DATE CRITICAL

Lee County Board of County Commissioners
Agenda Item Summary

Blue Sheet No. 20061252-UTL

1. Action Requested/Purpose:
Accept petition from Greater Pine Island Water Association, Inc. (GPIWA) to increase the water system rate structure; and, authorize staff to advertise and schedule a public hearing for November 14, 2006 at 5:00 p.m. to adopt a resolution approving the schedule of fees increases for the Greater Pine Island Water Association, Inc.

2. What Action Accomplishes:
A public hearing is required for the purpose of adopting a resolution for increasing franchisee water system rates and charges. Advertising and conducting a public hearing will allow consideration of increasing water system rates and charges for providing necessary revenue as recommended in the Water Tate Study performed by PRMG, Inc.

3. Management Recommendation:
Approval.

4. Departmental Category: 10 CIOE

5. Meeting Date: 10/17/06

6. Agenda:	7. Requirement/Purpose *(specify)*		8. Request Initiated:	
X Consent		Statute	Commissioner	
Administrative		Ordinance	Department	Public Works
Appeals		Admin. Code	Division	Utilities
Public	X	Other Approval	By: Douglas L. Meurer, P.E., Director	10-2-2006
Walk-On				

9. Background:
The Lee County Utilities Director received a request from the GPIWA General Manager to increase their rates as recommended in the recent Water Rate Study performed by their rate consultant, PRMG, Inc. (The GPIWA has had a water system franchise from Lee County since February 10, 1965 and is required pursuant to its franchise, to bring all rates, fees and charges to the BOCC for final approval. Lee County Utilities has analyzed the study and found it to provide justification for the increase. This study was also reviewed by the Office of the County Attorney. The last rates adjustment was approved on May 11, 2004 under BS No. 20040456.

The premise for the current rate study was to calculate how much revenue would be needed over the next eight years to replenish the emergency reserve fund and supply adequate capital funding to keep the system infrastructure viable. The assessment indicated that beginning in January 2007, a 22% rate increase would be needed to replenish the company's emergency reserve fund, meet current debt service covenants, and finance needed capital projects over the next eight years. A 22% increase will mean a monthly water bill increase to members ranging from $2.44 thru $8.38, depending upon number of monthly gallons used. In addition, capital charges on new home water meter hook-ups would increase from $1,523 to $2,083.

Attachments: Petition Letter dated 9-5-06
Rate Increase Overview by GPIWA
GPIWA Water Rate Study by PRMG, Inc. dated July 18, 2006
Resolution

10. Review for Scheduling

Department Director	Purchasing or Contracts	Human Res.	Other	County Attorney	Budget Services				County Manager / P.W. Director
					Analyst	Risk	Grants	Mgr	
J. Lavender Date: 10-3-06	N/A Date:	N/A Date:	N/A Date:	S. Coovert Date: 10/3/06	RK for EW 10/3	10/3	10/3/06	10/3/06	J. Lavender Date: 10-3-06

11. Commission Action:
____ Approved
____ Deferred
____ Denied
____ Other

RECEIVED BY COUNTY ADMIN: 10/3/06 3:55 pm
COUNTY ADMIN FORWARDED TO: 10/4/06 - P.Res. 10:30

Rec. by CoAtty
Date: 10/3/06
Time: 1:40pm
Forwarded To: County Admin
10/3/06 3:05 pm

Greater
Pine Island
Water Association, Inc.

September 5,2006

Douglas L. Meurer, P.E.
Utilities Director
Lee County
1500 Monroe Street, 3rd Floor
Fort Myers, Fl. 33901

Re: Petition for Water Rate Increase

Dear Mr. Meurer,

The Greater Pine Island Water Association, Inc. (GPIWA) wishes to petition the Lee County Board of County Commissioners for a public hearing to approve the schedule of fees as set forth within the attached PRMG Water Rate Study (dated July, 2006). To that end, I am requesting that you develop a "blue sheet" on our behalf and subsequently schedule the necessary staff reviews and necessary public hearing(s) that will ultimately get our request for a water rate increase before the Lee County Board of County Commissioners for approval.

I have enclosed for your review and dissemination as needed, the following documentation:

- Draft Resolution
- Copy of the PRMG Water Rate Study, 2006
- GPIWA's General Manager's Overview of the Study

Should you have any questions, or need additional information, please contact me.

Cordially,

William J. Thacher
General Manager
wthacher@pineislandwater.com

cc: David Owen, Lee County Attorney's Office

SEP 21 2006

5281 Pine Island Rd. Bokeelia, Florida 33922 Phone (239) 283-1071 Fax (239) 283-7792
www.pineislandwater.com

Greater
Pine Island
Water Association, Inc.

Rate Increase Overview:

William Thacher, General Manager

Two years after the storm, recovery from Hurricane Charley is almost complete. To date, 11,000 feet of fence line has been replaced, all of the roofs on the Association's four buildings have been repaired, and the interior damage to the production area of the water plant has been renovated. Putting the administrative office back together after Hurricane Charley has proven to be a very difficult task. The interior was flooded when the roof blew off, so the office literally had to be stripped to the bare walls and reconstructed. Final cost for Hurricane Charley Repairs will top $1,000,000.

Hurricane Wilma created a whole other set of problems. The main waterline that runs from Pine Island Center, through Matlacha, and continuing off-island was severed in two places. The first separation was under the bridge near the Sandy Hook restaurant. This line break cut off all of the water service to Matlacha and points east. Emergency crews labored day and night to put a temporary waterline in place on top of the bridge to bring water service back to most of Matlacha; cost $60,000. Unfortunately the other waterline separation was under the Matlacha Draw Bridge. Because the bridge opens, a temporary waterline could not be constructed. Fortunately GPIWA and the City of Cape Coral have an inter-local agreement for emergency water service and an agreement with the City was quickly put into place to supply water to GPIWA members east of the Matlacha Bridge until a replacement waterline can be installed. Water service on an emergency basis was restored to all members just before Thanksgiving Day.

While the Sandy Hook waterline was quickly replaced at a cost of $250,000, replacing the 1,200-foot waterline under the Matlacha Bridge has been complicated by the fact that the broken waterline cannot be replaced in its current location. A 3,000-foot replacement waterline will have to be constructed at least 500-feet South of the Matlacha Bridge because Lee-DOT's schedule calls for them to build a new bridge in the area where the old waterline is currently positioned. Cost estimates to move the waterline 500-feet to the south where it will have to circumvent Matlacha is estimated to be $2.2 million dollars. Until the new waterline is in place GPIWA continues to buy water from the City at an average cost of $26,400/month. To date, water purchases from the City have totaled $290,000.

The Association's estimated recovery cost and revenue loss due to Hurricane's Charley and Wilma are estimated to be in the four million dollar range. Insurance proceeds and FEMA compensation to date has amounted to $1.18 million dollars. Another FEMA award for the Matlacha Bridge waterline could amount to $1.3 million but at this time is not guaranteed. It is anticipated that at the end of 2006, GPIWA will have less than $100,000 in the reserves. The prediction of future strong hurricane seasons and an aging water system that is starting to need increasing attention and capital repair/replacement dictates that a diminished reserve fund must be replenished as soon as is practical.

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www.pineislandwater.com

Having concerns about the depleted emergency reserve fund and the amount of repairs still to be made, the Greater Pine Island Water Association Board of Director's had a financial assessment and rate study completed by PRMG, Inc., the company often used by Lee County Utilities for such studies. The premise for the assessment and rate study was to calculate how much revenue would be needed over the next eight years to replenish the emergency reserve fund and supply adequate capital money to keep the system infrastructure viable. The assessment indicated that a 22% rate increase beginning in January 2007 would be needed to replenish the company's emergency reserve fund, meet current debt service covenants, and finance needed capital projects over the next 8 years.

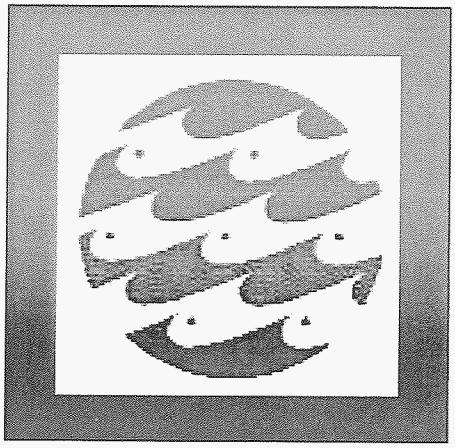
A 22% increase will mean a monthly water bill increase to members of:

Monthly Gallons Used	Existing Rate	Proposed Rate	Monthly Difference
0	$11.09	$13.53	$2.44
2,000	$15.75	$19.21	$3.46
4,000	$20.96	$25.57	$4.61
5,000	$23.56	$28.75	$5.19
8,000	$32.28	$39.38	$7.10
10,000	$38.09	$46.47	$8.38

In addition, Capital charges on new home water meter hook-ups would increase from $1,523 to $2,083.

The expenditures needed to recover from Hurricane's Charley and Wilma are certainly the force that is driving the need for this rate increase. However, they are not the only considerations. As stated previously, GPIWA needs to have adequate reserve funding to meet the covenants required by our debt service (page 11 of the study); we have not done this over the last two years. Our lender, CO-Bank has waived the requirement to date, with the understanding we will get back on track in 2006/2007. From January 1, 2006 through July 31, 2006, GPIWA has lost (spent out of reserves) $82,889 for general operation and maintenance function. This is after all capital spending for renovation and improvements was curtailed. It is estimated that another $70,000 will be needed for O/M from the reserve fund to finish the year. The losses are primarily due to expenditures for attorney's fees to defend our Sandoval and Wal-Mart service areas, engineering fees for the Sandy Hook and Matlacha Bridge's sub-aqueous waterline, and the cost to buy water from the City of Cape Coral ($26,400/month) until the Matlacha Bridge sub-aqueous waterline is fixed (estimated completion date is December 2006.

GREATER PINE ISLAND WATER ASSOCIATION



2006 WATER RATE STUDY UPDATE

July 18, 2006

Public Resources Management Group, Inc.
Utility, Rate, Financial and Management Consultants

Public Resources Management Group, Inc.
Utility, Rate, Financial and Management Consultants

July 18, 2006

PRMG #1035-05

Honorable President and Members
of the Board of Directors
Greater Pine Island Water Association, Inc.
5281 Pine Island Road
Bokeelia, FL 33922

Subject: **2006 Water Rate Study Update**

Ladies and Gentlemen:

We have completed a review of the existing water rates, capital charges, and miscellaneous fees for the Greater Pine Island Water Association (the "Association" or "GPIWA") and have summarized the results of our analyses, assumptions, and conclusions in this report, which is submitted for your consideration. The existing rates for water service include a recently adopted rate index adjustment of 3.0%, which became effective on June 1, 2006. The index was predicated upon the recommendations of the 2004 Water Rate Study and the subsequent annual indexing provision as approved by the Lee County Board of County Commissioners (BOCC) on May 11, 2004. Based upon this provision, the Association may increase all rates, charges, and fees on an annual basis by up to 3.0% per year. As will be discussed in more detail within this report, this analysis relies upon the Association's ability to continue indexing its rates and charges on an annual basis beginning in Calendar Year 2008 as allowed by this indexing provision previously adopted by the BOCC.

Since the 2004 Water Rate Study, the Association has incurred significant cost increases, which have resulted primarily from recent hurricanes and increased power costs and labor-related costs such as health insurance. The need to fund these hurricane-related repairs and maintenance and to address the Association's overall rise in operating costs, the Association authorized Public Resources Management Group, Inc. (PRMG) to review the water rates, capital charges, and miscellaneous fees of the system.

In preparing the updated analysis of the Association's existing water rates, capital charges, and miscellaneous fees proposed herein, we have relied upon, among other things, the Adopted Budget for the Water System for the calendar year ended December 31, 2006, detailed customer statistics and data compiled by the Association, fixed asset records, annual financial statements, and other historical and projected data made available by the Association. The projections of the water system operations for the forecast period ending December 31, 2011 were based on i) recent system growth in the customer base of the water system; ii) trends regarding system

revenue and expenses; iii) the Association's plans for system expansion, system upgrades, renewals and replacements; and iv) anticipated changes in staffing and operations.

EXISTING WATER RATES

The current water rates for the Association were adopted and made effective on June 1, 2006 by the Association pursuant to the existing annual indexing provision approved by the Association's Board of Directors and by the Lee County Board of County Commissioners on May 11, 2004. The annual indexing provision was based upon the 2004 Water Rate Study in order to recover costs associated with the effect of inflation on operating expenditure needs.

The Association has established that reasonable rates should be charged to the consumers of water service. The rates have been set in relationship to the costs incurred by the Association in providing service, and reasonable classifications of customers have been established that are not arbitrary or discriminatory, and the rates apply similarly to all customers within a class under like conditions.

The Association currently has three major customer designations for utility service that are Residential, Residential Multi-Family and Commercial. The residential class consists of all individually metered single-family residences, while the residential multi-family class includes mobile home/travel trailer parks, multi-family units on master meters (such as duplexes, triplexes, and condominiums). Commercial accounts include non-residential customers such as schools, public buildings, shopping centers, restaurants, plant nurseries, offices, and other businesses.

The water rates currently in effect have a rate structure that includes: i) a minimum monthly charge based on meter size for single family residential and commercial accounts and number of units for master-metered multifamily accounts; and ii) an inverted usage charge to promote water conservation.

(Remainder of page intentionally left blank)

The existing rates for water service effective for bills rendered on or after June 1, 2006 by class of customer are as follows:

Existing Water Rates	
Residential Water Services	
Monthly Service Base Rate (per account):	
All Meters	$3.17
Monthly Ready-to-Serve Charge (per account):	
Water Meter Size (inches)	
5/8-inch	$7.92
3/4-inch	11.92
1-inch	19.84
Usage Charge per 1,000 gallons of water (per account):	
All Meters	
0 – 2,000	$2.33
3 – 5,000	2.61
6 – 10,000	2.91
11 – 15,000	3.64
Above 15,000	4.36
Multi-Family Water Services	
Monthly Service Base Rate (per account):	
All Meters	$3.17
Monthly Ready-to-Serve Charge (per unit):	
Water Meter Size	
Duplex/Triplex/MH Park	$4.00
Travel Trailer Parks	2.36
Condominiums	7.11
Usage Charge per 1,000 gallons of water (per unit):	
Water Meter Size	
Duplex/Triplex/MH Park	
0 – 1,000	$2.33
1 – 2,000	2.61
3 – 5,000	2.91
6 – 7,000	3.64
Above 7,000	4.36
Travel Trailer Parks	
0 – 1,000	$2.33
1 – 2,000	2.61
3 – 3,000	2.91
4 – 4,000	3.64
Above 4,000	4.36
Condominiums	
0 – 2,000	$2.33
2 – 4,000	2.61
5 – 9,000	2.91
10 – 13,000	3.64
Above 13,000	4.36

Existing Water Rates	
Commercial Water Services	
Monthly Service Base Rate (per account):	
All Meters	$3.17
Monthly Ready-to-Serve Charge (per account):	
Water Meter Size (inches)	
5/8-inch	$7.92
3/4-inch	11.92
1-inch	19.84
1.5-inch	39.60
2-inch	63.35
3-inch	126.69
4-inch	197.96
6-inch	395.91
Usage Charge per 1,000 gallons of water (per account):	
Water Meter Size (inches)	
5/8-inch	
0 – 15,000	$2.91
Above 15,000	3.64
3/4-inch	
0 – 22,000	$2.91
Above 22,000	3.64
1-inch	
0 – 37,000	$2.91
Above 37,000	3.64
1.5-inch	
0 – 75,000	$2.91
Above 75,000	3.64
2-inch	
0 – 120,000	$2.91
Above 120,000	3.64
3-inch	
0 – 240,000	$2.91
Above 240,000	3.64
4-inch	
0 – 375,000	$2.91
Above 375,000	3.64
6-inch	
0 – 750,000	$2.91
Above 750,000	3.64

HISTORICAL AND PROJECTED CUSTOMER REVENUE

Based upon recent historical trends, the Association's growth in water accounts has averaged approximately 2.0% per year. Following discussions with Association staff, this trend is anticipated to continue through the forecast period, and amounts to approximately 139 new accounts per year on average. The forecasted rate revenues for this analysis are predicated on the

revenues included in the Adopted 2006 Budget, plus the anticipated future customer growth. The following is a summary of recent historical and forecasted water rate revenues:

	Historical [1]		Forecasted [2]					
	2004	2005	2006	2007	2008	2009	2010	2011
Metered Water Sales	$2,026,862	$2,152,519	$2,327,331	$2,403,276	$2,451,342	$2,500,369	$2,550,127	$2,601,384
Percent Annual Growth	N/A	6.2%	8.1%	3.3%	2.0%	2.0%	2.0%	2.0%

[1] As provided in the Association's Audited Financial Statements for the periods ending December 31, 2004 and 2005.
[2] Amounts reflect forecasted revenues based upon the 2006 Adopted Budget, the adopted June 1, 2006 Annual Index and the system's underlying customer growth of 2.0% per year. Amounts do not reflect any proposed adjustments presented herein.

The Association also collects other revenues such as membership fees, meter fees, late payments, and capital charges to name a few. Generally, these revenues were forecasted to increase in proportion to customer growth. Specifically, the capital charge revenues are based upon newly proposed fees discussed in more detail later in this report. All other revenue from miscellaneous charges to include administrative fees and interest income are anticipated to remain consistent with historical trends and changes in fund balances throughout the forecast period.

REVENUE REQUIREMENTS

The various components of costs associated with the operations, maintenance, financing of the system renewals and replacements and capital improvements are generally considered the revenue requirements of a publicly owned utility system. The totaling of these cost components, after adjusting for other income and other operating revenues available to the utility, results in the total annual net revenue requirements to be recovered from rates. The determination of the revenue requirements for the utility system of the Association was made in a manner generally consistent with the methods employed for other cooperatively-owned utilities. This section provides a discussion of the development of the system revenues, expenditure requirements including assumptions used to project such expenditures, and the estimated rate adjustments necessary to meet the revenue requirements of the water system.

For the purposes of this water rate study, a forward-looking study period has been utilized for the determination of the water system's revenue requirements. An important objective of a projected study period is to establish rates and rate levels that will reflect the projected costs of providing service to ensure continuing and adequate service to meet the near future financial obligations of the system. Designing rates and charges to provide revenues that match future operating needs and other such requirements is an attempt to maintain the financial integrity of the utility system. It was determined that the revenue requirements for this rate study would be predicated on the utility costs for the calendar year period ending December 31, 2006 through 2011.

The development of the estimated revenue requirements for the Association's water system required a number of assumptions about the Association's future utility operations. The Calendar

Year 2006 served as the base or test year for revenue requirement projection purposes. The Association provided PRMG with a copy of the adopted budget for the Calendar Year 2006, which, after certain adjustments to reflect anticipated changes and assumptions for ratemaking considerations, served as the basis for the projection of the revenue requirements of the study period. The projected net revenue requirements for the water system are found on Table 1 and are summarized below:

	Projected Calendar Year Ending December 31, [1]					
Description	2006	2007	2008	2009	2010	2011
Total Operating Expenses	$2,603,353	$2,257,563	$2,489,790	$2,608,068	$2,732,249	$2,862,859
Debt Service:						
Existing Debt	$611,232	$611,232	$611,232	$353,455	$337,296	$337,296
Proposed Debt [2]	0	0	0	240,980	262,887	262,887
Total Debt Service	$611,232	$611,232	$611,232	$594,435	$600,183	$600,183
Total Capital Funded from Rates [3]	$102,500	$93,300	$174,000	$35,800	$197,100	$19,000
Gross Revenue Requirements	$3,317,085	$2,962,095	$3,275,022	$3,238,302	$3,529,532	$3,482,042
Less Revenues from Other Sources:						
Other Operating Revenues	$310,216	$319,749	$330,246	$341,187	$352,563	$364,477
Interest Income	48,063	27,472	27,570	26,901	28,452	31,958
Net Revenue Required from Rates	$2,958,806	$2,614,873	$2,917,206	$2,870,214	$3,148,516	$3,085,607

[1] Amounts derived from Table 1.
[2] Amount reflects additional debt to refinance an existing note.
[3] Amounts include items such as vehicles, equipment, fire hydrant placement, and portions of neighborhood upgrades.

As can be seen in the above summary, the estimated operating expenses for Calendar Year 2006 significantly decreases between 2006 and 2007 following the elimination of several temporary and one-time charges; however, beginning in 2007, expenses are anticipated to increase by approximately 27% during the study period or approximately 6.1% per year on average. The primary reasons for this increase are due to assumptions regarding anticipated inflation, power cost increases and labor-related cost increases including additional staff as set forth in the Association's Backflow Prevention Program.

The major assumptions and analyses included in the development of the projected revenue requirements for the study period include the following:

1. The projected operating expenses are based on the Adopted 2006 Budget. Following discussions with Association staff, certain charges including contract services, insurance, legal, and engineering were increased immediately to reflect current conditions. However,

staff further identified one-time and temporary charges to be eliminated in subsequent periods, which resulted from current litigation and hurricane-related damages. Table 2 reflects the projection of operating expenses, and provides a brief description of the staff adjustments.

2. Based on discussions with the Association, wages and salaries beyond calendar year 2006 budgeted amounts were increased by 5.0% annually to reflect allowances for salary adjustments such as promotions, merit increases and cost of living adjustments. Employee benefits (i.e., contributions toward retirement, FICA, etc.) and unemployment taxes were projected to remain at the same percentage relationship to total salaries as was reflected in the Calendar Year 2006 Budget based on discussions with the Association; however, health insurance costs are assumed to increase 8.0% per year based on recent experience.

3. The Association has identified a new Backflow Prevention Program, which is anticipated to begin in Fiscal Year 2008. Based on information provided by the Association, this program will be supported by existing staff plus two (2) new positions: i) a Backflow Technician; and ii) a Water Quality Operator. The costs of the program are listed in Table 1 and include employee salaries and benefits, software, new construction devices and retro-fit devices. No other additional personnel needs have been identified by the Association during this forecast period.

4. Operating supplies and expenses, chemicals, contract services, maintenance and repairs, and other variable expenses have been escalated annually at approximately 4.3% to account for the combined effects of inflation and growth in customers. Based on discussions with Association staff, it was estimated that property and liability insurance would increase 5.0% per year.

5. With respect to all other operating expenses, such charges were escalated throughout the forecast period based on an annual allowance of approximately 2.2% for inflation.

6. In addition to the budgeted expenses and the considerations to rising costs made herein, the forecast also assumes a 3.0% contingency beginning in 2007 to account for unforeseen conditions/expenses. On average, the forecast recognizes a contingency of $75,000 per year.

7. The Association currently has outstanding indebtedness consisting of three (3) loans with the National Bank for Cooperatives (COBANK). As of December 31, 2005, the principal long-term debt totaled $5.5 million. Based upon an existing loan agreement, Mortgage No. 1833841 will mature in 2009. For the purposes of this analysis, it was assumed that this debt would be refinanced for 20 years at 7.5% interest. The total projected annual average payments for Calendar Years 2006 through 2011 are approximately $605,000

based on this schedule. Table 3 provides a detailed listing of existing and proposed debt service.

8. Interest income has been recognized as an available revenue source to fund the expenditure needs of the system. For the forecast period, interest income was based on estimated balances in interest bearing accounts. Interest earnings are assumed to be 2% annually based on recent earnings levels and Table 4 provides a detailed analysis of interest income and annual cash activity.

9. The Association collects revenues from various miscellaneous charges for specific customer requests or needs which serve to reduce monthly rate revenue requirements. Examples of the miscellaneous charges include meter installation charges, late payment charges, deferred service charges, parts and repair sales, administrative fees, membership fees, aid in construction, and other miscellaneous income. These miscellaneous charges were estimated for the calendar year based on a historical analysis of such revenues incurred by the system, a review of the amounts budgeted for the current calendar year, and system growth for the utility. For the forecast period, it was assumed that such charges for administrative fees, deferred service charges, parts and repair sales, miscellaneous income, and aid-in-construction would remain relatively constant based on budgeted calendar year 2006 levels. Late payment charges, meter installation fees, and membership fees are projected to increase at a similar rate to that of growth in customers and revenues.

10. Revenues from existing retail rates for the water utility system are shown in Table 1 for the forecasted period, which were based on the Adopted 2006 Budget plus the recently adopted annual index of 3.0% that became effective for bills rendered on or after June 1, 2006.

11. The funds available from capital charges have not been included as a revenue in the analysis of revenue requirements shown on Table 1. These amounts are available only to fund capital projects for new customer growth and expansion. It should be noted that the use of such funds has been recognized to fund growth-related capital projects as identified in Table 5, the Capital Improvement Program, thus reducing projects funded from utility revenues or future debt, if any, that are paid from rates of the water system. The use of these funds for the capital projects has the effect of dampening monthly service charges since such projects do not need to be funded from rate revenues. The revenues collected from capital charges was predicated upon the estimated growth in customer accounts and the currently proposed capital charges as discussed later in this report, plus an anticipated annual index of 3.0% beginning in Calendar Year 2008. As shown in Table 4, the following provides a summary of projected capital charge revenues through 2011:

Projected Capital Charge Revenues [1]

	2006	2007	2008	2009	2010	2011
Estimated New ERUs [2]	149	132	134	137	139	143
Capital Charge per ERU [3]	$1,487	$2,083	$2,145	$2,209	$2,275	$2,343
Capital Charge Revenues [4]	$220,883	$274,956	$287,430	$302,633	$316,225	$335,049

[1] Amounts derived from Table 4.
[2] Reflects estimated customer growth as provided by Association staff.
[3] The existing capital charge is reflected for Calendar Year 2006; however, the currently proposed capital charge is estimated to be effective January 1, 2007. Subsequent charges reflect an estimated annual index of 3.0%, which is consistent with the Association's annual indexing provision.
[4] Amounts reflect capital charge revenues, a portion of which were used to fund expansion-related improvements to serve new growth.

12. Recently, the Association sustained significant damages from hurricanes, of which, the Association anticipates a partial reimbursement for such expenses from the Federal Emergency Management Agency (FEMA). The Association accounts for these projects in its Capital Improvement Program that also includes planned expenditures for system expansion, vehicles, equipment, and ongoing system renewals and replacements. The capital plan totals approximately $5.5 million, which is anticipated to be funded as follows:

Projected Capital Improvement Program [1]

	2006	2007	2008	2009	2010	2011	Total	Percent
Summary of Capital Projects	$3,082,500	$280,300	$1,003,500	$343,300	$641,600	$201,500	$5,552,700	N/A
Summary of Funding Sources								
Operating Reserves	$1,612,811	$132,000	$238,500	$257,500	$204,500	$182,500	$2,627,811	47.3%
FEMA Contributions	1,347,189	0	0	0	0	0	1,347,189	24.3%
Rate Revenues	102,500	93,300	174,000	35,800	197,100	19,000	621,700	11.2%
Capital Charges	20,000	55,000	591,000	50,000	240,000	0	956,000	17.2%
Total Funding Sources	$3,082,500	$280,300	$1,003,500	$343,300	$641,600	$201,500	$5,552,700	100.0%

[1] Amounts provided in detail and on a per project basis in Table 5 at the end of this report.

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Based on the forecast of sales for the water system and the assumptions and considerations set forth with respect to the determination of the system expenditures, the existing rate revenue needs of the water system during the forecast period is anticipated to be as follows:

	Projected Calendar Year Ending December 31, [1]					
Description	2006	2007	2008	2009	2010	2011
Net Revenue Requirements	$2,958,806	$2,614,873	$2,917,206	$2,870,214	$3,148,516	$3,085,607
Revenue from Rates [2]	2,287,303	2,333,278	2,379,944	2,427,543	2,475,851	2,525,616
Preliminary Rate Surplus/(Deficiency)	($671,503)	($281,595)	($537,262)	($442,671)	($672,665)	($559,991)
Proposed System-Wide Adjustment	3.0% [3]	22.0%	3.0%	3.0%	3.0%	3.0%
Effective Month	June	January	January	January	January	January
Additional Revenue from Proposed Rate Adjustments	40,028	598,719	700,413	808,680	923,792	1,046,399
Projected Revenue Surplus/(Deficiency) [4]	($631,475)	$317,124	$163,151	$366,009	$251,126	$486,408

[1] Amounts derived from Table 1.
[2] Amounts predicated on the Adopted 2006 Budget plus anticipated customer growth; however, the recently adopted annual index is excluded and presented below.
[3] Amount reflects the recently adopted annual index of 3.0%, which became effective with bills rendered on or after June 1, 2006.
[4] Revenue (deficiencies) reflect uses of operating reserves to meet the needs of revenue requirements while revenue surplus reflects additions to operating reserves to replenish used funds.

As can be seen above, based on the projection summarized in this study, the Association's current water rates are not sufficient to meet the water system's revenue requirements over the forecast period. A system-wide rate adjustment of 22.0% is required in addition to the annual index adopted in June 2006 to satisfy the Association's anticipated financial obligations and should be effective with bills rendered on or after January 1, 2007. Subsequent to Calendar Year 2007, it is estimated that an annual increase of 3% based on the annual indexing provision as approved by the Lee County Board of County Commissioners should be sufficient to meet the needs of the system. In addition to the assumptions and considerations outlined in this section, the following financial goals and considerations were identified by the Association for the purposes of this analysis:

- Minimum Cash Reserve Balance of $500,000
- Targeted Restricted and Unrestricted Cash Balances of $2,000,000
- Debt Service Covenant Compliance (COBANK Loan Agreement)
  - Test 1 – Working Capital at $500,000 (Minimum)
  - Test 2 – Coverage Ratio of 125% (Minimum)

- Debt Service Covenant Compliance (cont'd.)
  - Test 3 – Capitalization Ratio of 60% (Maximum)
  - Test 4 – EBITDA Ratio of 800% (Maximum)

Based upon the recently adopted annual index and the proposed additional rate adjustments as shown in Table 1, the following reflects the ending cash balances for each calendar year and the associated test results related to the existing debt service covenant requirements:

Projected Cash Balances as of December 31, [1]

Fund Accounts	2006	2007	2008	2009	2010	2011
Operating Fund	$1,117,746	$1,302,870	$1,127,521	$1,236,030	$1,282,656	$1,586,564
Medical Reimbursement Fund	48,282	48,282	48,282	48,282	48,282	48,282
Letter of Credit Fund	115,000	115,000	115,000	115,000	115,000	115,000
Capital Charge Fund [2]	200,883	420,839	217,269	469,902	546,127	881,176
Total Cash [3]	$1,481,911	$1,886,991	$1,508,072	$1,869,214	$1,992,065	$2,631,022

[1] Amounts derived from Table 1 and Table 4 and include proposed rate adjustments.
[2] Amounts based upon the proposed capital charges discussed later in this report.
[3] Based on the direction of the Association's Board, the targeted cash balance by the end of the forecast period shall be, at a minimum, $2.0 million.

Projected Covenant Compliance for the Calendar Year Ending December 31, [1]

Debt Covenant Requirements	2006 [2]	2007 [3]	2008	2009	2010	2011
Test 1: Section 9(A) Working Capital						
Current Assets in Excess of Current Liabilities	$2,563,554	$2,910,308	$3,090,791	$3,416,760	$3,630,406	$4,076,915
Minimum Working Capital Required	500,000	500,000	500,000	500,000	500,000	500,000
Test 2: Section 9(B) Modified Debt Service Coverage Ratio						
Coverage Ratio – Calculated	13.46%	167.15%	155.16%	167.60%	174.68%	184.21%
Coverage Ratio – Required	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
Test 3: Section 9(C) Total Debt to Capitalization Ratio						
Total Debt to Capitalization Ratio	30.55%	29.13%	26.85%	25.60%	23.96%	22.49%
Maximum Total Debt to Capitalization Ratio	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
Test 4: Section 9(D) Total Debt to EBITDA						
Total Debt to EBITDA Ratio	6,411.56%	489.06%	495.62%	447.08%	399.10%	352.22%
Maximum Total Debt to Capitalization Ratio	800.00%	800.00%	800.00%	800.00%	800.00%	800.00%

[1] Amounts derived from Table 6 and Table 7 and reflect the proposed rate adjustments.
[2] It is estimated that the Association may not achieve its covenant requirement during Calendar Year 2006; however, historically, the Association's lender has waived such requirements based on proposed or adopted plans by the Board.
[3] The proposed 22.0% system-wide rate adjustment to be effective with bills rendered on or after January 1, 2007 immediately satisfies all test requirements based upon the assumptions and considerations presented in this report.

PROPOSED RETAIL WATER RATES

The Association's proposed retail water rates include three separate rate structure attributes. These rate structure attributes include: i) a monthly customer charge per account billed; ii) a base facility charge or readiness to serve charge, which is billed monthly regardless of actual water use, and that varies by equivalent single-family residential dwelling unit (ERU) for residential single-family versus multi-family customers and by meter size for general service customers, which, along with the customer charge, serves as the minimum bill; and iii) a usage charge based on metered water usage. The base facility charge is generally considered a service availability or readiness to serve charge. This charge represents those costs that generally do not vary with consumption, but are fixed in relation to capacity needs. The customer charge represents the cost of meter reading, billing and collection. The usage charge generally consists of all the variable related expenses of the utility in addition to a portion of the fixed costs.

Based on the revenue requirements discussed herein and instructions from the Association's Board, the proposed rate adjustment of 22.0% to be effective with bills rendered on or after January 1, 2007 shall be applied on a system-wide basis. The proposed retail water rates are shown in Table 8 and as follows:

(Remainder of page intentionally left blank)

Proposed Water Rates	
Residential Water Services	
Monthly Service Base Rate (per account):	
All Meters	$3.87
Monthly Ready-to-Serve Charge (per account):	
Water Meter Size (inches)	
5/8-inch	$9.66
3/4-inch	14.54
1-inch	24.20
Usage Charge per 1,000 gallons of water (per account):	
All Meters	
0 - 2,000	$2.84
3 - 5,000	3.18
6 - 10,000	3.55
11 - 15,000	4.44
Above 15,000	5.32
Multi-Family Water Services	
Monthly Service Base Rate (per account):	
All Meters	$3.87
Monthly Ready-to-Serve Charge (per unit):	
Water Meter Size	
Duplex/Triplex/MH Park	$4.88
Travel Trailer Parks	2.88
Condominiums	8.67
Usage Charge per 1,000 gallons of water (per unit):	
Water Meter Size	
Duplex/Triplex/MH Park	
0 - 1,000	$2.84
1 - 2,000	3.18
3 -5,000	3.55
6 - 7,000	4.44
Above 7,000	5.32
Travel Trailer Parks	
0 - 1,000	$2.84
1 - 2,000	3.18
2 - 3,000	3.55
4,000	4.44
Above 4,000	5.32
Condominiums	
0 - 2,000	$2.84
2 - 4,000	3.18
5 - 9,000	3.55
10 - 13,000	4.44
Above 13,000	5.32

Table continued on following page.

Proposed Water Rates (cont'd.)

Commercial Water Services	
Monthly Service Base Rate (per account):	
All Meters	$3.87
Monthly Ready-to-Serve Charge (per account):	
Water Meter Size (inches)	
5/8-inch	$9.66
3/4-inch	14.54
1-inch	24.20
1.5-inch	48.31
2-inch	77.29
3-inch	154.56
4-inch	241.51
6-inch	483.01
Usage Charge per 1,000 gallons of water (per account):	
Water Meter Size (inches)	
5/8-inch	
0 - 15,000	$3.55
Above 15,000	4.44
3/4-inch	
0 - 22,000	$3.55
Above 22,000	4.44
1-inch	
0 - 37,000	$3.55
Above 37,000	4.44
1.5-inch	
0 - 75,000	$3.55
Above 75,000	4.44
2-inch	
0 - 120,000	$3.55
Above 120,000	4.44
3-inch	
0 - 240,000	$3.55
Above 240,000	4.44
4-inch	
0 - 375,000	$3.55
Above 375,000	4.44
6-inch	
0 - 750,000	$3.55
Above 750,000	4.44

Included at the end of this report is a comparison of the Association's existing and proposed retail water rates for the typical residential single-family 5/8" meter water customer. Table 9 provides the estimated charges for the typical residential account for various usage levels and includes these charges for neighboring jurisdictions. The following reflects the estimated charges for a 5,000-gallon monthly user:

Comparison of Typical Monthly Residential Bills for Water Service [1]

Description	Residential Service for a 5/8" or 3/4" Meter 5,000 Gallons
Greater Pine Island Water Association	
Existing Rates – June 1, 2006	$23.56
Proposed Rates – January 1, 2007	28.75
Other Florida Utilities:	
City of Bradenton	$20.33
Bonita Springs Utilities, Inc. [2]	25.99
City of Cape Coral	20.33
Charlotte County [2]	37.13
City of Clearwater	20.52
Collier County [2]	21.47
Englewood Water District	19.00
FGUA – Lehigh Acres System (Lee County)	30.18
Gasparilla Island Water Association [2]	21.50
City of Fort Myers	22.54
Hillsborough County	25.45
City of Sanibel	25.00
Lee County	19.75
Manatee County [2]	12.85
City of Naples	17.39
City of North Port	25.65
Pinellas County	21.00
City of Punta Gorda	25.25
City of Sarasota	21.48
Sarasota County [2]	24.32
Other Florida Utilities' Average	$22.86

[1] Unless otherwise noted, amount shown reflect residential rates in effect June 2006 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside-the-City service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

[2] Utility is currently involved in a rate study or is planning one within the next few months.

Proposed Emergency Bulk Water Rate

In addition to updating the 2004 Water Rate Study, the Association requested that PRMG develop a temporary/emergency bulk water rate that could be extended to neighboring utilities on a temporary basis. For the purposes of this analysis, Calendar Year 2007 served as the test year for bulk rate determination.

Bulk Water Rate Methodology

To develop the proposed bulk water rate, which is intended for only emergency/temporary service, an evaluation of the test year revenue requirement was conducted to estimate the bulk users cost responsibility. In addressing the bulk users cost, the Association's Board provided the following instructions regarding the design of an emergency rate:

- The emergency bulk water rate shall only incorporate the incremental and variable costs associated with providing temporary bulk water services; therefore, such rate shall exclude costs, which typically are assignable to long-term, permanent bulk customers.

- The emergency bulk water rate shall be comparable to existing emergency rates charged by neighboring jurisdictions, if any.

Table 10 at the end of this report provides a detailed allocation of the revenue requirements for Calendar Year 2007. Generally, the revenue requirements were divided to reflect those costs that are either retail only or are shared costs between retail and emergency bulk customers. The following is a summary of the allocated costs:

Calendar Year Ending December 31, 2007 [1]

	Total Amount	Retail Only	Bulk/Retail	% to Bulk/Retail
Personnel	$1,219,848	$691,532	$528,316	43.3%
Vehicles	37,712	26,398	11,314	30.0%
Administration	395,560	202,307	193,253	48.9%
RO Plant	185,677	64,950	120,726	65.0%
Transmission/Distribution	80,276	71,795	8,481	10.6%
Miscellaneous	272,736	12,217	260,520	95.5%
Contingency	65,754	22,521	43,233	65.8%
Debt Service	611,232	611,232	0	0.0%
Capital Funded from Rates	93,300	65,310	27,990	30.0%
Gross Revenue Requirements	$2,962,095	$1,768,261	$1,193,834	40.3%
Less Other Income	(347,221)	(325,142)	(22,079)	6.4%
Net Revenue Requirements	$2,614,873	$1,443,119	$1,171,754	44.8%
Plus Additional Reserve Requirements	317,124	317,124	0	0.0%
Amount to be Recovered	$2,931,997	$1,760,243	$1,171,754	40.0%

[1] Amount derived from Table 10 at the end of this report.

Proposed Emergency Bulk Water Rate

Based on historical operating results and the anticipated growth of approximately 2.0% per year discussed earlier in this report, it is estimated that the Association will sell approximately 451,681 thousand gallons of water during Calendar Year 2007. As reflected above and in Table 10, $1,171,754 is allocated to both retail and emergency bulk water customers and based

upon the corresponding water sales of approximately 451,681 thousand gallons, the proposed emergency bulk water rate for temporary service is $2.59 per thousand gallons. This amount is approximately 40.0% of average retail cost and is designed to recover only the incremental and variable costs associated with providing emergency bulk water service on a temporary basis. Based on discussions with Association staff, this amount is also comparable to what the Association would currently pay for emergency bulk water service. This proposed emergency bulk water rate shall also be adjusted annually based on the Association's annual indexing provision.

Should the Association enter into a permanent bulk water service agreement, the design of this rate should be revisited to incorporate long-term cost recovery on a permanent capacity allocation basis.

CAPITAL CHARGE DEVELOPMENT

The Association's present water capital charge was adopted pursuant to the 2004 Water Rate Study and was subsequently indexed June 1, 2005 and June 1, 2006. The Association charges a capital charge based on an equitable portion of the cost of financing the expansion of the Association's utility system. The current capital charge for an equivalent single-family residential dwelling unit (ERU) is summarized below:

	Amount
Water System Capital Charge	$1,532.00

An ERU is a unit of measure that approximates the average demand of a single-family residential customer or customer receiving service based on certain attributes of the residential unit (e.g., single versus multi-family, square footage of account). The ERU concept defines all types of development and facility uses as either a percentage or a multiple of a single-family residence on the basis of anticipated water use. For the purpose of billing the Association's current capital charges, water service ERUs for individual residential and commercial establishments are based on predetermined ERU factors. It is recommended the Association continue this method of ERU determination as it relates to water capital charges.

Existing Capital Facilities

In the determination of the capital charge associated with the servicing of future customers, any excess capacity of the existing system available to serve such growth should be considered since this capacity is available to serve incremental growth of the utility system in the short term. Based on the rated capacities of the water treatment facilities expressed on an average daily flow (ADF) basis and the existing usage requirements of such facilities, the amount of existing facility available to service new growth was estimated to be as follows:

	Water System
Production/Treatment Facility Capacity (ADF)	3,000,000 gpd
Existing Capacity Utilization (ADF)	1,575,000 gpd
Production/Treatment Capacity Available to Serve New Growth	1,425,000 gpd

As can be seen above, it has been determined that the water system has approximately 47.5% of existing capacity available to serve new customer growth; therefore, it is appropriate to consider the Association's investment in existing assets reserved to serve new growth. Table 11 at the end of this report provides a detailed listing of fixed assets as provided by Association staff, which reconciles to the audited Calendar Year 2005 financial statements. Specifically, only the water treatment and transmission assets were considered for the development of the proposed capital charge. The historical cost of such assets is approximately $15.5 million; however, to better reflect the buy-in cost of current and future development, the historical costs were adjusted to an estimated current value based on the annual construction cost index published by the *Engineering News Record.* This methodology is appropriate since it is the Association's intent that all costs be matched to inflation to keep pace with rising costs of construction. The Association further maintains an annual indexing provision that was approved by the Lee County Board of County Commissioners, which is consistent with this methodology. The following reflects a summary allocation of existing assets:

	Estimated Current Cost [1]		
	Treatment	Transmission	Total
Land and Improvements	$2,065,342	$119,461	$2,184,803
RO Plant	6,194,357	0	6,194,357
Water Supply Wells	5,474,114	0	5,474,114
Primary Mains	0	9,167,763	9,167,763
Total Existing Assets	$13,733,813	$9,287,224	$23,021,037

[1] Amounts derived from Table 11 and reflect the estimated current value of existing assets.

Capital Improvement Program

As with any growing utility, the Association is continually in the process of updating and expanding the water plant facilities to serve increasing demand or capacity requirements. In order to develop a charge that is consistent with the capital related needs of the utility, the cost of the Association's capital improvements program was recognized. Based on data provided by the Association, the improvements scheduled for the forecast will allow the Association to provide utility services into the foreseeable future. As outlined in Table 12, $5.5 million in capital improvements are planned through 2011; however, $4.1 million reflect system renewals and replacements, which are excluded from fee determination. Therefore, $1.4 million is estimated

to improve existing and new facilities to serve new growth. The following summarizes the planned improvements utilized in the determination of the proposed capital charge:

	Estimated Current Cost [1]		
	Treatment	Transmission	Total
Capital Improvement Program [2]	$500,000	$948,000	$1,448,000

[1] Amount derived from Table 12, Capital Improvement Program by Function.
[2] Reflects the net amount of capital projects anticipated to serve both existing and future growth.

As summarized above, the Association has identified capital needs to serve both the existing and future growth of the Association. The costs for distribution facilities, RO Plant membrane replacements, office renovations and renewals and replacements to the RO Plant, or main extensions required for service by the Association have not been included in the determination of the capital charge. These capital costs are generally recovered from other rates and charges or contributed from developers during construction, and therefore, should not be included as a component of the capital charge determination.

Design of Water System Capital Charge

As shown on Table 13, the proposed capital charge for the water system is $2,083 per ERU. This represents a fee 36% higher than the current fee, which was adopted June 1, 2006. As discussed hereafter, the proposed charges are comparable with other utilities.

In the development of the charge, several assumptions were utilized or incorporated in the analysis. The major assumptions utilized in the design of the proposed charge are:

1. The existing water production and treatment facilities have an estimated available capacity margin to serve new growth of approximately 47.5% of the average daily capacity of the facilities based on the firm design capacity of the existing facilities and average daily flow relationships experienced by the Association.

2. All the capital facilities associated with the expansion of the system reflect the most recent project costs as identified in the Association's capital improvement program.

3. No capital facility expansion costs associated with on-site distribution facilities have been included in the calculation since the Association generally requires the developer to contribute such facilities (contribution in aid of construction).

4. Only the backbone system costs, both treatment and transmission were used in determining the proposed capital charge. The following summarizes the existing assets and planned improvements included in the fee calculation:

	Estimated Current Cost [1]		
	Treatment	Transmission	Total
Existing Assets [2]	$13,733,813	$9,287,224	$23,021,037
Capital Improvement Program [3]	500,000	948,000	1,448,000
Total Planned Investment	$14,233,813	$10,235,224	$24,469,037

[1] Amount derived from Table 13.
[2] Amounts derived from Table 11 and reflect estimated current value of existing assets.
[3] Amounts derived from Table 12 and reflect the Association's capital plan net of system renewals and replacements.

5. An ERU for the water system was assumed to require a capacity of 250 gallons per day consistent with the Association's definition of one ERU as outlined in this report.

Proposed Capital Charge Application

Based upon the assumptions and considerations presented above, the proposed capital charge per ERU is $2,083. Table 13 at the end of this report provides a detailed calculation of the fee. As previously mentioned, the application of the water capital charge is based according to predetermined ERU factors assigned to various residential and commercial establishments to reflect such customers estimated capacity requirements. The capital charge calculation is based on the proposed capital charge of $2,083 per ERU.

For multi-family, master-metered residential customers the capital charge is based on the number of units served behind the master-meter. The capital charge per unit for the various multi-family classes is proposed as follows:

Customer Type	Capital Charge per Unit
Condominium	$2,083
Duplex/Triplex	$2,083
Mobile Home Park	$2,083
Travel Trailer Park	$524

(Remainder of page intentionally left blank)

For non-residential customers the capacity charge is based on the meter size. The capital charge for these customers is as follows:

Meter Size	Capital Charge
5/8"	$2,083
3/4"	$3,125
1"	$5,208
1-1/2"	$10,415
2"	$16,664
3"	$33,328
4"	$52,075
6"	$104,150

Capital Charge Comparisons

A comparison of the proposed capital charges with other neighboring water utilities has been prepared to illustrate the relationship of the Association's fees to the other jurisdictions. As can be seen below, the proposed charges are similar in the amount charged for the utilities surveyed.

(Remainder of page intentionally left blank)

Comparison of Capacity Charges for Water Service

Description	Residential 5/8" x 3/4" Meter
Greater Pine Island Water Association	$1,523
Existing Rates	2,083
Proposed Rates	
Other Florida Utilities: [1]	
City of Bradenton	$915
Bonita Springs Utilities, Inc.	2,085
City of Cape Coral	2,571
Charlotte County	1,213
City of Clearwater	480
Collier County	2,760
Englewood Water District	1,427
FGUA – Lehigh Acres System (Lee County)	1,885
Gasparilla Island Water Association, Inc.	4,018
City of Fort Myers	2,023
Hillsborough County	1,650
City of Sanibel	1,881
Lee County	1,140
Manatee County	1,270
City of Naples	870
City of North Port	1,735
Pinellas County	352
City of Punta Gorda	2,824
City of Sarasota	900
Sarasota County	2,720
Other Florida Utilities' Average	$1,736

[1] Unless otherwise noted, amounts shown reflect residential rates in effect June 2006 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside-the-City service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

Miscellaneous Fees

In addition to determining water rate needs and capital charge sufficiency, the Association recently reviewed its miscellaneous charges, which are predicated upon the direct costs of labor and supplies/equipment. The miscellaneous fees were prepared by Association staff, which requested that PRMG review these fees for comparability. After reviewing such charges, we find them to be reasonable as compared to other fees for similar services. The most significant change in miscellaneous fees was to the meter fee. The increase in this charge is a direct result of the planned Backflow Prevention Program. The following is a comparison of existing to proposed miscellaneous charges:

Existing and Proposed Miscellaneous Charges [1]

Description	Existing	Proposed [2]
Meter Fee:		
5/8" Meter	$220	$540
3/4" Meter	$350	$860
1" Meter	$550	$1,350
1.5" Meter (Calculated)	$900	$2,210
2" Meter (Calculated)	$1,000	$2,450
3" Meter	Actual Cost x 2	Actual Cost x 2
4" Meter	Actual Cost x 2	Actual Cost x 2
6" Meter	Actual Cost x 2	Actual Cost x 2
Other Fees:		
Turn-Off Fee, if Requested by Member	$10	$20
Turn-On Fee, if Requested by Member	$10	$20
Service Charge	$25	$35
Special Meter Location Fee	$50	$100
Special Meter Reading Fee, if Requested by Member	$20	$25
Special Meter Test Fee, if Requested by Member	$25	$50
D.O.T. Permit Fee (Where Applicable)	$30	Actual Cost
Plan Review Fee	$50	$100
Inspection Fee	$150	$25/Unit
Re-Inspection Fee	$50	$100/Inspection
Residential Irrigation Meter (5/8")	$220	$540
Fire Hydrant Installation (Commercial)	$2,000	$3,000 + Jack/Bore
Curb Stop Replacement Costs:		
5/8" Meter	$40	$40
3/4" Meter	$40	$50
1" Meter	$55	$60
1.5" Meter	$75	$80
2" Meter	$100	$120

[1] Amounts derived from Table 15.
[2] Amounts reflect recommended changes as prepared by Association staff.

CONCLUSIONS AND RECOMMENDATIONS

Based on our studies, assumptions and analyses as summarized herein, we are of the opinion that:

1. The Association's existing rate levels for water service will not be sufficient to meet the projected operating expenses, debt service, and capital funding requirements for the Calendar Years 2006 through 2011.

2. The Association should consider adopting the proposed rates effective with bills rendered on or after January 1, 2007. Adoption of these rates plus an additional 3% increase

annually based on the annual indexing provision approved by Lee County should be sufficient to allow the Association to meet projected revenue requirements for Calendar Years 2007 through 2011.

3. The Association should consider adopting the proposed emergency bulk water rate for temporary service and, if necessary in the future, the Association should develop another bulk rate should firm bulk service be requested.

4. The Association should consider adopting the proposed water capital charges established at $2,083 per equivalent residential unit. This capital charge is competitive with similar charges used by neighboring utilities.

5. The Association should consider adopting the proposed miscellaneous fees as prepared by staff. Such fees are comparable with neighboring utilities and, based upon the costs of labor and supplies, appear reasonable.

Respectfully Submitted,

Public Resources Management Group, Inc.

Henry L. Thomas
Vice President

Murray M. Hamilton, Jr.
Rate Analyst

HLT/dlm

Greater Pine Island Water Association
2006 Water Rate Study Update

List of Tables

Table 1
Greater Pine Island Water Association
2006 Water Rate Study Update

Development of Net Revenue Requirements from Rates

Line No.	Description		Projected Calendar Year Ending December 31, 2006	2007	2008	2009	2010	2011
	Operating Expenses							
1	Operating Expenses		$2,603,353	$2,191,809	$2,417,272	$2,532,105	$2,652,669	$2,779,475
2	Operating Contingency	3.00%	0	65,754	72,518	75,963	79,580	83,384
3	Total Operating Expenses		$2,603,353	$2,257,563	$2,489,790	$2,608,068	$2,732,249	$2,862,859
	Other Revenue Requirements							
	Debt Service							
4	Existing Debt Service		$611,232	$611,232	$611,232	$353,455	$337,296	$337,296
5	Proposed Debt Service		0	0	0	240,980	262,887	262,887
6	Total Debt Service		$611,232	$611,232	$611,232	$594,435	$600,183	$600,183
7	Capital Funded from Rates		102,500	93,300	174,000	35,800	197,100	19,000
8	Transfer to Capital Contingency Fund		0	0	0	0	0	0
9	Total Other Revenue Requirements		$102,500	$93,300	$174,000	$35,800	$197,100	$19,000
10	Gross Revenue Requirements		$3,317,085	$2,962,095	$3,275,022	$3,238,302	$3,529,532	$3,482,042
	Less Income and Funds from Other Sources							
11	Other Operating Revenue		$310,216	$319,749	$330,246	$341,187	$352,563	$364,477
12	Interest Income		48,063	27,472	27,570	26,901	28,452	31,958
13	Operating Reserves - (Surplus)/Deficiency		0	0	0	0	0	0
14	Net Revenue Requirements		$2,958,806	$2,614,873	$2,917,206	$2,870,214	$3,148,516	$3,085,607
	Revenue from Rates							
15	Existing Water Rate Revenue		$2,287,303	$2,333,278	$2,379,944	$2,427,543	$2,475,851	$2,525,616
16	Add'l Adjustments (excl. current year)		0	69,998	610,694	714,421	824,773	942,360
17	Total Applicable Rate Revenue		$2,287,303	$2,403,276	$2,990,638	$3,141,964	$3,300,624	$3,467,976
	Revenue Surplus/(Deficiency) Before Add'l Adjustment:							
18	Amount		($671,503)	($211,597)	$73,432	$271,750	$152,107	$382,369
19	Percent		(29.4%)	(8.8%)	2.5%	8.6%	4.6%	11.0%
20	**Percent Adjustment Proposed**		**3.0%**	**22.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
	Effective Month		**Jun.**	**Jan.**	**Jan.**	**Jan.**	**Jan.**	**Jan.**
21	% of Current Year Effective		58.33%	100.00%	100.00%	100.00%	100.00%	100.00%
22	Total Revenue From Current Year Adjustments		$40,028	$528,721	$89,719	$94,259	$99,019	$104,039
23	Total Revenue From Rates		$2,327,331	$2,931,997	$3,080,357	$3,236,223	$3,399,642	$3,572,015
24	Revenue Surplus/(Deficiency)		($631,475)	$317,124	$163,151	$366,009	$251,126	$486,408

Table 1
Greater Pine Island Water Association
2006 Water Rate Study Update

Development of Net Revenue Requirements from Rates

Financial Goals and Objectives

		Projected Cash Balances as of December 31,					
25	**Cash Balances**	2006	2007	2008	2009	2010	2011
26	Operating Fund	$1,117,746	$1,302,870	$1,127,521	$1,236,030	$1,282,656	$1,586,564
27	Medical Reimbursement Fund	48,282	48,282	48,282	48,282	48,282	48,282
28	Letter of Credit	115,000	115,000	115,000	115,000	115,000	115,000
29	Capital Contingency Fund	0	0	0	0	0	0
30	Capital Charge Fund at Proposed Rates	200,883	420,839	217,269	469,902	546,127	881,176
31	Construction (Loan Proceeds) Fund	0	0	0	0	0	0
32	Total Cash (Year-End)	$1,481,911	$1,886,991	$1,508,072	$1,869,214	$1,992,065	$2,631,022
	Debt Covenant Requirements						
	Test 1: Section 9 (A) Working Capital						
33	Current Assets in Excess of Current Liabilities	$2,563,554	$2,910,308	$3,090,791	$3,416,760	$3,630,406	$4,076,915
34	Minimum Working Capital Required	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000
	Test 2: Section 9 (B) Modified Debt Service Coverage Ratio						
35	Coverage Ratio - Calculated	13.46%	167.15%	155.16%	167.60%	174.68%	184.21%
36	Coverage Ratio - Required	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
	Test 3: Section 9 (C) Total Debt to Capitalization Ratio						
37	Total Debt to Capitalization Ratio	30.55%	29.13%	26.85%	25.60%	23.96%	22.49%
38	Maximum Total Debt to Capitalization Ratio	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
	Test 4: Section 9 (D) Total Debt to EBITDA						
39	Total Debt to EBITDA Ratio	6411.56%	489.06%	495.62%	447.08%	399.10%	352.22%
40	Maximum Total Debt to Capitalization Ratio	800.00%	800.00%	800.00%	800.00%	800.00%	800.00%

Table 2
Greater Pine Island Water Association
2006 Water Rate Study Update

Projection of Operating Expenses

Line No.	Description	Escalation Reference	Budgeted [1] 2006	Adjustments [1]	Adjusted 2006	Projected Calendar Year Ending December 31, 2007	2008	2009	2010	2011
	OPERATING EXPENSES									
	Personnel									
1	Wages	Labor	$773,000	$0	$773,000	$811,650	$852,233	$894,844	$939,586	$986,566
2	Employee Benefits	Labor	131,700	0	131,700	138,285	145,199	152,459	160,082	168,086
3	Health Insurance	Health	142,100	0	142,100	153,468	165,745	179,005	193,325	208,792
4	Worker's Compensation	Labor	49,500	0	49,500	51,975	54,574	57,302	60,168	63,176
5	Payroll Taxes	Labor	59,000	0	59,000	61,950	65,048	68,300	71,715	75,301
6	Unemployment Taxes	Labor	2,400	0	2,400	2,520	2,646	2,778	2,917	3,063
7	Total Personnel		1,157,700	0	1,157,700	1,219,848	1,285,444	1,354,689	1,427,794	1,504,983
	Vehicles & Depreciation									
8	Vehicle Expense	Inflation	36,900	0	36,900	37,712	38,541	39,389	40,256	41,142
9	Depreciation	Input	0	0	0	0	0	0	0	0
	Total Vehicles & Depreciation		36,900	0	36,900	37,712	38,541	39,389	40,256	41,142
	Administration									
10	Bank Service Charges	Inflation	700	0	700	715	731	747	764	780
11	Contract Services (Meter Reading)	Cust-Water	42,300	13,450	55,750	58,122	60,588	63,160	65,834	68,635
12	Office Supplies	Inflation	4,700	0	4,700	4,803	4,909	5,017	5,127	5,240
13	General Supplies	Inflation	2,100	0	2,100	2,146	2,193	2,242	2,291	2,341
14	Janitorial/Cleaning Supplies	Constant	2,600	0	2,600	2,600	2,600	2,600	2,600	2,600
15	Coffee	Inflation	800	0	800	818	836	854	873	892
16	Equipment	Inflation	1,000	0	1,000	1,022	1,044	1,067	1,091	1,115
17	Computers	Inflation	16,000	0	16,000	16,352	16,712	17,079	17,455	17,839
18	Annual/Special Meetings	Inflation	4,900	0	4,900	5,008	5,118	5,231	5,346	5,463
19	Travel	Inflation	1,000	0	1,000	1,022	1,044	1,067	1,091	1,115
20	Postage/Printing	Cust-Water	19,000	0	19,000	19,808	20,649	21,525	22,437	23,391
21	Insurance	Insurance	78,200	12,100	90,300	94,815	99,556	104,534	109,760	115,248
22	Interest Expense	Input	332,100	(332,100)	0	0	0	0	0	0
23	Mortgage Payment	Input	251,300	(251,300)	0	0	0	0	0	0
24	Loan Expense	Constant	1,000	0	1,000	1,000	1,000	1,000	1,000	1,000
25	Auditing	Inflation	18,600	0	18,600	19,009	19,427	19,855	20,292	20,738
26	Legal [2]	Input	73,100	77,622	150,722	44,776	46,119	47,503	48,928	50,396
27	Customer Billing	Cust-Water	23,700	0	23,700	24,708	25,757	26,850	27,987	29,177
28	Engineering Expense [3]	Inflation	54,500	257,781	312,281	78,225	82,136	86,243	90,555	95,083
29	Miscellaneous Expense	Inflation	7,200	0	7,200	7,358	7,520	7,686	7,855	8,028
30	Education	Inflation	3,000	0	3,000	3,066	3,133	3,202	3,273	3,345
31	Operating Supplies & Expense	Cust-Water	3,300	0	3,300	3,440	3,586	3,739	3,897	4,063
32	Cash (over) short	Inflation	0	0	0	0	0	0	0	0
33	Permits	Inflation	2,400	0	2,400	2,453	2,507	2,562	2,618	2,676
34	Security System	Inflation	4,200	0	4,200	4,292	4,387	4,483	4,582	4,683
	Total Administration		947,700	(222,447)	725,253	395,560	411,555	428,246	445,655	463,848
35										

Table 2
Greater Pine Island Water Association
2006 Water Rate Study Update

Projection of Operating Expenses

Line No.	Description		Escalation Reference	Budgeted [1] 2006	Adjustments [1]	Adjusted 2006	Projected Calendar Year Ending December 31, 2007	2008	2009	2010	2011
	RO Plant										
36	Chemicals		Comm-W	89,000	0	89,000	92,786	96,724	100,829	105,098	109,569
37	Maintenance & Repairs		Comm-W	62,300	0	62,300	64,950	67,707	70,580	73,569	76,698
38	Laboratory		Comm-W	26,800	0	26,800	27,940	29,126	30,362	31,647	32,994
	Total RO Plant			178,100	0	178,100	185,677	193,557	201,771	210,314	219,261
39											
	Distribution System										
40	Primary Mains		Cust-Water	2,300	0	2,300	2,398	2,500	2,606	2,716	2,832
41	Secondary Mains		Cust-Water	55,250	0	55,250	57,600	60,045	62,593	65,243	68,019
42	St. James City Sub-Station		Cust-Water	600	0	600	626	652	680	709	739
43	Bokeelia Sub-Station		Cust-Water	500	0	500	521	543	566	590	616
44	Center Sub-Station		Cust-Water	7,600	0	7,600	7,923	8,260	8,610	8,975	9,356
45	Scallop Ave Sub-Station		Cust-Water	10,750	0	10,750	11,207	11,683	12,179	12,694	13,234
46	Total Distribution System			77,000	0	77,000	80,276	83,683	87,234	90,927	94,796
	Miscellaneous										
47	Water Samples		Inflation	26,500	0	26,500	27,083	27,679	28,288	28,910	29,546
48	Communications		Cust-Water	16,600	0	16,600	17,306	18,041	18,806	19,603	20,436
49	Travel-Directors		Inflation	100	0	100	102	104	107	109	111
50	Disposal Service		Inflation	3,500	0	3,500	3,577	3,656	3,736	3,818	3,902
51	Utilities		Comm-W	215,500	0	215,500	224,668	234,203	244,142	254,479	265,305
52	Special Projects		Input	40,000	0	40,000	0	0	0	0	0
53	Emergency Water Purchase		Eliminate	125,000	0	125,000	0	0	0	0	0
54	Total Miscellaneous			427,200	0	427,200	272,736	283,682	295,079	306,919	319,301
	Backflow Prevention Program										
55	New Personnel - Backflow Technician		Labor	0	0	0	0	25,000	26,250	27,563	28,941
56	New Personnel - Water Quality Operator		Labor	0	0	0	0	30,000	31,500	33,075	34,729
57	Employee Benefits	17.04%	Calculate	0	0	0	0	9,372	9,841	10,333	10,849
58	Health Insurance	18.38%	Calculate	0	0	0	0	10,109	10,614	11,145	11,702
59	Worker's Compensation	6.40%	Calculate	0	0	0	0	3,520	3,696	3,881	4,075
60	Payroll Taxes	7.63%	Calculate	0	0	0	0	4,197	4,406	4,627	4,858
61	Unemployment Taxes	0.31%	Calculate	0	0	0	0	171	179	188	197
62	Software		Eliminate	0	1,200	1,200	0	0	0	0	0
63	Backflow Devices - New Construction		Input	0	0	0	0	6,274	6,410	6,502	6,690
64	Backflow Devices - Retrofit Installatior		Input	0	0	0	0	32,166	32,799	33,491	34,103
65	Total Miscellaneous			0	1,200	1,200	0	120,809	125,695	130,805	136,143
66	TOTAL OPERATING EXPENSES			$2,824,600	($221,247)	$2,603,353	$2,191,809	$2,417,272	$2,532,105	$2,652,669	$2,779,475
	Annual Growth %						-18.78%	9.33%	4.54%	4.55%	4.56%
	Cumulative Annual Growth %						-18.78%	-7.70%	-2.81%	1.86%	6.34%

Table 2
Greater Pine Island Water Association
2006 Water Rate Study Update

Projection of Operating Expenses

Line No.	Description	Escalation Reference	Budgeted [1] 2006	Adjustments [1]	Adjusted 2006	2007	2008	2009	2010	2011
			Projected Calendar Year Ending December 31,							

Footnotes:

[1] Amounts as provided by Association staff.

[2] The following provides the detailed legal expenses anticipated by the Association

		2006	Adjustments [1]	2006	2007	2008	2009	2010	2011
Normal Annual Legal Expenses	Contract	$0	$0	$43,472	$44,776	$46,119	$47,503	$48,928	$50,396
City of Cape Coral Litigation - Sandova	Eliminate	0	0	53,770	0	0	0	0	0
City of Cape Coral Litigation - Walman	Eliminate	0	0	2,765	0	0	0	0	0
Hurricane Wilma Renovation	Eliminate	0	0	15,500	0	0	0	0	0
Hurricane Wilma Renovation	Eliminate	0	0	17,215	0	0	0	0	0
Hurricane Wilma Reconstruction Issues	Eliminate	0	0	18,000	0	0	0	0	0
Total Estimated Legal Expenses		$0	$0	$150,722	$44,776	$46,119	$47,503	$48,928	$50,396

[3] The following provides the detailed engineering expenses anticipated by the Association

		2006	Adjustments [1]	2006	2007	2008	2009	2010	2011
Normal Annual Engineering Expenses	Repair	$0	$0	$54,500	$57,225	$60,086	$63,091	$66,245	$69,557
On-going System Upgrades	Repair	0	0	20,000	21,000	22,050	23,153	24,310	25,526
Hurricane Reconstruction - Sandy Hook Bridge	Eliminate	0	0	48,000	0	0	0	0	0
Hurricane Reconstruction - Matlacha Bridge	Eliminate	0	0	189,781	0	0	0	0	0
Total Estimated Engineering Expenses		$0	$0	$312,281	$78,225	$82,136	$86,243	$90,555	$95,083

Table 3
Greater Pine Island Water Association
2006 Water Rate Study Update

Projection of Annual Debt Service

Line No.	Description	Projected Calendar Year Ending December 31, [1] 2006	2007	2008	2009	2010	2011
	EXISTING DEBT SERVICE						
	Mortgage 000612441						
1	Start Balance	$1,074,230	$981,465	$881,103	$772,521	$655,046	$527,950
2	Interest	87,979	80,382	72,162	63,269	53,648	43,239
3	Principal	92,765	100,362	108,582	117,475	127,096	137,505
4	Total Debt Service	$180,744	$180,744	$180,744	$180,744	$180,744	$180,744
	Mortgage 001833841						
5	Start Balance	$2,908,512	$2,801,525	$2,688,397	$2,568,775	$0	$0
6	Interest	166,949	160,808	154,314	16,159	0	0
7	Principal	106,987	113,128	119,622	2,568,775	0	0
8	Sub-Total Debt Service	$273,936	$273,936	$273,936	$2,584,933	$0	$0
	Less Principal Refinance	0	0	0	(2,568,775)	0	0
9	Total Debt Service	$273,936	$273,936	$273,936	$16,159	$0	$0
	Mortgage 001864711						
10	Start Balance	$1,551,206	$1,490,984	$1,427,022	$1,359,088	$1,286,935	$1,210,302
11	Interest	96,330	92,590	88,618	84,399	79,919	75,160
12	Principal	60,222	63,962	67,934	72,153	76,633	81,392
13	Total Debt Service	$156,552	$156,552	$156,552	$156,552	$156,552	$156,552
	TOTAL EXISTING DEBT SERVICE						
14	Start Balance	$5,533,948	$5,273,974	$4,996,522	$4,700,384	$4,510,756	$4,307,027
15	Interest	351,258	333,780	315,094	163,827	133,567	118,399
16	Principal	259,974	277,452	296,138	189,628	203,729	218,897
17	Total Debt Service	$611,232	$611,232	$611,232	$353,455	$337,296	$337,296
	PROPOSED DEBT SERVICE						
	Note 1						
18	Start Balance	$0	$0	$0	$0	$0	$0
19	Interest	0	0	0	0	0	0
20	Principal	0	0	0	0	0	0
21	Total Debt Service	$0	$0	$0	$0	$0	$0
	Note 2 - Refinance Mortgage 001833841 [2]						
22	Start Balance	$0	$0	$0	$2,680,000	$2,623,270	$2,557,128
23	Interest	0	0	0	184,250	196,745	191,785
24	Principal	0	0	0	56,730	66,142	71,102
25	Total Debt Service	$0	$0	$0	$240,980	$262,887	$262,887
	TOTAL PROPOSED DEBT SERVICE						
26	Start Balance	$0	$0	$0	$2,680,000	$2,623,270	$2,557,128
27	Interest	0	0	0	184,250	196,745	191,785
28	Principal	0	0	0	56,730	66,142	71,102
29	Total Debt Service	$0	$0	$0	$240,980	$262,887	$262,887
	TOTAL EXISTING AND PROPOSED DEBT SERVICE						
30	Start Balance	$5,533,948	$5,273,974	$4,996,522	$7,380,384	$7,134,026	$6,864,155
31	Interest	351,258	333,780	315,094	348,077	330,312	310,184
32	Principal	259,974	277,452	296,138	246,358	269,871	289,999
33	Total Debt Service	$611,232	$611,232	$611,232	$594,435	$600,183	$600,183

Footnotes:

[1] Amounts as provided by Association staff.

[2] Amount based upon funding information as provided by Association staff:

Term (Years)	20
Closing Costs	4.0%
Annual Interest Rate	7.5%

Table 4
Greater Pine Island Water Association
2006 Water Rate Study Update

Development of Interest Income

Line No.	Description	Fiscal Year Ending December 31, 2006	2007	2008	2009	2010	2011
	OPERATING/GENERAL RESERVE ACCOUNT (Cash in Bank) (U)						
1	Beginning Balance	$3,362,032	$1,117,746	$1,302,870	$1,127,521	$1,236,030	$1,282,656
2	Transfers In - Revenue Requirements	2,327,331	2,931,997	3,080,357	3,236,223	3,399,642	3,572,015
3	Transfers Out - Revenue Requirements	2,958,806	2,614,873	2,917,206	2,870,214	3,148,516	3,085,607
4	Transfers Out - Capital Improvements	1,612,811	132,000	238,500	257,500	204,500	182,500
5	Transfers Out - Capacity Fee Fund	0	0	100,000	0	0	0
6	Operating Transfers In / (Out)	0	0	0	0	0	0
7	Interest Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
8	Interest Income	44,798	24,206	24,304	23,636	25,187	28,692
9	Recognition of Interest Earnings in Revenue Requirements	44,798	24,206	24,304	23,636	25,187	28,692
10	Ending Balance	1,117,746	1,302,870	1,127,521	1,236,030	1,282,656	1,586,564
11	Minimum Balance	500,000	500,000	500,000	500,177	523,993	549,041
12	Days O&M - Targeted	70	70	70	70	70	70
13	Days O&M - Calculated	157	211	165	173	171	202
14	Percent Allocable to Water System	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15	Amount Allocable to Water System	44,798	24,206	24,304	23,636	25,187	28,692
	MEDICAL REIMBURSEMENT FUND (U)						
16	Beginning Balance	$48,282	$48,282	$48,282	$48,282	$48,282	$48,282
17	Transfers In	0	0	0	0	0	0
18	Transfers Out	0	0	0	0	0	0
19	Interest Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
20	Interest Income	966	966	966	966	966	966
21	Recognition of Interest Earnings in Revenue Requirements	966	966	966	966	966	966
22	Ending Balance	48,282	48,282	48,282	48,282	48,282	48,282
23	Percent Allocable to Water System	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
24	Amount Allocable to Water System	966	966	966	966	966	966

Table 4
Greater Pine Island Water Association
2006 Water Rate Study Update

Development of Interest Income

Line No.	Description		Fiscal Year Ending December 31, 2006	2007	2008	2009	2010	2011
	LETTER OF CREDIT	(U)						
25	Beginning Balance		$115,000	$115,000	$115,000	$115,000	$115,000	$115,000
26	Transfers In		0	0	0	0	0	0
27	Transfers Out		0	0	0	0	0	0
28	Interest Rate		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
29	Interest Income		2,300	2,300	2,300	2,300	2,300	2,300
30	Recognition of Interest Earnings in Revenue Requirements		2,300	2,300	2,300	2,300	2,300	2,300
31	Ending Balance		115,000	115,000	115,000	115,000	115,000	115,000
32	Percent Allocable to Water System		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
33	Amount Allocable to Water System		2,300	2,300	2,300	2,300	2,300	2,300
	CAPITAL CONTINGENCY FUND	(U)						
34	Beginning Balance		$0	$0	$0	$0	$0	$0
35	Transfers In - Revenue Requirements		0	0	0	0	0	0
36	Transfer In - FEMA Reimbursement		0	0	0	0	0	0
37	Transfers Out - Capital Improvements		0	0	0	0	0	0
38	Interest Rate		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
39	Interest Income		0	0	0	0	0	0
40	Recognition of Interest Earnings in Revenue Requirements		0	0	0	0	0	0
41	Ending Balance		0	0	0	0	0	0
42	Percent Allocable to Water System		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
43	Amount Allocable to Water System		0	0	0	0	0	0
	CAPITAL CHARGES	(U)						
44	Beginning Balance		$0	$200,883	$420,839	$217,269	$469,902	$546,127
45	New ERUs		149	132	134	137	139	143
46	Capital Charge per ERU		$1,487	$2,083	$2,145	$2,209	$2,275	$2,343
47	Transfers In - Capital Charges		220,883	274,956	287,430	302,633	316,225	335,049
48	Transfers In - Operating Reserves		0	0	100,000	0	0	0
49	Transfers Out - Capital Improvements		20,000	55,000	591,000	50,000	240,000	0
50	Interest Rate		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
51	Interest Income (restricted)		2,009	6,217	6,381	6,872	10,160	14,273
52	Recognition of Interest Earnings in Revenue Requirements		2,009	6,217	6,381	6,872	10,160	14,273
53	Ending Balance		200,883	420,839	217,269	469,902	546,127	881,176
54	Percent Allocable to Water System		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
55	Amount Allocable to Water System		2,009	6,217	6,381	6,872	10,160	14,273

Table 4
Greater Pine Island Water Association
2006 Water Rate Study Update

Development of Interest Income

Line No.	Description		Fiscal Year Ending December 31, 2006	2007	2008	2009	2010	2011
	DEBT SERVICE RESERVE	(U)						
56	Beginning Balance		$0	$0	$0	$0	$0	$0
57	Transfers In - Revenue Requirements		0	0	0	0	0	0
58	Transfers Out - Revenue Requirements		0	0	0	0	0	0
59	Interest Rate		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
60	Interest Income		0	0	0	0	0	0
61	Recognition of Interest Earnings in Revenue Requirements		0	0	0	0	0	0
62	Ending Balance		0	0	0	0	0	0
63	Percent Allocable to Water System		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
64	Amount Allocable to Water System		0	0	0	0	0	0
	CONSTRUCTION FUND (FUTURE BONDS)	(R)						
65	Beginning Balance		$0	$0	$0	$0	$0	$0
66	Transfers In - Revenue Requirements		0	0	0	0	0	0
67	Transfers Out - Revenue Requirements		0	0	0	0	0	0
68	Interest Rate		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
69	Interest Income		0	0	0	0	0	0
70	Recognition of Interest Earnings in Revenue Requirements		0	0	0	0	0	0
71	Ending Balance		0	0	0	0	0	0
72	Percent Allocable to Water System		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
73	Amount Allocable to Water System		0	0	0	0	0	0
	INTEREST INCOME							
	Unrestricted							
74	Water System		48,063	27,472	27,570	26,901	28,452	31,958
75	Total		$48,063	$27,472	$27,570	$26,901	$28,452	$31,958
	TOTAL INTEREST INCOME							
76	Water System		48,063	27,472	27,570	26,901	28,452	31,958
77	Total		$48,063	$27,472	$27,570	$26,901	$28,452	$31,958
78	TOTAL CASH		1,366,693	1,751,181	1,372,359	1,732,833	1,857,235	2,499,698

Table 5
Greater Pine Island Water Association
2006 Water Rate Study Update

Capital Improvement Program

Line No.	Description	Funding Source	Budgeted 2006	Adjustments	Adjusted 2006	Projected Calendar Year Ending December 31, [1] 2007	2008	2009	2010	2011	Total
	WATER SYSTEM										
	Administration										
1	Computer Tape Back-up	REV	$0	$0	$0	$1,000	$0	$0	$0	$1,000	$2,000
2	Fax Machine	REV	0	0	0	500	0	0	0	0	500
3	Billing Software System	REV	45,000	0	45,000	0	0	0	0	0	45,000
4	Copy Machine	REV	0	0	0	0	0	0	0	0	0
5	Computers	REV	7,500	0	7,500	1,800	4,000	5,800	7,100	8,000	34,200
6	Administration Total		52,500	0	52,500	3,300	4,000	5,800	7,100	9,000	81,700
	RO Plant Renewal & Replacement										
7	Replace Membranes Train A - Stage 1	OR	0	0	0	0	0	0	50,000	0	50,000
8	Replace Membranes Train B - Stage 1	OR	0	0	0	0	0	0	0	0	0
9	Replace Membranes Train C - Stage 1	OR	0	0	0	0	0	50,000	0	0	50,000
10	Replace Membranes Train A - Stage 2	OR	0	0	0	0	0	0	0	0	0
11	Replace Membranes Train B - Stage 2	OR	0	0	0	0	0	0	0	0	0
12	Replace Membranes Train C - Stage 2	OR	0	0	0	0	0	25,000	0	0	25,000
13	HS Pump "B" Replacement	OR	0	0	0	20,000	0	0	0	0	20,000
14	Exterior Painting	OR	0	0	0	0	0	0	15,000	60,000	75,000
15	Hydrogen Sulfide Reduction (Air Scrubber)	OR	0	0	0	10,000	10,000	10,000	10,000	10,000	50,000
16	Computers/PLC	OR	0	0	0	0	0	0	10,000	0	10,000
17	Security	OR	0	0	0	10,000	4,000	0	0	0	14,000
18	Well #4	OR	0	0	0	25,000	0	0	0	0	25,000
19	Well #5	OR	0	0	0	0	25,000	0	0	0	25,000
20	Well #6	OR	0	0	0	0	0	25,000	0	0	25,000
	RO Plant Expansion										
21	Upgrade Trains	CAP	0	0	0	50,000	50,000	50,000	0	0	150,000
22	Well #8	CAP	20,000	0	20,000	0	300,000	0	0	0	320,000
23	Total RO Plant		20,000	0	20,000	115,000	389,000	160,000	85,000	70,000	839,000
	Transmission/Distribution										
24	Annual Fire Hydrant Placement Program	REV	10,000	0	10,000	10,000	10,000	10,000	10,000	10,000	60,000
25	Neighborhood Upgrade	REV	0	0	0	0	160,000	0	160,000	0	320,000
26	Neighborhood Upgrade	CAP 60%	0	0	0	0	240,000	0	240,000	0	480,000
27	Security-Scada	OR	0	0	0	5,000	5,000	5,000	5,000	0	20,000
28	Mud Hog	OR	0	0	0	0	0	0	2,000	0	2,000
29	Cave-in Box	OR	10,000	0	10,000	0	0	0	0	0	10,000
30	Replace Water Line Under Matlacha Bridge	OR	2,700,000	(1,167,549)	1,532,451	0	0	0	0	0	1,532,451
31	Replace Water Line Under Matlacha Bridge	FEMA2 43%	0	1,167,549	1,167,549	0	0	0	0	0	1,167,549
32	Replace Water Line Under Matlacha Bridge	L1	0	0	0	0	0	0	0	0	0
33	Replace Sandy Hook SubAqueous Bridge Crossing	OR	250,000	(179,640)	70,360	0	0	0	0	0	70,360
34	Replace Sandy Hook SubAqueous Bridge Crossing	FEMA1	0	179,640	179,640	0	0	0	0	0	179,640
35	Replace Sub-Aqueous Crossing Matlacha Postoffice Bridge	OR	0	0	0	0	62,500	62,500	62,500	62,500	250,000
36	Replace Sub-Aqueous Crossing Little Pine Island Bridge	OR	0	0	0	0	50,000	50,000	50,000	50,000	200,000
37	Total Transmission/Distribution		2,970,000	0	2,970,000	15,000	527,500	127,500	529,500	122,500	4,292,000

Table 5
Greater Pine Island Water Association
2006 Water Rate Study Update

Capital Improvement Program

Line No.	Description	Funding Source	Budgeted 2006	Adjustments	Adjusted 2006	Projected Calendar Year Ending December 31, [1] 2007	2008	2009	2010	2011	Total
	Center Pump Station										
38	HS Pump #1 Replacement	OR	0	0	0	32,000	0	0	0	0	32,000
39	HS Pump #2 Replacement	OR	0	0	0	30,000	32,000	0	0	0	62,000
40	Emergency Generator	OR	0	0	0	0	50,000	0	0	0	50,000
41	Total Center Pump Station		0	0	0	62,000	82,000	0	0	0	144,000
	Deep Well Injection										
42	Mech Integrity Test	OR	0	0	0	0	0	30,000	0	0	30,000
43	Total Deep Well Injection		0	0	0	0	0	30,000	0	0	30,000
	Off-Island Pump Station										
44	Security-Scada-Fiber Op	CAP	0	0	0	5,000	1,000	0	0	0	6,000
45	Total Off-Island Improvements		0	0	0	5,000	1,000	0	0	0	6,000
	Vehicles										
46	Replace 1994 Chevy Blazer	REV	0	0	0	20,000	0	0	0	0	20,000
47	Replace 2004 Nissan Frontier	REV	0	0	0	0	0	20,000	0	0	20,000
48	Replace 2000 Ford F-150	REV	0	0	0	0	0	0	20,000	0	20,000
49	Replace 1998 Ford Ranger	REV	0	0	0	20,000	0	0	0	0	20,000
50	Replace 1990 Ford F-350	REV	40,000	0	40,000	0	0	0	0	0	40,000
51	Replace 1984 STEP Van	REV	0	0	0	40,000	0	0	0	0	40,000
52	Total Vehicles		40,000	0	40,000	80,000	0	20,000	20,000	0	160,000
53	TOTAL WATER SYSTEM CAPITAL COSTS		$3,082,500	$0	$3,082,500	$280,300	$1,003,500	$343,300	$641,600	$201,500	$5,552,700
	FUNDING SOURCES										
	WATER SYSTEM										
54	Operating/General Reserve	OR	$2,960,000	($1,347,189)	$1,612,811	$132,000	$238,500	$257,500	$204,500	$182,500	$2,627,811
55	Capital Contingency Fund	CCF	0	0	0	0	0	0	0	0	0
56	Note Proceeds (Anticipated)	LI	0	0	0	0	0	0	0	0	0
57	Capital Charge	CAP	20,000	0	20,000	55,000	591,000	50,000	240,000	0	956,000
58	Outside Agency Grants	WGRT	0	0	0	0	0	0	0	0	0
59	Rate Revenue	REV	102,500	0	102,500	93,300	174,000	35,800	197,100	19,000	621,700
60	FEMA Reimbursement	FEMA1	0	179,640	179,640	0	0	0	0	0	179,640
61	FEMA Reimbursement	FEMA2	0	1,167,549	1,167,549	0	0	0	0	0	1,167,549
62	TOTAL WATER SYSTEM FUNDING SOURCES		$3,082,500	$0	$3,082,500	$280,300	$1,003,500	$343,300	$641,600	$201,500	$5,552,700

Footnotes:
[1] Amounts as provided by Association staff on May 1, 2006 and revised by the General Manager on June 2, 2006.

Table 6
Greater Pine Island Water Association
2006 Water Rate Study Update

Projected Debt Service Analysis

Line No.	Description	Projected Calendar Year Ending December 31, [1] 2006	2007	2008	2009	2010	2011
	System Revenues						
1	Sales Revenues						
2	Water - Existing Rate Revenues	$2,287,303	$2,333,278	$2,379,944	$2,427,543	$2,475,851	$2,525,616
3	Additional Rate Revenues	40,028	598,719	700,413	808,680	923,791	1,046,399
4	Total Sales Revenues	$2,327,331	$2,931,997	$3,080,357	$3,236,223	$3,399,642	$3,572,015
5	Other Operating Revenue	310,216	319,749	330,246	341,187	352,563	364,477
6	Unrestricted Interest Income	48,063	27,472	27,570	26,901	28,452	31,958
7	Total System Revenues	$2,685,610	$3,279,218	$3,438,173	$3,604,311	$3,780,658	$3,968,450
8	Total Operating Expenses	$2,603,353	$2,257,563	$2,489,790	$2,608,068	$2,732,249	$2,862,859
9	Net Revenues w/o Capacity Fees	$82,257	$1,021,656	$948,383	$996,244	$1,048,409	$1,105,591
10	Capacity Fees	220,883	274,956	287,430	302,633	316,225	335,049
11	Net Revenue Including Capacity Fees	$303,140	$1,296,612	$1,235,813	$1,298,877	$1,364,634	$1,440,640
	Long-term Debt Service						
12	Existing Debt Service	$611,232	$611,232	$611,232	$353,455	$337,296	$337,296
13	Proposed Debt Service	0	0	0	240,980	262,887	262,887
14	Total Long-term Debt Service	$611,232	$611,232	$611,232	$594,435	$600,183	$600,183
	Debt Service Coverage Test						
15	Coverage Ratio w/o Capacity Fees - Calculated	13.46%	167.15%	155.16%	167.60%	174.68%	184.21%
16	Coverage Ratio - Required [2]	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
17	Coverage Ratio w/ Capacity Fees - Calculated	49.59%	212.13%	202.18%	218.51%	227.37%	240.03%
18	Coverage Ratio - Required	N/A	N/A	N/A	N/A	N/A	N/A
	Net Cash Available						
19	Net Revenue Including Capacity Fees	$303,140	$1,296,612	$1,235,813	$1,298,877	$1,364,634	$1,440,640
20	Total Long-term Debt Service	611,232	611,232	611,232	594,435	600,183	600,183
21	Amount Available for Required Transfers and Other Disbursements	($308,092)	$685,380	$624,581	$704,442	$764,451	$840,457
	Required Transfers and Other Disbursements						
22	Capital Funded from Renewal & Replacements	$0	$0	$0	$0	$0	$0
23	Capital Funded from Rates	102,500	93,300	174,000	35,800	197,100	19,000
24	Total Required Transfers and Other Disbursements	$102,500	$93,300	$174,000	$35,800	$197,100	$19,000
25	Net Amount Available for Other Lawful Purposes	($410,592)	$592,080	$450,581	$668,642	$567,351	$821,457

Footnotes:

[1] Amounts derived from Table 1.

[2] The Debt Service Coverage Test based upon covenant requirements provided for within the existing loan agreement and is equal to Net Income (adjusted for non-cash revenues and expenses) divided by the total debt service (principal and interest) of all outstanding Long-term Debt Obligations.

Table 7
Greater Pine Island Water Association
2006 Water Rate Study Update

Other Debt Service Test Requirements

Line No.	Description		Projected Calendar Year Ending December 31, [1] 2006	2007	2008	2009	2010	2011
	Working Capital [2]							
1	Current Assets							
2	Beginning Balance		$3,836,237	$3,204,762	$3,521,886	$3,685,037	$4,051,046	$4,302,172
3	Inflows - Excludes Capacity Fees		2,327,331	2,931,997	3,080,357	3,236,223	3,399,642	3,572,015
4	Outflows - Includes Capital Payments		2,958,806	2,614,873	2,917,206	2,870,214	3,148,516	3,085,607
5	Ending Balance		$3,204,762	$3,521,886	$3,685,037	$4,051,046	$4,302,172	$4,788,580
	Current Liabilities							
6	Beginning Balance (Days Outstanding)		$363,960	$363,756	$315,440	$347,888	$364,415	$381,766
7	Inflows - A/P		(204)	(48,316)	32,448	16,527	17,351	18,250
8	Outflows		0	0	0	0	0	0
9	Ending Balance - Before Current Portion	51	$363,756	$315,440	$347,888	$364,415	$381,766	$400,016
10	Current Portion - Existing Debt		277,452	296,138	189,628	203,729	218,897	235,214
11	Current Portion - Proposed Debt		0	0	56,730	66,142	71,102	76,435
12	Ending Balance		$641,208	$611,578	$594,246	$634,286	$671,765	$711,665
13	Current Assets in Excess of Current Liabilities		$2,563,554	$2,910,308	$3,090,791	$3,416,760	$3,630,406	$4,076,915
14	Working Capital Required		$500,000	$500,000	$500,000	$500,000	$500,000	$500,000
	Total Debt to Capitalization [2]							
15	Total System Debt		$5,273,974	$4,996,522	$4,700,384	$4,454,026	$4,184,155	$3,894,156
	Capitalization							
	Assets							
16	Beginning Balance		$15,923,301	$17,627,851	$17,470,391	$17,852,053	$17,766,074	$17,844,264
17	Inflows - Excludes Capacity Fees		2,327,331	2,931,997	3,080,357	3,236,223	3,399,642	3,572,015
18	Inflows - CIP		3,082,500	280,300	1,003,500	343,300	641,600	201,500
19	Outflows - Includes Capital Payments		2,958,806	2,614,873	2,917,206	2,870,214	3,148,516	3,085,607
20	Outflows - Depreciation		746,475	754,884	784,989	795,288	814,536	820,581
21	Ending Balance		$17,627,851	$17,470,391	$17,852,053	$17,766,074	$17,844,264	$17,711,591
	Liabilities							
22	Beginning Balance		$5,897,908	$5,637,730	$5,311,962	$5,048,272	$4,818,441	$4,565,921
23	Inflows - A/P		(204)	(48,316)	32,448	16,527	17,351	18,250
24	Inflows - Debt		(259,974)	(277,452)	(296,138)	(246,358)	(269,871)	(289,999)
25	Outflows		0	0	0	0	0	0
26	Ending Balance		$5,637,730	$5,311,962	$5,048,272	$4,818,441	$4,565,921	$4,294,172
27	Assets in Excess of Liabilities (Equity)		$11,990,121	$12,158,429	$12,803,781	$12,947,633	$13,278,343	$13,417,419
28	Plus Total Debt		5,273,974	4,996,522	4,700,384	4,454,026	4,184,155	3,894,156
29	Total Capitalization		$17,264,095	$17,154,951	$17,504,165	$17,401,659	$17,462,498	$17,311,575
30	Total Debt to Capitalization Ratio		30.55%	29.13%	26.85%	25.60%	23.96%	22.49%
31	Maximum Total Debt to Capitalization Ratio		60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
	Total Debt to EBITDA [2]							
32	Total System Debt		$5,273,974	$4,996,522	$4,700,384	$4,454,026	$4,184,155	$3,894,156
	EBITDA							
	Sales Revenues							
33	Water - Existing Rate Revenues		$2,287,303	$2,333,278	$2,379,944	$2,427,543	$2,475,851	$2,525,616
34	Additional Rate Revenues		40,028	598,719	700,413	808,680	923,791	1,046,399
35	Total Sales Revenues		$2,327,331	$2,931,997	$3,080,357	$3,236,223	$3,399,642	$3,572,015
36	Other Operating Revenue		310,216	319,749	330,246	341,187	352,563	364,477
37	Unrestricted Interest Income		48,063	27,472	27,570	26,901	28,452	31,958
38	Total System Revenues		$2,685,610	$3,279,218	$3,438,173	$3,604,311	$3,780,658	$3,968,450
39	Total Operating Expenses		$2,603,353	$2,257,563	$2,489,790	$2,608,068	$2,732,249	$2,862,859
40	Total EBITDA		$82,257	$1,021,656	$948,383	$996,244	$1,048,409	$1,105,591
41	Total Debt to EBITDA Ratio		6411.56%	489.06%	495.62%	447.08%	399.10%	352.22%
42	Maximum Total Debt to Capitalization Ratio		800.00%	800.00%	800.00%	800.00%	800.00%	800.00%

Footnotes:

[1] Amounts derived from Table 1.

[2] The Debt Service Coverage Test based upon covenant requirements provided for within the existing loan agreement.

Table 8
Greater Pine Island Water Association
2006 Water Rate Study Update

Existing and Proposed Retail Water Rates

Line No.	Description	Existing [1]	Proposed [2]
	Residential Water Services		
	Monthly Service Base Rate (per account):		
1	All Meters	$3.17	$3.87
	Monthly Ready-to-Serve Charge (per account):		
	Water Meter Size (inches)		
2	5/8 inch	$7.92	$9.66
3	3/4 inch	11.92	14.54
4	1 inch	19.84	24.20
	Usage Charge per 1,000 gallons of water (per account)		
	All Meters		
5	0 - 2,000	$2.33	$2.84
6	3 - 5,000	2.61	3.18
7	6 - 10,000	2.91	3.55
8	11 - 15,000	3.64	4.44
9	Above 15,000	4.36	5.32
	Multi-family Water Services		
	Monthly Service Base Rate (per account):		
10	All Meters	$3.17	$3.87
	Monthly Ready-to-Serve Charge (per unit):		
	Water Meter Size (inches)		
11	Duplex/Triplex/MH Parks	$4.00	$4.88
12	Travel Trailer Parks	2.36	2.88
13	Condominiums	7.11	8.67
	Usage Charge per 1,000 gallons of water (per unit)		
	Duplex/Triplex/MH Parks		
14	0 - 1,000	$2.33	$2.84
15	1 - 2,000	2.61	3.18
16	3 - 5,000	2.91	3.55
17	6 - 7,000	3.64	4.44
18	Above 7,000	4.36	5.32

Table 8
Greater Pine Island Water Association
2006 Water Rate Study Update

Existing and Proposed Retail Water Rates

Line No.	Description	Existing [1]	Proposed [2]
	Travel Trailer Parks		
19	0 - 1,000	$2.33	$2.84
20	1 - 2,000	2.61	3.18
21	3 - 3,000	2.91	3.55
22	4,000	3.64	4.44
23	Above 4,000	4.36	5.32
	Condominiums		
24	0 - 2,000	$2.33	$2.84
25	2 - 4,000	2.61	3.18
26	5 - 9,000	2.91	3.55
27	10 - 13,000	3.64	4.44
28	Above 13,000	4.36	5.32
	Commercial Water Services		
	Monthly Service Base Rate (per account):		
29	All Meters	$3.17	$3.87
	Monthly Ready-to-Serve Charge (per account):		
	Water Meter Size (inches)		
30	5/8 inch	$7.92	$9.66
31	3/4 inch	11.92	14.54
32	1 inch	19.84	24.20
33	1.5 inch	39.60	48.31
34	2 inch	63.35	77.29
35	3 inch	126.69	154.56
36	4 inch	197.96	241.51
37	6 inch	395.91	483.01

Table 8
Greater Pine Island Water Association
2006 Water Rate Study Update

Existing and Proposed Retail Water Rates

Line No.	Description	Existing [1]	Proposed [2]
	Usage Charge per 1,000 gallons of water (per account)		
	Water Meter Size (inches)		
	5/8 inch		
38	0 - 15,000	$2.91	$3.55
39	Above 15,000	3.64	4.44
	3/4 inch		
40	0 - 22,000	$2.91	$3.55
41	Above 22,000	3.64	4.44
	1 inch		
42	0 - 37,000	$2.91	$3.55
43	Above 37,000	3.64	4.44
	1.5 inch		
44	0 - 75,000	$2.91	$3.55
45	Above 75,000	3.64	4.44
	2 inch		
46	0 - 120,000	$2.91	$3.55
47	Above 120,000	3.64	4.44
	3 inch		
48	0 - 240,000	$2.91	$3.55
49	Above 240,000	3.64	4.44
	4 inch		
50	0 - 375,000	$2.91	$3.55
51	Above 375,000	3.64	4.44
	6 inch		
52	0 - 750,000	$2.91	$3.55
53	Above 750,000	3.64	4.44

Footnotes:

[1] Amounts effective with bills rendered on or after June 1, 2006.

[2] Amounts reflect the proposed system-wide rate increase of 22.0% to become effective with bills rendered on or after January 1, 2007.

Table 9
Greater Pine Island Water Association
2006 Water Rate Study Update

Comparison of Typical Monthly Residential Bills For Water Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter 0 Gallons	2,000 Gallons	4,000 Gallons	5,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	30,000 Gallons
	Greater Pine Island Water Association								
1	Existing Rates - June 1, 2006	$11.09	$15.75	$20.96	$23.56	$32.28	$38.09	$56.27	$121.62
2	Proposed Rates - January 1, 2007	13.53	19.21	25.57	28.75	39.38	46.47	68.65	148.39
	Other Florida Utilities:								
3	City of Bradenton	$9.34	$12.88	$17.49	$20.33	$28.85	$34.53	$48.73	$91.33
4	Bonita Springs Utilities, Inc. [2]	10.39	16.63	22.87	25.99	36.69	44.27	65.23	140.17
5	City of Cape Coral	9.33	13.73	18.13	20.33	28.13	33.33	49.58	69.08
6	Charlotte County [2]	17.83	25.55	33.27	37.13	48.71	56.43	79.53	165.40
7	City of Clearwater	11.34	11.34	15.93	20.52	34.29	44.33	71.58	153.33
8	Collier County [2]	13.32	16.58	19.84	21.47	28.46	33.12	48.47	102.92
9	Englewood Water District	10.00	13.60	17.20	19.00	25.60	35.20	68.80	242.80
10	FGUA - Lehigh Acres System (Lee County)	10.43	18.33	26.23	30.18	42.03	49.93	69.68	128.93
11	Gasparilla Island Water Association, Inc. [2]	21.50	21.50	21.50	21.50	34.40	43.00	64.50	139.00
12	City of Fort Myers	5.44	12.28	19.12	22.54	35.11	43.49	68.39	221.99
13	Hillsborough County	11.70	17.20	22.70	25.45	37.15	44.95	64.45	140.95
14	City of Sanibel	11.00	16.60	22.20	25.00	35.05	41.75	61.25	136.25
15	Lee County	8.45	12.97	17.49	19.75	27.57	33.13	48.59	110.45
16	Manatee County [2]	6.25	8.89	11.53	12.85	17.45	20.73	28.93	121.73
17	City of Naples	11.44	13.82	16.20	17.39	20.96	23.34	29.29	50.44
18	City of North Port	11.79	16.83	21.87	25.65	36.99	47.57	79.33	248.67
19	Pinellas County	3.00	10.20	17.40	21.00	31.80	39.00	57.00	111.00
20	City of Punta Gorda	11.65	17.09	22.53	25.25	33.41	38.85	54.50	105.35
21	City of Sarasota	8.38	13.62	18.86	21.48	29.34	34.58	50.59	110.26
22	Sarasota County [2]	14.30	17.98	21.66	24.32	32.30	41.26	75.16	117.44
23	Other Florida Utilities' Average	$10.84	$15.38	$20.20	$22.86	$32.21	$39.14	$59.18	$135.37

Footnotes:

[1] Unless otherwise noted, amounts shown reflect residential rates in effect June 2006 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

[2] Utility is currently involved in a rate study, or is planning one within the next few months.

Table 10
Greater Pine Island Water Association
2006 Water Rate Study Update

Allocation of Net Revenue Requirements to Bulk Service - Incremental Basis

Line No.	Description	Projected Calendar Year Ending December 31, Budgeted [1] 2007	Adjustments	Adjusted 2007	Allocation Factor	Allocation Percentages [2] Bulk / Retail	Retail Only	Allocation Bulk / Retail Total	Bulk & Retail	Retail Only
	OPERATING EXPENSES									
	Personnel									
1	Wages	$811,650	$0	$811,650	Plant&Transmission	43.31%	56.69%	$811,650	$351,526	$460,124
2	Employee Benefits	138,285	0	138,285	Plant&Transmission	43.31%	56.69%	138,285	59,891	78,394
3	Health Insurance	153,468	0	153,468	Plant&Transmission	43.31%	56.69%	153,468	66,467	87,001
4	Worker's Compensation	51,975	0	51,975	Plant&Transmission	43.31%	56.69%	51,975	22,510	29,465
5	Payroll Taxes	61,950	0	61,950	Plant&Transmission	43.31%	56.69%	61,950	26,831	35,119
6	Unemployment Taxes	2,520	0	2,520	Plant&Transmission	43.31%	56.69%	2,520	1,091	1,429
7	Total Personnel	1,219,848	0	1,219,848				1,219,848	528,316	691,532
	Vehicles & Depreciation									
8	Vehicle Expense	37,712	0	37,712	T&D	30.00%	70.00%	37,712	11,314	26,398
9	Depreciation	0	0	0	T&D	30.00%	70.00%	0	0	0
10	Total Vehicles & Depreciation	37,712	0	37,712				37,712	11,314	26,398
	Administration									
11	Bank Service Charges	715	0	715	Retail-Only	0.00%	100.00%	715	0	715
12	Contract Services (Meter Reading)	58,122	0	58,122	Retail-Only	0.00%	100.00%	58,122	0	58,122
13	Office Supplies	4,803	0	4,803	Retail-Only	0.00%	100.00%	4,803	0	4,803
14	General Supplies	2,146	0	2,146	Retail-Only	0.00%	100.00%	2,146	0	2,146
15	Janitorial/Cleaning Supplies	2,600	0	2,600	Retail-Only	0.00%	100.00%	2,600	0	2,600
16	Coffee	818	0	818	Retail-Only	0.00%	100.00%	818	0	818
17	Equipment	1,022	0	1,022	Retail-Only	0.00%	100.00%	1,022	0	1,022
18	Computers	16,352	0	16,352	Retail-Only	0.00%	100.00%	16,352	0	16,352
19	Annual/Special Meetings	5,008	0	5,008	Retail-Only	0.00%	100.00%	5,008	0	5,008
20	Travel	1,022	0	1,022	Retail-Only	0.00%	100.00%	1,022	0	1,022
21	Postage/Printing	19,808	0	19,808	Retail-Only	0.00%	100.00%	19,808	0	19,808
22	Insurance	94,815	0	94,815	Bulk-Retail	100.00%	0.00%	94,815	94,815	0
23	Interest Expense	0	0	0	Bulk-Retail	100.00%	0.00%	0	0	0
24	Mortgage Payment	0	0	0	Bulk-Retail	100.00%	0.00%	0	0	0
25	Loan Expense	1,000	0	1,000	Bulk-Retail	100.00%	0.00%	1,000	1,000	0
26	Auditing	19,009	0	19,009	Bulk-Retail	100.00%	0.00%	19,009	19,009	0
27	Legal	44,776	0	44,776	Bulk-Retail	100.00%	0.00%	44,776	44,776	0
28	Customer Billing	24,708	0	24,708	Retail-Only	0.00%	100.00%	24,708	0	24,708
29	Engineering Expense	78,225	0	78,225	T&D	30.00%	70.00%	78,225	23,468	54,758
30	Miscellaneous Expense	7,358	0	7,358	Retail-Only	0.00%	100.00%	7,358	0	7,358
31	Education	3,066	0	3,066	Retail-Only	0.00%	100.00%	3,066	0	3,066
32	Operating Supplies & Expense	3,440	0	3,440	Bulk-Retail	100.00%	0.00%	3,440	3,440	0
33	Cash (over) short	0	0	0	Bulk-Retail	100.00%	0.00%	0	0	0
34	Permits	2,453	0	2,453	Bulk-Retail	100.00%	0.00%	2,453	2,453	0
35	Security System	4,292	0	4,292	Bulk-Retail	100.00%	0.00%	4,292	4,292	0
36	Total Administration	395,560	0	395,560				395,560	193,253	202,307
	RO Plant									
37	Chemicals	92,786	0	92,786	Bulk-Retail	100.00%	0.00%	92,786	92,786	0
38	Maintenance & Repairs	64,950	0	64,950	Retail-Only	0.00%	100.00%	64,950	0	64,950
39	Laboratory	27,940	0	27,940	Bulk-Retail	100.00%	0.00%	27,940	27,940	0
40	Total RO Plant	185,677	0	185,677				185,677	120,726	64,950

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Line No.	Description		Projected Calendar Year Ending December 31, Budgeted [1] 2007	Adjustments	Adjusted 2007	Allocation Factor	Allocation Percentages [2] Bulk / Retail	Allocation Percentages [2] Retail Only	Allocation Bulk / Retail Total	Allocation Bulk / Retail Bulk & Retail	Allocation Retail Only
	Distribution System										
41	Primary Mains		2,398	0	2,398	Bulk-Retail	100.00%	0.00%	2,398	2,398	0
42	Secondary Mains		57,600	0	57,600	Retail-Only	0.00%	100.00%	57,600	0	57,600
43	St. James City Sub-Station		626	0	626	T&D	30.00%	70.00%	626	188	438
44	Bokeelia Sub-Station		521	0	521	T&D	30.00%	70.00%	521	156	365
45	Center Sub-Station		7,923	0	7,923	T&D	30.00%	70.00%	7,923	2,377	5,546
46	Scallop Ave Sub-Station		11,207	0	11,207	T&D	30.00%	70.00%	11,207	3,362	7,845
47	Total Distribution System		80,276	0	80,276				80,276	8,481	71,795
	Miscellaneous										
48	Water Samples		27,083	0	27,083	Bulk-Retail	100.00%	0.00%	27,083	27,083	0
49	Communications		17,306	0	17,306	T&D	30.00%	70.00%	17,306	5,192	12,114
50	Travel-Directors		102	0	102	Retail-Only	0.00%	100.00%	102	0	102
51	Disposal Service		3,577	0	3,577	Bulk-Retail	100.00%	0.00%	3,577	3,577	0
52	Utilities		224,668	0	224,668	Bulk-Retail	100.00%	0.00%	224,668	224,668	0
53	Special Projects		0	0	0	Bulk-Retail	100.00%	0.00%	0	0	0
54	Emergency Water Purchase		0	0	0	Bulk-Retail	100.00%	0.00%	0	0	0
55	Total Miscellaneous		272,736	0	272,736				272,736	260,520	12,217
	Backflow Prevention Program:										
56	New Personnel - Backflow Technician		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
57	New Personnel - Water Quality Operator		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
58	Employee Benefits		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
59	Health Insurance		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
60	Worker's Compensation		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
61	Payroll Taxes		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
62	Unemployment Taxes		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
63	Software		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
64	Backflow Devices - New Construction		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
65	Backflow Devices - Retrofit Installation		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
66	Total Miscellaneous		0	0	0				0	0	0
67	Operating Contingency	3.00%	65,754	0	65,754	O&M	65.75%	34.25%	65,754	43,233	22,521
68	TOTAL OPERATING EXPENSES		$2,257,563	$0	$2,257,563				$2,257,563	$1,165,844	$1,091,719
	OTHER REVENUE REQUIREMENTS										
	Debt Service										
69	Existing Debt Service		611,232	0	611,232	Retail-Only	0.00%	100.00%	611,232	0	611,232
70	Proposed Debt Service		0	0	0	Retail-Only	0.00%	100.00%	0	0	0
71	Total Debt Service		611,232	0	611,232				611,232	0	611,232
72	Capital Funded from Rates		93,300	0	93,300	T&D	30.00%	70.00%	93,300	27,990	65,310
73	Transfer to Capital Contingency Fund		0	0	0	Bulk-Retail	100.00%	0.00%	0	0	0
74	Total Other Revenue Requirements		704,532	0	704,532				704,532	27,990	676,542
75	GROSS REVENUE REQUIREMENTS		2,962,095	0	2,962,095				2,962,095	1,193,834	1,768,261

Table 10
Greater Pine Island Water Association
2006 Water Rate Study Update

Allocation of Net Revenue Requirements to Bulk Service - Incremental Basis

Line No.	Description	Projected Calendar Year Ending December 31, Budgeted [1] 2007	Adjustments	Adjusted 2007	Allocation Factor	Allocation Percentages [2] Bulk / Retail	Retail Only	Allocation Bulk / Retail Total	Bulk & Retail	Retail Only
	LESS INCOME AND FUNDS FROM OTHER SOURCES									
76	Other Operating Revenue	319,749	0	319,749	Retail-Only	0.00%	100.00%	319,749	0	319,749
77	Interest Income	27,472	0	27,472	Revenue	80.37%	19.63%	27,472	22,079	5,393
78	Operating Reserves - (Surplus)/Deficiency	0	0	0	Revenue	80.37%	19.63%	0	0	0
79	NET REVENUE REQUIREMENTS	$2,614,873	$0	$2,614,873				$2,614,873	$1,171,754	$1,443,119
80	TEST REVENUE REQUIREMENTS	$2,614,873	$0	$2,614,873				$0	$0	$0
81	PLUS ADDITIONAL RESERVE REQUIREMENTS	317,124	0	317,124	Retail-Only	0.00%	100.00%	317,124	0	317,124
82	AMOUNT TO BE RECOVERED FROM RATES	$2,931,997	$0	$2,931,997				$2,931,997	$1,171,754	$1,760,243
83	PROJECTED SALES OF WATER (THOUSAND GALLONS) [2]								451,681	451,681
									Cost to Bulk Customer	Cost to Retail Customer
84	PROJECTED COST PER THOUSAND GALLONS								$2.59	$6.49
85	ADDITIONAL CONTRIBUTION TO DEBT SERVICE COVERAGE							0.00%	0.00	
86	PROPOSED BULK RATE PER THOUSAND GALLONS								$2.59	
87	PERCENT OF RETAIL CUSTOMER COST - WITHOUT COVERAGE CONTRIBUTION								39.91%	100.00%
88	PERCENT OF RETAIL CUSTOMER COST - WITH COVERAGE CONTRIBUTION								39.91%	100.00%

Footnotes:

[1] Amounts derived from Table 1.

[2] Amount estimated based upon Calendar Year 2005 water production, less an experienced line loss of 12% per year plus customer growth.

Table 11
Greater Pine Island Water Association
2006 Water Rate Study Update

Existing Assets

Line No.	Description	Service Date	Service Year	Historical Cost [1]	Adjustment	Adjusted Cost	Annualized ENR Index	Estimated Replacement Cost	Allocator Treatment	Allocator Transmission	Total Replacement Costs Treatment	Total Replacement Costs Transmission
	EXISTING ASSETS											
	Land and Improvements											
1	Land Substation	6/30/1969	1969	$3,359	$0	$3,359	4.98%	$20,276	0%	100%	$0	$20,276
2	Land Storage	6/30/1971	1971	4,061	0	4,061	4.61%	19,676	0%	100%	0	19,676
3	Improvements	6/30/1972	1972	462	0	462	4.43%	2,019	0%	100%	0	2,019
4	Culvert & Catch Basin	6/30/1977	1977	1,586	0	1,586	3.83%	4,716	0%	100%	0	4,716
5	Fence Substation	4/17/1980	1980	4,785	0	4,785	3.37%	11,323	0%	100%	0	11,323
6	Fence Substation	4/22/1980	1980	524	0	524	3.37%	1,240	0%	100%	0	1,240
7	Fence Substation	6/30/1980	1980	2,885	0	2,885	3.37%	6,827	0%	100%	0	6,827
8	Land Clearing Center Station	6/2/1980	1980	250	0	250	3.37%	592	0%	100%	0	592
9	Sidewalk Center Station	10/23/1980	1980	410	0	410	3.37%	970	0%	100%	0	970
10	Shell Parking Lot	9/24/1980	1980	400	0	400	3.37%	947	0%	100%	0	947
11	3 Garage Doors Center Station	12/9/1980	1980	1,042	0	1,042	3.37%	2,466	0%	100%	0	2,466
12	Land St. James Substation	3/15/1980	1980	20,457	0	20,457	3.37%	48,409	0%	100%	0	48,409
13	Survey Lot for 3m Tank	4/30/1981	1981	880	0	880	3.14%	1,907	100%	0%	1,907	0
14	Land Scaping Main Office	9/30/1982	1982	780	0	780	2.94%	1,562	100%	0%	1,562	0
15	Pave and Stripe Parking Lot	12/28/1983	1983	2,596	0	2,596	2.79%	4,891	100%	0%	4,891	0
16	Stripe Parking Lot	2/21/1989	1989	590	0	590	3.03%	979	100%	0%	979	0
17	34 Acres New RO Plant	8/10/1989	1989	194,901	0	194,901	3.03%	323,498	100%	0%	323,498	0
18	10 Acres New RO Plant	5/20/1991	1991	6,471	0	6,471	3.12%	10,252	100%	0%	10,252	0
19	Test Well - New RO Plant	10/15/1989	1989	13,828	0	13,828	3.03%	22,952	100%	0%	22,952	0
20	Road / PERC Pond	5/7/1993	1993	677,644	0	677,644	3.01%	996,306	100%	0%	996,306	0
21	Mitigation Landscaping	5/7/1993	1993	83,044	0	83,044	3.01%	122,095	100%	0%	122,095	0
22	Fencing	5/7/1993	1993	18,592	0	18,592	3.01%	27,335	100%	0%	27,335	0
23	Trees / Shrubs RO Plant	3/23/1994	1994	1,530	0	1,530	2.94%	2,167	100%	0%	2,167	0
24	Additions / Deletions 2003 through 2005	12/31/2005	2005	535,777	0	535,777	2.92%	551,398	100%	0%	551,398	0
25	Total			1,576,854	0	1,576,854	4.98%	2,184,803	95%	5%	2,065,342	119,461
	RO Plant											
26	Fire Hydrant	6/30/1979	1979	522	0	522	3.53%	1,332	100%	0%	1,332	0
27	2 Air Compressors	12/14/1983	1983	3,935	0	3,935	2.79%	7,413	100%	0%	7,413	0
28	3 Flor Rate Transmitters	11/25/1987	1987	5,089	0	5,089	2.95%	8,847	100%	0%	8,847	0
29	Brine Treatment	4/1/1992	1992	68,092	0	68,092	3.12%	104,631	100%	0%	104,631	0
30	RO Plant Building	5/7/1993	1993	855,102	0	855,102	3.01%	1,257,213	100%	0%	1,257,213	0
31	RO Equipment	5/7/1993	1993	1,888,306	0	1,888,306	3.01%	2,776,281	100%	0%	2,776,281	0
32	210 Membranes	5/7/1993	1993	225,313	0	225,313	3.01%	331,266	100%	0%	331,266	0
33	2 Mil Gallon Storage Tanks	5/7/1993	1993	392,858	0	392,858	3.01%	577,599	100%	0%	577,599	0
34	Surge Protectors	5/7/1993	1993	10,993	0	10,993	3.01%	16,162	100%	0%	16,162	0
35	15" Aluminum Gate Valve	7/21/1993	1993	681	0	681	3.01%	1,001	100%	0%	1,001	0
36	Baldor 50 HP Motor	5/31/1994	1994	4,215	0	4,215	2.94%	5,970	100%	0%	5,970	0
37	2 Air Coolers	7/13/1994	1994	6,252	0	6,252	2.94%	8,855	100%	0%	8,855	0
38	20 GPD Tubing Pump	7/29/1994	1994	182	0	182	2.94%	258	100%	0%	258	0
39	115 Vac Motor w/ Pump	11/28/1994	1994	555	0	555	2.94%	786	100%	0%	786	0
40	560 Gal Skid Tank	2/7/1995	1995	787	0	787	3.11%	1,102	100%	0%	1,102	0
41	Concrete Fan Pads	7/6/1995	1995	960	0	960	3.11%	1,344	100%	0%	1,344	0
42	Electric Wiring Oil Coolers	8/7/1995	1995	944	0	944	3.11%	1,322	100%	0%	1,322	0
43	EL 100 Activators	11/2/1995	1995	1,261	0	1,261	3.11%	1,766	100%	0%	1,766	0
44	LPA 2005 Lightening System	6/4/1996	1996	9,300	0	9,300	3.15%	12,676	100%	0%	12,676	0
45	Surge Protector System	7/23/1996	1996	29,100	0	29,100	3.15%	39,663	100%	0%	39,663	0
46	7 1/2 HP 3" Pump	8/20/1996	1996	1,205	0	1,205	3.15%	1,642	100%	0%	1,642	0
47	Well Pump Controller	8/20/1996	1996	5,321	0	5,321	3.15%	7,252	100%	0%	7,252	0
48	Chlorine Injection System	9/24/1996	1996	1,905	0	1,905	3.15%	2,596	100%	0%	2,596	0
49	LMI Metering Pump	12/17/1996	1996	1,226	0	1,226	3.15%	1,671	100%	0%	1,671	0
50	Pump Installation	1/22/1997	1997	218	0	218	3.09%	287	100%	0%	287	0
51	Condensing Unit	4/16/1997	1997	2,395	0	2,395	3.09%	3,149	100%	0%	3,149	0
52	42 Membranes	5/23/1997	1997	31,680	0	31,680	3.09%	41,653	100%	0%	41,653	0
53	Calibrator	5/24/1997	1997	470	0	470	3.09%	618	100%	0%	618	0
54	LMI Metering Pump	1/7/1997	1997	1,226	0	1,226	3.09%	1,612	100%	0%	1,612	0
55	Addition to Plant A/C	3/26/1998	1998	1,075	0	1,075	3.27%	1,391	100%	0%	1,391	0
56	1.25 x .75 SMP 200 Pump	4/10/1998	1998	1,203	0	1,203	3.27%	1,557	100%	0%	1,557	0
57	Covers for Generator	6/25/1998	1998	1,072	0	1,072	3.27%	1,387	100%	0%	1,387	0
58	DRT-200 E Turbidimeter	1/21/1999	1999	1,670	0	1,670	3.41%	2,111	100%	0%	2,111	0
59	42 Membrane Elements	4/1/1999	1999	31,774	0	31,774	3.41%	40,170	100%	0%	40,170	0
60	Chlorotrol Vacuum Regulator	4/2/1999	1999	935	0	935	3.41%	1,182	100%	0%	1,182	0
61	Programming RO Computer	6/1/1999	1999	765	0	765	3.41%	967	100%	0%	967	0
62	Single Membrane Check	12/31/1999	1999	7,890	0	7,890	3.41%	9,975	100%	0%	9,975	0
63	Storage Shed	2/1/1999	1999	1,130	0	1,130	3.41%	1,429	100%	0%	1,429	0
64	WNCC Computer Software	3/3/1999	1999	9,343	0	9,343	3.41%	11,812	100%	0%	11,812	0
65	HP Netserver w/ Monitor	3/10/1999	1999	6,453	0	6,453	3.41%	8,158	100%	0%	8,158	0
66	Raco CB-4 Chatterbox	4/11/2000	2000	1,341	0	1,341	3.53%	1,651	100%	0%	1,651	0
67	Turbidity Meter	10/31/2000	2000	1,725	0	1,725	3.53%	2,124	100%	0%	2,124	0
68	Plant Software Upgrade	1/18/2000	2000	630	0	630	3.53%	776	100%	0%	776	0
69	14" Uni-flo Meter	12/8/2000	2000	1,008	0	1,008	3.53%	1,241	100%	0%	1,241	0
70	14" Krohne Mag Meter	12/28/2000	2000	6,385	0	6,385	3.53%	7,862	100%	0%	7,862	0
71	CO2 Well Cleaning System	12/31/2000	2000	25,225	0	25,225	3.53%	31,060	100%	0%	31,060	0
72	Siemens Network Board for RO Plant	3/1/2001	2001	2,838	0	2,838	3.85%	3,427	100%	0%	3,427	0
73	Dry Acid Tank	9/14/2001	2001	2,162	0	2,162	3.85%	2,611	100%	0%	2,611	0
74	Security Gate at RO Plant	12/31/2001	2001	3,780	0	3,780	3.85%	4,565	100%	0%	4,565	0
75	Variable Speed Drive for Membrane	11/29/2001	2001	10,578	0	10,578	3.85%	12,774	100%	0%	12,774	0
76	Pipe and Fitting - High Speed Pump	1/17/2002	2002	1,162	0	1,162	4.04%	1,361	100%	0%	1,361	0
77	Degassifier	2/5/2002	2002	79,750	0	79,750	4.04%	93,436	100%	0%	93,436	0
78	Electrical Upgrade	2/5/2002	2002	40,435	0	40,435	4.04%	47,374	100%	0%	47,374	0
79	Membrane System	2/5/2002	2002	428,635	0	428,635	4.04%	502,194	100%	0%	502,194	0
80	126 Membrane Filters	2/5/2002	2002	99,000	0	99,000	4.04%	115,990	100%	0%	115,990	0
81	84 Filter Membranes	8/8/2002	2002	59,580	0	59,580	4.04%	69,805	100%	0%	69,805	0

Table 11
Greater Pine Island Water Association
2006 Water Rate Study Update

Existing Assets

Line No.	Description	Service Date	Service Year	Historical Cost [1]	Adjustment	Adjusted Cost	Annualized ENR Index	Estimated Replacement Cost	Allocator Treatment	Allocator Transmission	Total Replacement Costs Treatment	Total Replacement Costs Transmission
82	Additions / Deletions 2003 through 2005	12/31/2005	2005	(136,524)	0	(136,524)	0.00%	0	100%	0%	0	0
83	Total			4,241,113	0	4,241,113	4.98%	6,194,357	100%	0%	6,194,357	0
	Water Supply Wells											
84	Pumping Station & Structures	6/30/1969	1969	28,337	0	28,337	4.98%	171,049	100%	0%	171,049	0
85	Supply	6/30/1970	1970	36,614	0	36,614	4.87%	203,087	100%	0%	203,087	0
86	2 Deep Wells #4 and #5	5/7/1993	1993	122,570	0	122,570	3.01%	180,208	100%	0%	180,208	0
87	Deep Well #6	5/7/1993	1993	85,691	0	85,691	3.01%	125,987	100%	0%	125,987	0
88	Monitoring Well	5/7/1993	1993	9,575	0	9,575	3.01%	14,078	100%	0%	14,078	0
89	3- Signet Flowmeters	11/23/1999	1999	3,152	0	3,152	3.41%	3,985	100%	0%	3,985	0
90	Well #7	2/28/2002	2002	420,013	0	420,013	4.04%	492,092	100%	0%	492,092	0
91	Additions / Deletions 2003 through 2005	12/31/2005	2005	4,162,277	0	4,162,277	2.92%	4,283,628	100%	0%	4,283,628	0
92	Total			4,868,229	0	4,868,229	4.98%	5,474,114	100%	0%	5,474,114	0
	Primary Mains											
93	Pump Station and Res Center	6/30/1970	1970	62,282	0	62,282	4.87%	345,460	0%	100%	0	345,460
94	Pump Station and Test St Jam	6/30/1970	1970	78,154	0	78,154	4.87%	433,497	0%	100%	0	433,497
95	Mains	6/30/1970	1970	271,853	0	271,853	4.87%	1,507,888	0%	100%	0	1,507,888
96	Sanibel Mains	6/30/1970	1970	137,911	0	137,911	4.87%	764,952	0%	100%	0	764,952
97	Mains	6/30/1970	1970	1,007	0	1,007	4.87%	5,586	0%	100%	0	5,586
98	Relocation Mains by Flow	6/30/1970	1970	11,938	0	11,938	4.87%	66,217	0%	100%	0	66,217
99	Mains	6/30/1973	1973	4,477	0	4,477	4.32%	18,097	0%	100%	0	18,097
100	Mains and Bridge Bypass	6/30/1979	1979	967	0	967	3.53%	2,467	0%	100%	0	2,467
101	Fire Hydrant Flamingo	6/30/1979	1979	206	0	206	3.53%	525	0%	100%	0	525
102	Doors Pump Station	6/30/1979	1979	263	0	263	3.53%	671	0%	100%	0	671
103	3m Gallon Storage Tank	3/5/1981	1981	444,524	0	444,524	3.14%	963,240	0%	100%	0	963,240
104	10" Line to Bokeelia	9/30/1982	1982	156,493	0	156,493	2.94%	313,395	0%	100%	0	313,395
105	Jack and Bore	7/30/1982	1982	2,600	0	2,600	2.94%	5,207	0%	100%	0	5,207
106	2 Jacks and Bore	8/31/1982	1982	7,464	0	7,464	2.94%	14,948	0%	100%	0	14,948
107	Jack and Bore	7/26/1983	1983	3,240	0	3,240	2.79%	6,104	0%	100%	0	6,104
108	Line Extensions Pine Island	5/1/1984	1984	34,719	0	34,719	2.83%	64,146	0%	100%	0	64,146
109	Other Miscellaneous Additions	7/1/1984	1984	2,442	0	2,442	2.83%	4,512	0%	100%	0	4,512
110	Pump House Building	9/30/1985	1985	26,136	0	26,136	2.91%	47,724	0%	100%	0	47,724
111	Primary Line Extensions	7/30/1985	1985	4,347	0	4,347	2.91%	7,938	0%	100%	0	7,938
112	3 New Pumps & Connection	8/31/1985	1985	63,916	0	63,916	2.91%	116,710	0%	100%	0	116,710
113	New Pumps & Installation	8/26/1986	1986	36,571	0	36,571	2.94%	65,223	0%	100%	0	65,223
114	Base, Grade and Paving	8/7/1986	1986	2,852	0	2,852	2.94%	5,086	0%	100%	0	5,086
115	Motor and Installation	7/3/1986	1986	625	0	625	2.94%	1,115	0%	100%	0	1,115
116	Slitter Box	7/7/1986	1986	6,310	0	6,310	2.94%	11,254	0%	100%	0	11,254
117	Remodel RO Plant Office	10/22/1986	1986	3,462	0	3,462	2.94%	6,174	0%	100%	0	6,174
118	Additions Primary Mains	7/1/1986	1986	3,545	0	3,545	2.94%	6,322	0%	100%	0	6,322
119	40 HP SS Pump/ Install	10/27/1987	1987	20,501	0	20,501	2.95%	35,642	0%	100%	0	35,642
120	Jack and Bore	12/9/1987	1987	18,595	0	18,595	2.95%	32,328	0%	100%	0	32,328
121	Primary Line Extensions	7/1/1987	1987	21,426	0	21,426	2.95%	37,250	0%	100%	0	37,250
122	Line Extensions - Kreamer	6/1/1988	1988	58,275	0	58,275	2.98%	98,780	0%	100%	0	98,780
123	Primary Line Extensions	7/1/1989	1989	50,621	0	50,621	3.03%	84,021	0%	100%	0	84,021
124	12" Force Main	1/26/1990	1990	1,144	0	1,144	3.06%	1,852	0%	100%	0	1,852
125	Guard Rails	3/15/1990	1990	5,940	0	5,940	3.06%	9,615	0%	100%	0	9,615
126	Jack and Bore / St Jude	3/29/1990	1990	6,807	0	6,807	3.06%	11,019	0%	100%	0	11,019
127	Line extensions - Saddlewood	2/1/1990	1990	28,529	0	28,529	3.06%	46,182	0%	100%	0	46,182
128	2" Meter & Accessories	1/14/1992	1992	1,386	0	1,386	3.12%	2,130	0%	100%	0	2,130
129	Hydrants / Stringfellow	1/13/1992	1992	150	0	150	3.12%	230	0%	100%	0	230
130	Engineering - Office Main	4/6/1993	1993	1,554	0	1,554	3.01%	2,285	0%	100%	0	2,285
131	Fire Hydrant - Bokeelia	7/7/1993	1993	1,294	0	1,294	3.01%	1,903	0%	100%	0	1,903
132	Sanibel Interconnect	10/31/1994	1994	11,468	0	11,468	2.94%	16,244	0%	100%	0	16,244
133	Water Main Extension Phase I	11/30/1995	1995	380,008	0	380,008	3.11%	532,053	0%	100%	0	532,053
134	Water Main Extension Phase II	6/1/1997	1997	483,826	0	483,826	3.09%	636,132	0%	100%	0	636,132
135	Line Relocation - Bookeelia	4/1/1999	1999	40,938	0	40,938	3.41%	51,755	0%	100%	0	51,755
136	Water Main Extension - Phase III	11/30/1999	1999	558,654	0	558,654	3.41%	706,270	0%	100%	0	706,270
137	Phase III - Additional Costs	4/1/2000	2000	90,349	0	90,349	3.53%	111,248	0%	100%	0	111,248
138	Phase IV - Water Main Upgrade	5/31/2000	2000	326,335	0	326,335	3.53%	401,821	0%	100%	0	401,821
139	Phase V Area 1-3 Main Upgrades	3/1/2001	2001	589,720	0	589,720	3.85%	712,164	0%	100%	0	712,164
140	Veterans Parkway Line Relocation	7/19/2002	2002	130,503	0	130,503	4.04%	152,899	0%	100%	0	152,899
141	Phase V Area 3&4 Line Upgrade	9/19/2002	2002	336,627	0	336,627	4.04%	394,396	0%	100%	0	394,396
142	Additions / Deletions 2003 through 2005	12/31/2005	2005	296,443	0	296,443	2.92%	305,086	0%	100%	0	305,086
143	Total			4,829,397	0	4,829,397	4.98%	9,167,763	0%	100%	0	9,167,763
144	**TOTAL ASSETS**			$15,515,593	$0	$15,515,593	4.98%	$23,021,037	60%	40%	$13,733,813	$9,287,224

Footnotes:
[1] Amounts based upon assets records as available by the Association and reconciled to the audited Calendar Year 2005 Financial Statements.

Table 12
Greater Pine Island Water Association
2006 Water Rate Study Update

Capital Improvement Program by Function

Line No.	Description	Funding Source	Capital Improvement Program Total 2006 - 2011 [1]	Adjustment [2]	Adjusted Total	Allocation Existing	Allocation Future	Existing Facilities Treatment	Existing Facilities Transmission	Future Facilities Treatment	Future Facilities Transmission
	WATER SYSTEM										
	Administration										
1	Computer Tape Back-up	REV	$2,000	($2,000)	$0	100%	0%	$0	$0	$0	$0
2	Fax Machine	REV	500	(500)	0	100%	0%	0	0	0	0
3	Billing Software System	REV	45,000	(45,000)	0	100%	0%	0	0	0	0
4	Copy Machine	REV	0	0	0	100%	0%	0	0	0	0
5	Computers	REV	34,200	(34,200)	0	100%	0%	0	0	0	0
6	Administration Total		81,700	(81,700)	0	100%	0%	0	0	0	0
	RO Plant Renewal & Replacement										
7	Replace Membranes Train A - Stage 1	OR	50,000	(50,000)	0	100%	0%	0	0	0	0
8	Replace Membranes Train B - Stage 1	OR	0	0	0	100%	0%	0	0	0	0
9	Replace Membranes Train C - Stage 1	OR	50,000	(50,000)	0	100%	0%	0	0	0	0
10	Replace Membranes Train A - Stage 2	OR	0	0	0	100%	0%	0	0	0	0
11	Replace Membranes Train B - Stage 2	OR	0	0	0	100%	0%	0	0	0	0
12	Replace Membranes Train C - Stage 2	OR	25,000	(25,000)	0	100%	0%	0	0	0	0
13	HS Pump "B" Replacement	OR	20,000	(20,000)	0	100%	0%	0	0	0	0
14	Exterior Painting	OR	75,000	(75,000)	0	100%	0%	0	0	0	0
15	Hydrogen Sulfide Reduction (Air Scrubber)	OR	50,000	(50,000)	0	100%	0%	0	0	0	0
16	Computers/PLC	OR	10,000	(10,000)	0	100%	0%	0	0	0	0
17	Security	OR	14,000	(14,000)	0	100%	0%	0	0	0	0
18	Well #4	OR	25,000	(25,000)	0	100%	0%	0	0	0	0
19	Well #5	OR	25,000	(25,000)	0	100%	0%	0	0	0	0
20	Well #6	OR	25,000	(25,000)	0	100%	0%	0	0	0	0
	RO Plant Expansion			0	0	100%	0%	0	0	0	0
21	Upgrade Trains	CAP	150,000	0	150,000	100%	0%	150,000	0	0	0
22	Well #8	CAP	320,000	0	320,000	100%	0%	320,000	0	0	0
23	Total RO Plant		839,000	(369,000)	470,000	100%	0%	470,000	0	0	0
	Transmission/Distribution										
24	Annual Fire Hydrant Placement Program	REV	60,000	0	60,000	100%	0%	0	60,000	0	0
25	Neighborhood Upgrade	REV	320,000	0	320,000	100%	0%	0	320,000	0	0
26	Neighborhood Upgrade	CAP	480,000	0	480,000	0%	100%	0	0	0	480,000
27	Security-Scada	OR	20,000	0	20,000	100%	0%	0	20,000	0	0
28	Mud Hog	OR	2,000	0	2,000	100%	0%	0	2,000	0	0
29	Cave-in Box	OR	10,000	0	10,000	100%	0%	0	10,000	0	0
30	Replace Water Line Under Matlacha Bridge	OR	1,532,451	(1,532,451)	0	100%	0%	0	0	0	0
31	Replace Water Line Under Matlacha Bridge	FEMA2	1,167,549	(1,167,549)	0	100%	0%	0	0	0	0
32	Replace Water Line Under Matlacha Bridge	LI	0	0	0	100%	0%	0	0	0	0
33	Replace Sandy Hook SubAqueous Bridge Crossing	OR	70,360	(70,360)	0	100%	0%	0	0	0	0
34	Replace Sandy Hook SubAqueous Bridge Crossing	FEMA1	179,640	(179,640)	0	100%	0%	0	0	0	0
35	Replace Sub-Aqueous Crossing Matlacha Postoffice Bridge	OR	250,000	(250,000)	0	100%	0%	0	0	0	0
36	Replace Sub-Aqueous Crossing Little Pine Island Bridge	OR	200,000	(200,000)	0	100%	0%	0	0	0	0
37	Total Transmission/Distribution		4,292,000	(3,400,000)	892,000	46%	54%	0	412,000	0	480,000

Table 12
Greater Pine Island Water Association
2006 Water Rate Study Update

Capital Improvement Program by Function

Line No.	Description	Funding Source	Capital Improvement Program Total 2006 - 2011 [1]	Adjustment [2]	Adjusted Total	Allocation Existing	Allocation Future	Existing Facilities Treatment	Existing Facilities Transmission	Future Facilities Treatment	Future Facilities Transmission
	Center Pump Station										
38	HS Pump #1 Replacement	OR	32,000	(32,000)	0	100%	0%	0	0	0	0
39	HS Pump #2 Replacement	OR	62,000	(62,000)	0	100%	0%	0	0	0	0
40	Emergency Generator	OR	50,000	0	50,000	100%	0%	0	50,000	0	0
41	Total Center Pump Station		144,000	(94,000)	50,000	100%	0%	0	50,000	0	0
	Deep Well Injection										
42	Mech Integrity Test	OR	30,000	0	30,000	100%	0%	30,000	0	0	0
43	Total Deep Well Injection		30,000	0	30,000	100%	0%	30,000	0	0	0
	Off-Island Pump Station										
44	Security-Scada-Fiber Op	CAP	6,000	0	6,000	100%	0%	0	6,000	0	0
45	Total Off-Island Improvements		6,000	0	6,000	100%	0%	0	6,000	0	0
	Vehicles										
46	Replace 1994 Chevy Blazer	REV	20,000	(20,000)	0	100%	0%	0	0	0	0
47	Replace 2004 Nissan Frontier	REV	20,000	(20,000)	0	100%	0%	0	0	0	0
48	Replace 2000 Ford F-150	REV	20,000	(20,000)	0	100%	0%	0	0	0	0
49	Replace 1998 Ford Ranger	REV	20,000	(20,000)	0	100%	0%	0	0	0	0
50	Replace 1990 Ford F-350	REV	40,000	(40,000)	0	100%	0%	0	0	0	0
51	Replace 1984 STEP Van	REV	40,000	(40,000)	0	100%	0%	0	0	0	0
52	Total Vehicles		160,000	(160,000)	0	100%	0%	0	0	0	0
53	TOTAL WATER SYSTEM CAPITAL COSTS		$5,552,700	($4,104,700)	$1,448,000	67%	33%	$500,000	$468,000	$0	$480,000
54	CHECK		$5,552,700								

Footnotes:

[1] Amounts as provided by Association staff on May 1, 2006 and revised by the General Manager on June 2, 2006.

[2] Amounts reflected to exclude ordinary and miscellaneous equipment and renewals and replacements of existing assets from fee determination.

Table 13
Greater Pine Island Water Association
2006 Water Rate Study Update

Development of Water System Capital Charge

Line No.	Description	Existing Facilities Total	Existing Facilities Available for New Growth Percent	Existing Facilities Available for New Growth Amount	Additional Facilities	Total Existing and Additional Facilities Available for New Growth
	Water Production and Treatment Facilities					
1	Cost of Existing Facilities	$13,733,813 [1]			$0	
2	Additional Costs from Capital Plan	500,000 [2]			0 [2]	
3	Total Facilities Cost	$14,233,813	47.50% [3]	$6,761,061	$0	$6,761,061
	Plant Capacity (MGD) (MDF)					
4	Plant Capacity (MGD) (ADF)	3.000	47.50% [3]	1.425	0.000	1.425
5	ERU Factor - GPD [1]	250		250	250	250
6	Estimated ERUs to be Served	12,000	47.50% [3]	5,700	0	5,700
7	Estimated ERUs	12,000		5,700	-	5,700
8	Cost per ERU	$1,186		$1,186	$0	$1,186
	Primary Transmission/Distribution System					
9	Cost of Existing Facilities	$9,287,224 [1]			$0	
10	Additional Costs from Capital Plan	468,000 [2]			480,000 [2]	
11	Total Facilities Cost	$9,755,224	47.50% [3]	$4,633,731	$480,000	$5,113,731
12	Plant Capacity (MGD) (ADF)	3.000		1.425	0.000	1.425
13	ERU Factor - GPD	250		250	250	250
14	Estimated ERUs to be Served	12,000		5,700	0	5,700
15	Cost per ERU	$813		$813	$0	$897
16	Total Water Capital Facility Charge (Rounded) per ERU (line 8 + line 15)					$2,083
17	Existing Rate					1,532
18	Increase					$551

Footnotes:

[1] Existing plant costs obtained from the Association's fixed asset schedule as of December 31, 2002 shown in Table 11.

[2] Amounts derived from Table 12, which reflect planned capital construction costs as provided by staff.

[3] Percent of existing water treatment capacity available for new growth is determined as follows:

Total Water Production/Treatment Capacity	3.000 MGD
Estimated Average Daily Flow	1.575 MGD
Remaining Capacity of Existing Facilities	1.425
Percent of Existing Facilities Remaining	47.50%

Table 14
Greater Pine Island Water Association
2006 Water Rate Study Update

Comparison of Capacity Charges For Water Service

Line No.	Description	Residential 5/8" x 3/4" Meter Water
	Greater Pine Island Water Association	
1	Existing Rates	$1,532
2	Proposed Rates	2,083
	Other Florida Utilities:	
3	City of Bradenton	$915
4	Bonita Springs Utilities, Inc.	2,085
5	City of Cape Coral	2,571
6	Charlotte County	1,213
7	City of Clearwater	480
8	Collier County	2,760
9	Englewood Water District	1,427
10	FGUA - Lehigh Acres System (Lee County)	1,885
11	Gasparilla Island Water Association, Inc.	4,018
12	City of Fort Myers	2,023
13	Hillsborough County	1,650
14	City of Sanibel	1,881
15	Lee County	1,140
16	Manatee County	1,270
17	City of Naples	870
18	City of North Port	1,735
19	Pinellas County	352
20	City of Punta Gorda	2,824
21	City of Sarasota	900
22	Sarasota County	2,720
23	Other Florida Utilities' Average	$1,736

Footnote:

[1] Unless otherwise noted, amounts shown reflect residential rates in effect June 2006 and are exclusive of taxes or" franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

Table 15
Greater Pine Island Water Association
2006 Water Rate Study Update

Existing and Proposed Miscellaneous Fees

Line No.	Description	Existing	Proposed [1]
	Meter Fee:		
1	5/8" Meter	$220	$540
2	3/4" Meter	$350	$860
3	1" Meter	$550	$1,350
4	1 1/2" Meter (Calculated)	$900	$2,210
5	2" Meter (Calculated)	$1,000	$2,450
6	3" Meter	Actual Cost x 2	Actual Cost x 2
7	4" Meter	Actual Cost x 2	Actual Cost x 2
8	6" Meter	Actual Cost x 2	Actual Cost x 2
	Other Fees:		
9	Turn off fee, if requested by Member	$10	$20
10	Turn on fee, if requested by Member	$10	$20
11	Service Charge	$25	$35
12	Special Meter Location Fee	$50	$100
13	Special Meter Reading Fee, if requested by Member	$20	$25
14	Special Meter Test Fee, if requested by Member	$25	$50
15	D.O.T. Permit Fee (where applicable)	$30	Actual Cost
16	Plan Review Fee	$50	$100
17	Inspection Fee	$150	$25/Unit
18	Re-inspection Fee	$50	$100/Inspection
19	Residential Irrigation Meter (5/8")	$220	$540
20	Fire Hydrant Installation (Commercial)	$2,000	$3,000 + Jack/Bore
	Curb Stop Replacement Costs:		
21	5/8" Meter	$40	$40
22	3/4" Meter	$40	$50
23	1" Meter	$55	$60
24	1 1/2" Meter	$75	$80
25	2" Meter	$100	$120

Footnotes:
[1] Amounts reflect recommended changes as prepared by Association staff.

LEE COUNTY RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA GRANTING THE APPLICATION OF THE GREATER PINE ISLAND WATER ASSOCIATION, INC., FOR A REVISION TO ITS WATER SYSTEM RATE STRUCTURE IN ITS FRANCHISE AREA WITHIN LEE COUNTY.

WHEREAS, the Greater Pine Island Water Association, Inc. is the present holder of a water franchise in Lee County, Florida, granted by a Resolution of the Board of County Commissioners ("Board") in and for Lee County, Florida, on the 10th day of February, 1965, and extended by Resolution of the Board on the 17th day of July, 1991; and

WHEREAS, the Greater Pine Island Water Association, Inc. has, pursuant to said franchise authority, made application for a revision to its water system rate structure by Petition duly filed with the Board; and

WHEREAS, the Greater Pine Island Water Association, Inc. has notified the Board that they intend to issue revenue bonds in accordance with its contract with the Florida Department Finance Corporation ("FDFC") to finance certain capital improvements to the water system; and

WHEREAS, the Board has set the said Petition for a public hearing on Tuesday, November 14, 2006, at 5:00 p.m. and caused due notice thereof to be published two (2) times in the Fort Myers New Press, copies of said notice attached hereto; and

WHEREAS, said public hearing was held on Tuesday, November 14, 2006, in the Board of County Commissioners' Chamber, Fort Myers, Florida, at which time the Greater

Pine Island Water Association, Inc., by and through its duly authorized representatives, presented evidence in support of its application for a revision to its water system rate structure and all interested parties were permitted to question witnesses and to make a statement of record, and the Board, after being fully advised in the premises has determined as follows:

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA, that:

1. The revisions to the water system rate structure as proposed by the Greater Pine Island Water Association, Inc., in its Petition for a water system rate structure, a copy of which is attached hereto and incorporated herein as though set forth at length, is hereby granted.
2. The revised water system rate structure shall become effective on a date to be determined by the Board of Directors of the Greater Pine Island Water Association, Inc., as stated in its By-Laws, not to exceed sixty (60) days from the Board of County Commissioners' adoption of this Resolution.
3. This Resolution shall take effect immediately upon its adoption by the Board of County Commissioners.
4. The Board of County Commissioners hereby authorizes the FDFC to issue its limited obligation taxable revenue bonds in such principal amount necessary to finance, among other things, the costs of the proposed Project and the costs of issuance related to such bonds. Lee County shall not be liable for the indebtedness, liability, or obligation of Lee County, or the State of Florida, or any political subdivision thereof or a pledge of the faith and

credit or any taxing power of Lee County or the State of Florida or any political subdivision thereof, but shall be limited obligations of FDFC, payable solely from and secured by a pledge of payments made to FDFC and other funds provided thereof.

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The foregoing Resolution was adopted by the Lee County Board of County Commissioners upon a motion by Commissioner _____, and seconded by Commissioner _____ and, upon being put to a vote as follows:

BOB JANES	_____
DOUGLAS ST. CERNY	_____
RAY JUDAH	_____
TAMMARA HALL	_____
JOHN E. ALBION	_____

DULY PASSED AND ADOPTED THIS _____ day of _____, 2006.

ATTEST: CHARLIE GREEN
CLERK OF COURTS

BY: _____
Deputy Clerk

BOARD OF COUNTY
COMMISSIONERS
OF LEE COUNTY, FLORIDA

_____

BY: Tammara Hall, Chairwoman

_____

_____

APPROVED AS TO FORM:

BY: _____
Office of the County Attorney