 0-10 kgals in the first usage block; and b) all usage in excess of 10 kgals in the second usage block. Moreover, as discussed in Issue 9, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 6 kgals per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgals in the third usage block and usage block rate factors of 1.0, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 32 percent.

Wastewater Rates: The Utility's current rate structure consists of a BFC/gallonage charge rate structure for the wastewater systems' residential and non-residential class. The monthly BFC is $15.89 and the usage charge is $5.78 per 1,000 gallons.

Staff's initial BFC cost recovery for the wastewater system is 40.03 percent. This BFC cost recovery falls below the Commission's practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants. Therefore, staff believes it is appropriate to increase the initial BFC cost recovery to at least 50 percent.

The Utility's current wastewater gallonage cap is set at 10 kgals. It is Commission practice to set the residential wastewater gallonage cap at a consumption level equal to 80 percent. Staff's review of the wastewater billing data captures 80 percent of the residential gallons sold at 8 kgal. Therefore, the Utility's current wastewater cap should be set at 8 kgal. Furthermore, staff recommends that the general service gallonage charge should be 1.2 times greater than the residential charge.

As discussed in Issue 11, staff recommends a Phase II revenue requirement associated with pro forma plant improvements. Staff recommends that the BFC allocation for Phase II rates be increased from staff's initial allocation of 36 percent to 50 percent to comply with

[6] See Order Nos. PSC-08-0812-PAA-WS, 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; and PSC-09-0647-PAA-WS, in Docket No. 080714-WS, In Re: Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

Commission's practice of setting the BFC allocation to at least 50 percent due to the capital intensive nature of wastewater plants.

Staff's recommended rate design for the wastewater system is shown on Table 8-2 on the following page. Staff also presented two alternative rate structures to illustrate other recovery methodologies.

Table 8-2

TYMBER CREEK UTILITIES, INC.
STAFF'S PRELIMINARY RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES

Current Rate Structure and Rates	
Monthly BFC/ uniform kgals charge BFC =41%	
BFC	$15.89
All kgals	$5.78
Typical Monthly Bills	
Cons (kgals)	
0	$15.89
1	$21.67
3	$33.23
6	$50.57
8	$62.13

Recommended Rate Structure and Rates	
BFC/uniform kgals charge BFC = 50%	
BFC	$20.55
All kgals	$5.65
Typical Monthly Bills	
Cons (kgals)	
0	$20.55
1	$26.20
3	$37.50
6	$54.45
8	$65.75

Alternative 1	
BFC/uniform kgals charge BFC = 60%	
BFC	$24.66
All kgals	$4.53
Typical Monthly Bills	
Cons (kgals)	
0	$24.66
1	$29.19
3	$38.25
6	$51.84
8	$60.90

Alternative 2	
BFC/uniform kgals charge BFC =70%	
BFC	$28.77
All kgals	$3.40
Typical Monthly Bills	
Cons (kgals)	
0	$28.77
1	$32.17
3	$38.97
6	$49.17
8	$55.97

Based on the foregoing, staff recommends that the appropriate rate structure for the wastewater system's residential and non-residential is a continuation of the monthly

BFC/uniform gallonage charge rate structure. The current wastewater gallonage cap of 10 kgals should be changed to 8 kgals per month. The general service gallonage charge is 1.2 times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent.

Issue 9: Is a repression adjustment appropriate in this case?

Preliminary Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year residential kgals sold for water should be reduced by 7.3 percent, resulting in a consumption reduction of 1,761 kgals. Purchased water expense should be reduced by $4,745, and regulatory assessment fees (RAFs) should be reduced by $224. The final post-repression revenue requirement for the water system should be $158,091. For the wastewater system, test year kgals sold should be reduced by 8.4 percent, resulting in a consumption reduction of 1,643 kgals. Sludge removal expense should be reduced by $3,043, purchased power should be reduced by $1,258, and RAFs should be reduced by $194. The final post-repression revenue requirement for the wastewater system should be $208,964.

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

Staff Analysis: Staff conducted a detailed analysis of the consumption patterns of the Utility's residential customers as well as the increase in residential bills resulting from the increase in revenue requirements. This analysis showed the overall average consumption is 4.8 kgals per month. This does not indicate a high overall average level of consumption. However, the billing data indicates that 8 percent of the customers consume over 10 kgals of water per month. Furthermore, in Issue 8, staff recommended that the threshold for the customer's essential usage be 6 kgals per month. Therefore, staff's recommended repression adjustment only applies to water consumption above 6 kgals per month.

Using the database of utilities that have previously had repression adjustments made, staff calculated a repression adjustment for this Utility based upon the recommended increase in revenue requirements in this case, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that the Commission has approved in prior cases.[7] This methodology also restricts any price changes due to repression from being applied to non-discretionary consumption (consumption less than 6 kgals per month), and allocates all cost recovery due to repression to discretionary levels of consumption (consumption above 6 kgals per month).

[7] See Order Nos. PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; Order No. PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; Order No. PSC-10-0117-PAA-WU, issued February 26, 2010, in Docket No. 080695-WU, In re: Application for general rate increase by Peoples Water Service Company of Florida, Inc.; and Order No. PSC-09-0623-PAA-WS, issued September 15, 2009, in Docket No. 080597-WS, In re: Application for general rate increase in water and wastewater systems in Lake County by Southlake Utilities, Inc.

Therefore, based on this methodology, staff calculated that the test year residential consumption for this Utility should be reduced by 1,761 kgals. Purchased water expense should be reduced by $4,745, and regulatory assessment fees (RAFs) should be reduced by $224. The final post-repression revenue requirement for the water system should be $158,091. For the wastewater system, test year kgals should be reduced by 1643 kgals. Sludge removal expense should be reduced by $3,043, purchased power expense should be reduced by $1,258, and RAFs should be reduced by $194. The final post-repression revenue requirement for the wastewater system should be $208,964.

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

Issue 10: What are the appropriate rates for this Utility?

Preliminary Recommendation: The appropriate monthly water and wastewater rates are shown on Schedules Nos. 4-A and 4-B, respectively. The recommended rates should be designed to produce revenue $158,091 for water and $208,964 for wastewater, excluding miscellaneous service charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days after the date of the notice. (Bruce)

Staff Analysis: Excluding miscellaneous service revenues, the recommended rates should be designed to produce of revenue of $158,091 for the water system and $208,964 for the wastewater system.

As discussed in Issue 8, staff recommends that the rate structure for the water system's residential class is a three-tier inclining block rate structure. However, staff's preliminary rate design called for a two-tier rate structure with usage blocks of: a) 0-10 kgals in the first usage block; and b) all usage in excess of 10 kgals in the second usage block. Moreover, as discussed in Issue 9, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 6 kgals per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgals in the third usage block and usage block rate factors of 1.0, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 32 percent. Furthermore, the appropriate rate structure for the wastewater residential class and non-residential class is a continuation of the traditional BFC/gallonage charge rate structure. The BFC cost recovery percentage for the wastewater system should be set at 50 percent.

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

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

Based on the foregoing, the appropriate water and wastewater rates are shown on Schedule Nos. 4-A and 4-B.

Issue 11: Should the Commission approve pro forma plant and expenses for the Utility, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

Preliminary Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma plant and expense items. The appropriate return on equity should be 9.40 percent with a range of 8.40 to 10.40 percent. The appropriate overall rate of return is 8.10 percent. The Utility's Phase II revenue requirement remains unchanged for water and should be $261,654 for wastewater, which equates to an increase of 22.58 percent over the Phase I wastewater revenue requirement. Tymber Creek should complete the pro forma plant and expense items within 12 months of the issuance of the instant docket's consummating order. The Utility should be allowed to implement the resulting rates once the pro forma items have been completed and documentation provided showing that all improvements have been made to the system.

The Utility should be required to submit a copy of the final invoices and cancelled checks for all pro forma plant and expense items. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. Tymber Creek should provide proof of the date notice was given within 10 days after the date of the notice. The resulting rates are shown on Schedule No. 8. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission. (Smith)

Staff Analysis: Tymber Creek requested recognition of additional pro forma plant and expense items that it intends to complete. The improvements address issues related to the Utility's collection system, lift stations, and WWTP. As discussed in Issue 1, the proposed improvements are being reviewed by the HOA and DEP in an effort to resolve concerns related to the issuance of the Utility's DEP wastewater facility permit. The following is a chart summarizing the pro forma items, the cost, and staff's recommended treatment:

Table 11-1

Pro Forma Items	Staff Recommended	
	Capitalize	Expense
1. Install automatic dialer at main lift station	$3,300	
2. Replace monitoring well covers and bollards	2,850	
3. Install backup surge pumps, blower and motor assembly	5,675	
4. Replace two pumps at Inglewood lift station	14,400	
5. Replace filter media	5,865	
6. Install two monitoring and alarm systems	3,155	
7. Perform leakage tests of force main		$400[8]
8. Additional sludge hauling		25,200
9. Repair of collection system		13,120
10. Engineering reports to summarize results		1,600
11. Maintenance cost on the monitoring systems		695
Total	$35,245	$41,015

Staff is recommending a Phase II revenue requirement associated with the pro forma plant and expense items for the following reasons. First, it assures that the pro forma plant and expense items are completed prior to the Utility's recovery in rates. Second, addressing the pro forma plant and expense items in the instant docket saves additional rate case expense to the customer because the Utility would not need to file another rate case or limited proceeding to seek recovery for the additional items. The Commission has approved a Phase-In approach in Docket Nos. 080668-SU, 090072-WU and 090414-WU.[9]

The Utility's Phase II revenue requirement remains unchanged for water and is $261,654 for wastewater. Tymber Creek should complete the pro forma items within 12 months of the issuance of the instant docket's consummating order. Phase II rate base is shown on Schedule No. 5-A and staff's adjustments are shown on Schedule No. 5-B. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirement is shown on Schedule Nos. 7-A, and staff's adjustments are shown on Schedule No. 7-B. The resulting rates are shown on Schedule No. 8.

The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing improvements made to the system. The Utility should be required to submit a copy of the final invoices and cancelled checks for all plant and expense items. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. Tymber Creek should provide proof of the date

[8] Perform leakage tests of force main is amortized over 5 years = $2,000/5 = $400.

[9] See Order Nos. PSC-09-0628-PAA-SU, issued September 17, 2009, in Docket No. 080668-SU, In re: Application for staff-assisted rate case in Highlands County by Fairmount Utilities, The 2nd Inc.; PSC-09-0716-PAA-WU, issued October 28, 2009, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.; and PSC-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 090414-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission.

Issue 12: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

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

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs which is $469 for water and $469 for wastewater. Using the Tymber Creek's current revenues, expenses, capital structure and customer base the reduction in revenues will result in the rate decreases as shown on Schedule Nos. 4-A and 4-B.

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

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

Issue 13: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of protest filed by a party other than the Utility?

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

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

Tymber Creek should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of $44,254. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

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

1) The Commission approves the rate increase; or,

2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

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

1) The letter of credit is irrevocable for the period it is in effect, and,

2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

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

1) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission;

2) The escrow account shall be an interest bearing account;

3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;

4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to Tymber Creek;

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;

8) The Commission Clerk must be a signatory to the escrow agreement; and

9) The account must specify by whom and on whose behalf such monies were paid.

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

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

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

Issue 14: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission approved adjustments?

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

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

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 SCHEDULE OF WATER RATE BASE			SCHEDULE NO. 1-A DOCKET NO. 100359-WS
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	$204,914	$27,215	$232,129
2. LAND & LAND RIGHTS	1,131	0	1,131
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(155,793)	2,410	(153,383)
5. ACCUMULATED DEPRECIATION	(122,996)	(37,651)	(160,647)
6. AMORTIZATION OF CIAC	140,026	102,138	242,164
7. WORKING CAPITAL ALLOWANCE	15,176	1,775	16,951
8. WATER RATE BASE	$82,458	$95,886	$178,344

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 SCHEDULE OF WASTEWATER RATE BASE				SCHEDULE NO. 1-B DOCKET NO. 100359-WS
	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$704,807	($4,944)	$699,863
2.	LAND & LAND RIGHTS	4,524	0	4,524
3.	NON-USED AND USEFUL COMPONENTS	0	0	0
4.	CIAC	(380,306)	0	(380,306)
5.	ACCUMULATED DEPRECIATION	(517,943)	(7,148)	(525,091)
6.	AMORTIZATION OF CIAC	380,306	0	380,306
7.	WORKING CAPITAL ALLOWANCE	21,119	101	21,220
8.	WASTEWATER RATE BASE	$212,507	($11,991)	$200,516

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO RATE BASE		SCHEDULE NO. 1-C DOCKET NO. 100359-WS PAGE 1 OF 2
	UTILITY PLANT IN SERVICE	**WATER**	**WASTEWATER**
1.	To reflect the appropriate balance for Account No. 309.	($14,371)	$0
2.	To reflect the appropriate balance for Account No. 310.	3,180	0
3.	To reflect the appropriate balance for Account No. 331.	58,234	0
4.	To reflect the appropriate balance for Account No. 333.	(13,917)	0
5.	To reflect the appropriate balance for Account No. 334.	(14,490)	0
6.	To reflect the appropriate balance for Account No. 335.	4,755	0
7.	To reflect the appropriate balances for Account Nos. 340 & 390.	4,416	450
8.	To reflect the appropriate balance for Account No. 310.	373	0
9.	To reflect the appropriate balance for Account No. 345.	(660)	0
10.	To reflect the appropriate balance for Account No. 360.	0	11,308
11.	To reflect the appropriate balance for Account No. 361.	0	(6,968)
12.	To reflect the appropriate balance for Account No. 364.	0	853
13.	To reflect the appropriate balance for Account No. 370.	0	(4,779)
14.	To reflect the appropriate balance for Account No. 380.	0	(9,256)
15.	To reflect the appropriate balance for Account No. 382.	0	(468)
16.	Plant items completed outside the test year.	0	5,000
17.	Averaging Adjustment.	(305)	(1,085)
	Total	$27,215	($4,944)
	CIAC		
	To reflect the appropriate CIAC balance.	$2,410	$0

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO RATE BASE		SCHEDULE NO. 1-C DOCKET NO. 100359-WS PAGE 2 OF 2
ACCUMULATED DEPRECIATION	**WATER**	**WASTEWATER**
1. Depreciation Adjustment Per Rule 25-30.140 F.A.C.	($40,452)	($17,911)
2. Averaging Adjustment.	2,801	10,763
Total	($37,651)	($7,148)
AMORTIZATION OF CIAC		
1. To adjust Amortization of CIAC based on composite rates.	$108,840	$0
2. Averaging Adjustment.	(6,702)	0
Total	$102,138	$0
WORKING CAPITAL ALLOWANCE		
To reflect 1/8 of test year O&M expenses.	$1,775	$101

TYMBER CREEK UTILITIES, INCORPORATED
TEST YEAR ENDED 06/30/10
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 100359-WS

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$100	$0	$100					
2.	RETAINED EARNINGS	79,288	(32,601)	46,687					
3.	PAID IN CAPITAL	0	78,920	78,920					
4.	TREASURY STOCK	0	0	0					
5.	TOTAL COMMON EQUITY	$79,388	$46,319	$125,707	$162,055	$287,761	75.95%	9.40%	7.14%
6.	LONG TERM DEBT - OFFICER'S LOANS	$78,920	($78,920)	$0	$0	$0	0.00%	0.00%	0.00%
7.	LONG TERM DEBT - SUN TRUST	33,502	(14)	33,488	43,171	76,659	20.23%	3.25%	0.66%
8.	TOTAL LONG TERM DEBT	$112,422	($78,934)	$33,488	$43,171	$76,659	20.23%		
9.	CUSTOMER DEPOSITS	10,260	4,180	14,440	0	14,440	3.81%	8.00%	0.30%
10.	TOTAL	$202,070	($28,435)	$173,635	$205,226	$378,860	100.00%		8.10%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	8.40%	10.40%
OVERALL RATE OF RETURN	7.34%	8.86%

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 SCHEDULE OF WATER OPERATING INCOME				SCHEDULE NO. 3-A DOCKET NO. 100359-WS	
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. **OPERATING REVENUES**	$116,474	($2,894)	$113,580	$49,479 43.56%	$163,059
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$121,411	$14,198	$135,609	$0	$135,609
3. DEPRECIATION (NET)	684	1,230	1,914	0	1,914
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	7,044	1,819	8,863	2,227	11,089
6. INCOME TAXES	0	0	0	0	0
7. **TOTAL OPERATING EXPENSES**	$129,139	$17,248	$146,387	$2,227	$148,613
8. **OPERATING INCOME/(LOSS)**	($12,665)		($32,807)		$14,446
9. **WATER RATE BASE**	$82,458		$178,344		$178,344
10. **RATE OF RETURN**	(15.36%)		(18.40%)		8.10%

TYMBER CREEK UTILITIES, INCORPORATED — **SCHEDULE NO. 3-B**
TEST YEAR ENDED 06/30/10 — **DOCKET NO. 100359-WS**
SCHEDULE OF WASTEWATER OPERATING INCOME

		TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$189,599	$7,068	$196,667	$16,792 8.54%	$213,459
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$173,172	($3,413)	$169,759	$0	$169,759
3.	DEPRECIATION (NET)	14,196	(3,369)	10,827	0	10,827
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	13,519	2,357	15,876	756	16,631
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$200,887	($4,425)	$196,462	$756	$197,217
8.	**OPERATING INCOME/(LOSS)**	($11,288)		$205		$16,242
9.	**WASTEWATER RATE BASE**	$212,507		$200,516		$200,516
10.	**RATE OF RETURN**	(5.31%)		0.10%		8.10%

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 100359-WS PAGE 1 OF 3
	OPERATING REVENUES	**WATER**	**WASTEWATER**
1.	To reflect the appropriate test year revenue.	($2,894)	$7,068
	OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages Employees (601/701)		
	a. To reflect the appropriate salaries.	$7,021	($7,021)
2.	Salaries and Wages Officers (603/703)		
	a. To reflect annualized salary.	$285	$285
3.	Employees Pension and Benefits (604/704)		
	a. To reflect 50 percent allocation of employee benefits.	$520	($520)
4.	Purchased Water (610/710)		
	a. To reflect increase in bulk water rate.	$2,521	$0
5.	Sludge Removal Expense (711)		
	a. To reflect appropriate sludge hauling.	$0	$2,065
6.	Chemicals (618/718)		
	a. To reflect the appropriate amount.	$0	$110
7.	Materials & Supplies (620/720)		
	a. To reflect all invoices for materials and supplies.	$640	$1,113
	(O&M EXPENSES CONTINUED ON NEXT PAGE)		

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 100359-WS PAGE 2 OF 3
	(O&M EXPENSES CONTINUED)	WATER	WASTEWATER
8.	Contractual Services - Professional (631/731)		
	a. To reflect audited amount.	($28)	$1,565
	b. To reflect engineering and legal costs.	0	3,388
		($28)	$4,953
9.	Contractual Services - Testing (635/735)		
	a. To reflect appropriate amount.	($40)	$0
	b. To annualize effluent testing.	0	7,845
	c. To reclassify to Account No. 736.	0	(25,296)
	d. To reflect increase in Coliform Drinking Water testing.	120	0
	e. To reflect phosphorus tests required by DEP.	0	960
	f. To reflect dye testing.	0	60
	Subtotal	$80	($16,431)
10.	Contractual Services - Other (636/736)		
	a. To reflect appropriate amount.	$0	$0
	b. To reclassify from Account No. 735.	0	25,296
	c. To reflect leak repairs.	726	0
	d. To reflect 5-year amortization of chlorine tank repairs.	0	1,000
	e. To reflect videography of lines.	0	1,000
	f. To reflect Steve Fryson's fee.	300	300
	g. To annualize Steve Woodman's fee.	1,200	0
	h. To reflect fence installation.	0	260
	Subtotal	$2,226	$27,856
11.	Rents (640/740)		
	a. To reflect 50 percent allocation to water and wastewater.	$0	($13,420)
	b. To reflect excavation rental.	405	0
	Subtotal	$405	($13,420)
12.	Transportation Expense (650/750)		
	a. To reflect gasoline charges used for Utility purposes.	($78)	$0
13.	Insurance Expenses (655/755)		
	a. To reflect 50 percent allocation to water and wastewater.	$1,100	($1,100)
14.	Regulatory Expense (665/765)		
	a. Amortize rate case expense over 4 years.	$443	$443

(O&M EXPENSES CONTINUED ON NEXT PAGE)

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 100359-WS PAGE 3 OF 3
(O&M EXPENSES CONTINUED)	**WATER**	**WASTEWATER**
15. Miscellaneous Expense (675/775)		
a. To remove disallowed late telephone charges.	($71)	$0
b. To remove unsupported balance.	(346)	(2,663)
c. To reflect 5-year amortization of permit renewal.	0	396
Subtotal	($417)	($2,267)
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	**$14,718**	**($3,933)**
DEPRECIATION EXPENSE		
1. To reflect test year depreciation calculated per 25-30.140, F.A.C.	$3,557	$12,089
2. To reflect test year CIAC amortization calculated by staff.	(2,326)	(15,458)
Total	$1,230	($3,369)
TAXES OTHER THAN INCOME		
1. To reflect Payroll Tax.	$1,904	$1,904
2. To reflect Property Tax.	0	502
3. To reflect the appropriate RAFs.	(85)	(49)
Total	$1,819	$2,357

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			SCHEDULE NO. 3-D DOCKET NO. 100359-WS
	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$7,000	$7,021	$14,021
(603) SALARIES AND WAGES - OFFICERS	9,461	285	9,746
(604) EMPLOYEE PENSIONS AND BENEFITS	4,676	0	4,676
(610) PURCHASED WATER	63,587	2,521	66,108
(615) PURCHASED POWER	0	0	0
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	0	0
(620) MATERIALS AND SUPPLIES	867	640	1,507
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	5,588	(28)	5,560
(635) CONTRACTUAL SERVICES - TESTING	7,808	80	7,888
(636) CONTRACTUAL SERVICES - OTHER	12,425	2,226	14,651
(640) RENTS	3,662	405	4,067
(650) TRANSPORTATION EXPENSE	260	(78)	182
(655) INSURANCE EXPENSE	100	1,100	1,200
(665) REGULATORY COMMISSION EXPENSE	0	443	443
(670) BAD DEBT EXPENSE	2,040	0	2,040
(675) MISCELLANEOUS EXPENSES	3,937	(417)	3,520
	$121,411	$14,198	$135,609

TYMBER CREEK UTILITIES, INCORPORATED — **SCHEDULE NO. 3-E**
TEST YEAR ENDED 06/30/10 — **DOCKET NO. 100359-WS**
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$21,042	($7,021)	$14,021
(703) SALARIES AND WAGES - OFFICERS	9,461	285	9,746
(704) EMPLOYEE PENSIONS AND BENEFITS	5,715	0	5,715
(710) PURCHASED SEWAGE TREATMENT	$0	0	0
(711) SLUDGE REMOVAL EXPENSE	34,163	2,065	36,228
(715) PURCHASED POWER	14,979	0	14,979
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	6,155	110	6,265
(720) MATERIALS AND SUPPLIES	901	1,113	2,014
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	5,588	4,953	10,541
(735) CONTRACTUAL SERVICES - TESTING	38,451	(16,431)	22,020
(736) CONTRACTUAL SERVICES - OTHER	8,791	27,856	36,647
(740) RENTS	17,082	(13,420)	3,662
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	2,300	(1,100)	1,200
(765) REGULATORY COMMISSION EXPENSES	0	443	443
(770) BAD DEBT EXPENSE	2,464	0	2,464
(775) MISCELLANEOUS EXPENSES	6,080	(2,267)	3,813
	$173,172	($3,413)	$169,759

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 MONTHLY WATER RATES			SCHEDULE NO. 4-A DOCKET NO. 100359-WS
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
Residential and General Service			
Base Facility Charge by Meter Size:			
5/8" x 3/4"	$9.75	$9.71	$0.03
3/4"	$14.63	$14.57	$0.04
1"	$24.38	$24.28	$0.07
1-1/2"	$48.75	$48.55	$0.14
2"	$78.00	$77.68	$0.22
3"	$156.00	$155.36	$0.44
4"	$243.75	$242.75	$0.69
6"	$487.50	$485.50	$1.38
Residential Service Gallonage Charge			
Per 1,000 Gallons	$2.56	$0.00	$0.00
0 - 6,000 Gallons	$0.00	$4.25	$0.01
6,001 - 10,000 Gallons	$0.00	$5.52	$0.02
Over 10,000 Gallons	$0.00	$8.27	$0.02
General Service Gallonage Charge			
Per 1,000 Gallons	$2.56	$4.72	$0.01
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$17.43	$22.46	
5,000 Gallons	$22.55	$30.96	
10,000 Gallons	$35.35	$57.29	

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4-B DOCKET NO. 100359-WS
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
Residential Service			
Base Facility Charge All Meter Sizes	$15.89	$20.55	$0.04
Gallonage Charge			
Per 1,000 Gallons (10,000 gallon maximum)	$5.78	$0.00	$0.00
Per 1,000 Gallons (8,000 gallon maximum)	$0.00	$5.65	$0.01
General Service			
Base Facility Charge by Meter Size:			
5/8" x 3/4"	$15.89	$20.55	$0.04
3/4"	$23.84	$30.83	$0.07
1"	$39.73	$51.38	$0.11
1-1/2"	$79.45	$102.75	$0.22
2"	$127.12	$164.40	$0.36
3"	$254.24	$328.80	$0.72
4"	$397.25	$513.75	$1.12
6"	$794.50	$1,027.50	$2.23
Gallonage Charge per 1,000 Gallons	$6.94	$6.78	$0.01
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$33.23	$37.50	
5,000 Gallons	$44.79	$48.80	
8,000 Gallons	$62.13	$65.75	

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 SCHEDULE OF WASTEWATER RATE BASE (PHASE II)			SCHEDULE NO. 5-A DOCKET NO. 100359-WS
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	$699,863	$35,245	$735,108
2. LAND & LAND RIGHTS	4,524	0	4,524
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(380,306)	0	(380,306)
5. ACCUMULATED DEPRECIATION	(525,091)	1,611	(523,480)
6. AMORTIZATION OF CIAC	380,306	0	380,306
7. WORKING CAPITAL ALLOWANCE	21,220	5,127	26,347
8. WASTEWATER RATE BASE	$200,516	$41,983	$242,499

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO RATE BASE (PHASE II)		SCHEDULE NO. 5-B DOCKET NO. 100359-WS PAGE 1
	WATER	**WASTEWATER**
UTILITY PLANT IN SERVICE		
1. Pro Forma adjustment for two Gorman-Rupp pumps.	$0	$14,400
2. Pro Forma adjustment for wireless monitoring of two collection lift stations.	0	3,155
3. Pro Forma adjustment for new surge pump.	0	5,675
4. Pro Forma adjustment for filter media.	0	5,865
5. Pro Forma adjustment for automatic dialer at main lift station.	0	3,300
6. Pro Forma adjustment for monitoring well covers.	0	2,850
Total	$0	$35,245
ACCUMULATED DEPRECIATION		
Depreciation Adjustment Per Rule 25-30.140 F.A.C.	$0	$1,611
WORKING CAPITAL ALLOWANCE		
To reflect 1/8 of test year O&M expenses.	$0	$5,127

TYMBER CREEK UTILITIES, INCORPORATED
TEST YEAR ENDED 06/30/10
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)

SCHEDULE NO. 6
DOCKET NO. 100359-WS

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$100	$0	$100					
2.	RETAINED EARNINGS	46,687	0	46,687					
3.	PAID IN CAPITAL	78,920	0	78,920					
4.	TREASURY STOCK	0	0	0					
5.	TOTAL COMMON EQUITY	$125,707	$0	$125,707	$195,206	$320,913	76.25%	9.40%	7.17%
6.	LONG TERM DEBT - OFFICER'S LOANS	$0	$0	$0	$0	$0	0.00%	0.00%	0.00%
7.	LONG TERM DEBT - SUN TRUST	33,488	0	33,488	52,002	85,490	20.31%	3.25%	0.66%
	TOTAL LONG TERM DEBT	$33,488	$0	$33,488	$52,002	$85,490	20.31%		
8.	CUSTOMER DEPOSITS	14,440	0	14,440	0	14,440	3.43%	8.00%	0.27%
9.	TOTAL	$173,635	$0	$173,635	$247,208	$420,843	100.00%		8.10%

RANGE OF REASONABLENESS	**LOW**	**HIGH**
RETURN ON EQUITY	8.40%	10.40%
OVERALL RATE OF RETURN	7.34%	8.86%

TYMBER CREEK UTILITIES, INCORPORATED — **SCHEDULE NO. 7-A**
TEST YEAR ENDED 06/30/10 — **DOCKET NO. 100359-WS**
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE II)

		TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$213,459	$0	$213,459	$48,195 22.58%	$261,654
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$169,759	$41,015	$210,774	$0	$210,774
3.	DEPRECIATION (NET)	10,827	1,611	12,438	0	12,438
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	16,631	0	16,631	2,169	18,800
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$197,217	$42,626	$239,843	$2,169	$242,012
8.	**OPERATING INCOME/(LOSS)**	$16,242		($26,384)		$19,642
9.	**WASTEWATER RATE BASE**	$242,499		$242,499		$242,499
10.	**RATE OF RETURN**	6.70%		(10.88%)		8.10%

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 ADJUSTMENTS TO OPERATING INCOME (PHASE II)		SCHEDULE NO. 7-B DOCKET NO. 100359-WS
	WATER	**WASTEWATER**
OPERATION AND MAINTENANCE EXPENSES		
1. Sludge Removal Expense (711)		
a. To reflect additional sludge hauling expense.	$0	$25,200
2. Contractual Services - Professional (631/731)		
To reflect engineering reports to summarize results.	$0	$1,600
3. Contractual Services - Other (636/736)		
a. Perform leakage tests of force main.	$0	$400
b. To reflect installation of Wireless Monitoring System.	0	695
c. To reflect collection system repairs.	0	13,120
Subtotal	$0	$14,215
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	**$0**	**$41,015**
DEPRECIATION EXPENSE		
To reflect test year depreciation calculated per 25-30.140, F.A.C.	$0	$1,611

TYMBER CREEK UTILITIES, INCORPORATED			SCHEDULE NO. 7-C
TEST YEAR ENDED 06/30/10			DOCKET NO. 100359-WS
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE II)			
	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$14,021	$0	$14,021
(703) SALARIES AND WAGES - OFFICERS	9,746	0	9,746
(704) EMPLOYEE PENSIONS AND BENEFITS	5,715	0	5,715
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	36,228	25,200	61,428
(715) PURCHASED POWER	14,979	0	14,979
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	6,265	0	6,265
(720) MATERIALS AND SUPPLIES	2,014	0	2,014
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	10,541	1,600	12,141
(735) CONTRACTUAL SERVICES - TESTING	22,020	0	22,020
(736) CONTRACTUAL SERVICES - OTHER	36,647	14,215	50,862
(740) RENTS	3,662	0	3,662
(750) TRANSPORTATION EXPENSE	0	0	0
(755) INSURANCE EXPENSE	1,200	0	1,200
(765) REGULATORY COMMISSION EXPENSES	443	0	443
(770) BAD DEBT EXPENSE	2,464	0	2,464
(775) MISCELLANEOUS EXPENSES	3,813	0	3,813
	$169,759	$41,015	$210,774

TYMBER CREEK UTILITIES, INCORPORATED TEST YEAR ENDED 06/30/10 MONTHLY WASTEWATER RATES (PHASE II)			SCHEDULE NO. 8 DOCKET NO. 100359-WS
	STAFF RECOMMENDED PHASE I RATES	STAFF RECOMMENDED PHASE II RATES	4-YEAR RATE REDUCTION
Residential Service			
Base Facility Charge All Meter Sizes	$20.55	$25.39	$0.05
Gallonage Charge			
Per 1,000 Gallons (8,000 gallon cap)	$5.65	$6.93	$0.01
General Service			
Base Facility Charge by Meter Size:			
5/8" x 3/4"	$20.55	$25.39	$0.05
3/4"	$30.83	$38.09	$0.07
1"	$51.38	$63.48	$0.11
1-1/2"	$102.75	$126.95	$0.23
2"	$164.40	$203.12	$0.36
3"	$328.80	$406.24	$0.72
4"	$513.75	$634.75	$1.13
6"	$1,027.50	$1,269.50	$2.25
Gallonage Charge per 1,000 gallons	$6.78	$8.32	$0.01
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$37.50	$46.18	
5,000 Gallons	$48.80	$60.04	
8,000 Gallons	$65.75	$80.83	