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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-) DOCKET NO. 910276-WS
assisted rate case in Volusia) ORDER NO. 24643
County by Pine Island Utility) ISSUED: 06/10/91
Corporation)
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
GERALD L. GUNTER
MICHAEL MCK. WILSON

FINAL ORDER GRANTING TEMPORARY RATES
IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING INCREASED RATES AND CHARGES,
ASSESSING AND CONDITIONALLY SUSPENDING FINE, REQUIRING
COMPLIANCE WITH DEPARTMENT OF ENVIRONMENTAL REGULATION
REQUIREMENTS, REQUIRING INSTALLATION OF METERS, AND
REQUIRING SECURITY FOR POWER BILLS

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein, except for the granting of temporary rates in event of protest, are preliminary in nature, and as such, will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Pine Island Utility Corporation (PIU or utility) is a class "C" water and wastewater utility whose service area is located in the northwestern portion of Volusia County, approximately three miles west of the Seville, Florida.

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05769 JUN 10 1991
FPC-RECORDS/REPORTING

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On June 6, 1990, PIU applied for a staff-assisted rate case. However, by Order No. 24132, issued February 18, 1991, this Commission closed the case without granting PIU any rate relief. The documentation submitted by PIU concerning its ownership of land and plant assets was problematic. Our Order stated that PIU could refile without having to pay a new filing fee if it had submitted by a date certain the documents necessary to settle the questions we had regarding the utility's ownership of land and facilities. PIU timely submitted the information, and on March 4, 1991, it re-submitted its application for a staff-assisted rate case. The official date of filing for the instant application is May 3, 1991.

For the purpose of evaluating the utility's request, we have selected the twelve-month period ending June 30, 1990, as the test period.

QUALITY OF SERVICE

Our staff conducted a customer meeting in the utility's service territory on November 27, 1990. Approximately forty-five customers attended this meeting. Several commented that, in general, the water quality was poor and that the water system was not meeting requirements. Judging from the comments of the customers who attended that meeting and from the comments of those who wrote us letters, the primary customer concerns are these: the odor and the taste of water; excessive chlorine in the water; the need for a security fence around the water plant; the need for an accessible maintenance person; and the need for meter installations. The consensus of the customers seems to be that the water system has severe problems and that water quality had declined in the last few years. None of the customers voiced complaints about the wastewater treatment plant.

The water system is currently operating under a Florida Department of Environmental Regulation (DER) Consent Order. In the Consent Order, the utility agreed to complete several major repairs at the water treatment plant. While the utility has hired an engineer and is in the process of submitting to DER the required plans and specifications for permit approval, it has not yet complied with the terms of the Consent Order. On December 27, 1990, the DER gave notice to the utility that the case was being referred to the DER Office of General Counsel for enforcement.

We note that the problems experienced by the customers are the result of the utility's violating DER standards. Although the utility has been cited for numerous infractions, the most critical

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appear to be an undersized hydropneumatic tank, inadequate pumping capacity of the plant, and the need for backflow prevention devices.

On August 28, 1989, DER issued a Notice of Violation (NOV) against the utility for violations at its wastewater treatment plant. A DER representative visited the wastewater plant on November 29, 1990, and determined that the NOV is yet to be complied with. The most critical problem with the wastewater treatment plant is the high turbidity remaining after the clarification process. The persistence of this problem not only poses a potential health hazard, but also causes strong odors to emanate from the plant. In addition, the quality of the effluent leaving the plant indicates that current flows are jeopardizing the utility's ability to meet discharge requirements.

In consideration of the foregoing, we find that the utility's quality of service for both water and wastewater is unsatisfactory. In other cases in which we have found a utility's quality of service to be unsatisfactory, we have fined the utility a dollar amount equal to a 1% reduction to its return on common equity. We shall impose a fine on PIU for its failure to provide safe, efficient, and sufficient service.

The dollar amount associated with a 1% reduction in this utility's return on common equity is \$314. We believe that in order to properly encourage the utility to satisfy DER requirements in a timely manner a \$314 fine is insufficient. We therefore impose a \$1,000 fine, or \$500 per system, for the utility's unsatisfactory quality of service. However, with the purpose of encouraging compliance with DER's requirements in mind, we hereby suspend this fine for six months, until December 10, 1991, in order to allow the utility time to satisfy DER requirements. If all DER requirements are not satisfied by this date, the fine is hereby reinstated and, thus becomes due and payable.

RATE BASE

Our calculation of the appropriate rate bases for the purpose of this proceeding are depicted on Schedule No. 1, for the water system, and on Schedule No. 1-A, for the wastewater system. Our adjustments are itemized on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

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Used and Useful

The water treatment plant is a closed system, and, as such, it is more appropriate to evaluate the plant's readiness to serve on a gallon per minute (gpm) basis. However, since the plant utilizes only two well pumps, each with a 70 gpm capacity, to meet instantaneous fluctuations in demand, the capacity of the plant is dictated by the limited capacity of the pumps. Supply is further limited by an undersized hydropneumatic tank. Indeed, in this case, the 145 gpm maximum daily flow exceeds the 140 gpm capacity of the pumps, notwithstanding the 2 equivalent residential connections (ERCs) that should be in the margin reserve. Since we do not recognize used and useful percentages above 100%, we find that the water treatment plant is 100% used and useful.

To arrive at the used and useful percentage of the water transmission and distribution systems, we divide the sum of the 88 ERCs at the end of the test year and the 2 ERCs in the margin reserve by the 108 ERCs capacity of the system. The quotient is .8287. We therefore find that the water transmission and distribution system is 82.87% used and useful. All other distribution accounts are 100% used and useful.

To arrive at the used and useful percentage of the wastewater treatment plant and disposal facilities, we divide the sum of the 10,200 gallons per day (gpd) highest average daily flow and the 383 gpd margin reserve by the 15,000 gpd rated capacity of the plant. The quotient is .7055. We therefore find that the wastewater treatment plant and disposal facilities are 70.55% used and useful. All other wastewater plant accounts are considered 100% used and useful.

To arrive at the used and useful percentage of the wastewater collection system, we divide the sum of the 40 ERCs at the end of the test year and the 2 ERCs in the margin reserve by the 60 ERCs capacity of the collection system. The quotient is .6917. We therefore find that the wastewater collection system is 69.17% used and useful. All other collection accounts are 100% used and useful.

Land

The utility does not own the land upon which its facilities are located. We are now satisfied that the utility has valid lease agreements for said land. Although the leases are for fifty year terms, and not for ninety-nine year terms, which this Commission

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favors, we are satisfied that the fifty year terms will give the utility continuous access to the land.

As the utility does not own the land upon which its plants are located, we have not included any land value in rate base for either utility system.

Plant-In-Service

As stated in the case background, we were concerned with the problematic information which the utility submitted regarding ownership of plant assets. However, upon reviewing the affidavits of the utility's former owners, wherein they averred to the utility corporation's ownership of utility assets, we are now satisfied that the utility corporation owns its plant assets and is therefore, entitled to earn a return on same.

By Order No. 16771, issued October 24, 1986, this Commission established this utility's rate base as of December 31, 1985. Upon reviewing the utility's books, we have reconciled all totals with the totals established in the above Order and updated all components through the test period ended June 30, 1990.

According to our audit, no plant additions were recorded by the utility since December 31, 1985. However, we have discovered that the utility recorded two capital expenditures as expenses. In July, 1989, the utility spent \$2,426 to replace a pump and motor at the wastewater plant lift station, and in June, 1990, it spent \$295 to replace a hypomechanical pump at the water plant. We have increased wastewater plant by \$2,426 and water plant by \$295 to reflect the additions, and we have decreased wastewater plant by \$513 and water plant by \$250 to reflect retirement of the replaced equipment.

We have reduced plant-in-service for the water system by \$1,897 and plant-in-service for the wastewater system by \$6,933, which represent the non-used and useful portion of plant, net of accumulated depreciation.

Proforma Plant

The utility is currently providing service to approximately eighty-four unmetered residential customers. In the utility's last rate case in 1986, we decided that because of the utility's small size and the substantial investment necessary to install meters, the utility should continue to charge a flat rate to its

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residential customers. However, we now believe that all of the utility's customers should be metered. The utility is hereby ordered to install meters for all of its customers within six months of the date of this Order, December 10, 1991. We think that eighty-four 5/8 inch by 3/4 inch meters should cost approximately \$7,560, and have therefore increased water plant-in-service by \$7,560 to reflect this cost.

The wastewater plant has only one motor/blower assembly. With no backup or alternate source of aeration, the plant would be totally dysfunctional should there be a breakdown. We have therefore increased wastewater plant-in-service by \$4,000, which we think is a reasonable cost for a dual motor/blower.

The utility requested that we make a proforma adjustment to plant for the costs of certain improvements required by DER. However, since the utility has not submitted signed contracts for these improvements, we shall not include any of the costs of these improvements in rate base.

Test Year Plant-In-Service

Upon reducing water plant by \$22 to account for an averaging difference, we find that the proper amount of test year plant-in-service for the water system is \$31,007 and that the proper amount of test year plant-in-service for the wastewater system is \$38,875.

Contributions-In-Aid-Of-Construction (CIAC)

The utility did not have any CIAC recorded on its books. By Order No. 16771, we established CIAC as of December 31, 1985, to be \$700 for water and \$600 for wastewater. According to our audit, the utility connected sixteen water and three wastewater customers since 1985. The utility's existing system capacity charge is \$100 each for water and wastewater. The utility collected the charges for the connections it made, but did not record the charges. We have therefore increased the CIAC balances by \$2,300 for the water system and by \$900 for the wastewater system. We have also increased the CIAC balances by \$400 for water and \$800 for wastewater to reflect CIAC associated with the margin reserve. Upon increasing CIAC for the water system by \$650 to reflect proper averaging, we find that the proper balances of test year CIAC are \$2,050 for the water system and \$1,700 for the wastewater system.

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Accumulated Depreciation and Amortization of CIAC

Following the guidelines of Rule 25-30.140(2), Florida Administrative Code, we have updated the balances of accumulated depreciation and amortization of CIAC from the totals established in Order No. 16771 to June 30, 1990, the end of the test year in this case. Upon so doing, we find that the proper average balances of test year accumulated depreciation are \$7,992 for the water system and \$10,580 for the wastewater system; the proper average balances of test year amortization of CIAC are \$218 for the water system and \$193 for the wastewater system.

Working Capital

We find it appropriate to use the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirement of this utility. In a later section of this Order, we find that the proper amounts for test year operating and maintenance expense are \$10,050 for the water system and \$12,031 for the wastewater system. Therefore, we have included one-eighth of those amounts, \$1,256 and \$1,504 respectively, in the systems' rate bases as working capital allowances.

Test Year Rate Base

In consideration of the foregoing, we find that average test year rate bases are \$20,542 for the water system and \$21,359 for the wastewater system.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2.

Return on Equity

According to our audit, the utility's capital structure includes 74.98% common equity. Using the leverage formula approved in Order No. 24246, effective April 9, 1991, we find that the proper return on equity for this utility is 11.64%, with a range of 10.64% to 12.64%.

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Overall Rate of Return

We have reconciled the utility's capital structure with the rate bases approved herein. The utility's capital structure is comprised of 74.98% equity at a cost rate of 11.64%, 23.19% long-term debt at a cost rate of 14.45%, and 1.92% customer deposits at a cost rate of 8.00%. Using these figures, we have calculated that the proper overall rate of return for this utility is 12.22%.

NET OPERATING INCOME

Our calculation of net operating income for the water system is depicted on Schedule No. 3, and our calculation of net operating income for the wastewater system is depicted on Schedule No. 3-A. Our adjustments are itemized on Schedule No. 3-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Revenue

The utility recorded \$8,617 in test year water revenues. During the test year, the utility made a rounding error and, thus, inadvertently miscalculated the gallonage charge to one of its metered customers. According to our audit, the utility billed that customer \$1,043 less than it should have. We have therefore increased test year water revenues by \$1,043, for a total of \$9,660.

The utility recorded \$13,173 in test year wastewater revenues. We have made no adjustments to this amount.

Operating and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain disallowances. A summary of our adjustments follows.

Salaries and Wages-- Officers. The utility recorded a \$650 manager's salary for each system for this expense. The utility requested a \$3,000 per system allowance for its manager. However, the manager's duties do not appear to be all that comprehensive, especially considering the contractual services the utility

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requires. We find that a \$1,200 per system annual manager salary is appropriate. We have therefore increased this expense by \$550 for each system.

Purchased Water and Sewage Treatment. The utility erroneously recorded purchased power expenses in this expense account. We have therefore reduced the balances to zero and have reclassified to purchased power expense \$179, for the water system, and \$279, for the wastewater system.

Purchased Power Expense. We have increased this expense account by \$179 for the water system and \$279 for the wastewater system to reflect reclassification from the purchased water and sewage treatment expense account.

Materials and Supplies. We have reduced the wastewater system's materials and supplies expense account by \$627 to reflect reclassification of a capital improvement to wastewater plant.

Contractual Services. We have made the following adjustments to the water and wastewater systems' contractual services expense accounts. We increased the water system account \$484 and the wastewater system account by \$428 to reflect a reasonable annual allowance for systems operators. We increased the wastewater system account by \$250 to reflect reasonable sludge analysis costs, and we have increased the water system account by \$540 and the wastewater system account by \$180 to reflect monthly DER-required bacteriological monitoring. Our final adjustments are a \$664 increase to the water system account and a \$964 increase to the wastewater system account to reflect reasonable annual allowances for maintenance and repairs and meter reading.

We decreased the water system account by \$666 to remove the unamortized portion of DER-required water tests. We decreased the water system account by \$98 and the wastewater account by \$197 to reflect the reclassification of those amounts to water plant, decreased the wastewater system account by \$1,800 to reflect reclassification to wastewater plant, and decreased the water system account by \$195 and the wastewater system account by \$329 to reflect reclassification to miscellaneous expense.

Rents. We have increased the water and wastewater systems' rent expense by \$600 each, to reflect the proper annual amount for office rent, and by \$1 each, to reflect the annual cost for lease of utility land.

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Insurance Expense. We have reduced wastewater system insurance expense by \$348 to reflect the proper annual amount for the expense.

Regulatory Commission Expense. We have increased this expense by \$38 for each system to allow the utility to recover rate case expense as amortized over the next four years.

Miscellaneous Expense. We have increased water system miscellaneous expense by \$195 and wastewater system miscellaneous expense by \$329 to reflect the reclassification of those amounts from contractual services expense.

Depreciation Expense

We have calculated test year depreciation expense for the water and wastewater systems using the rates prescribed by Chapter 25-30.140, Florida Administrative Code, and have increased the utility's recorded amounts by \$674 for the water system and by \$278 for the wastewater system to reflect proper depreciation expense net of amortization of CIAC and non-used and useful depreciation.

Taxes Other Than Income Taxes

We have made several adjustments to the utility's recorded amount for taxes other than income. We have increased water system and wastewater system expense by \$24 to reflect the proper amount of payroll taxes attributable to the manager's salary approved herein. We have also increased this expense by \$237 for the water system and \$299 for the wastewater system, to allow the utility to recover the 4.5% regulatory assessment fee due on test year revenues, and by \$221 for the water system and \$166 for the wastewater system, to allow the utility to recover the 4.5% regulatory assessment fee attributable to the revenue increases approved herein.

Income Taxes

We have allowed the utility no income tax expense since it is a Subchapter S corporation and, as such an entity, it has no income tax liability.

Revenue Requirement

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that the

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appropriate annual revenue requirements for this utility are \$14,576 for the water system and \$16,867 for the wastewater system. These revenue requirements represent an annual increase in revenue of \$4,916 (50.89%) for the water system and \$3,694 (28.04%) for the wastewater system. These revenue requirements will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 12.22% return on its investment.

RATES AND CHARGES

Monthly Rates

Although it provides service to two metered general service customers, the utility currently employs a flat rate structure for eighty-four unmetered residential water customers and sixty-nine unmetered residential wastewater customers.

This Commission's preferred rate structure is the base facility charge (BFC) rate structure. The BFC rate structure allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the base facility charge and pays for his or her usage through the gallonage charge.

In order for the utility to implement the BFC rate structure, it must first install meters. In an earlier section of this Order, we ordered the utility to install meters for all of its unmetered customers by December 10, 1991. Accordingly, we have calculated two sets of new rates, Phase I and Phase II. The Phase I rates employ the utility's current rate structure. The utility shall charge the Phase I rates from the effective date set forth below and for six months thereafter.

The Phase II rate employ the BFC rate structure for all of the utility's customers. These rates shall become effective for meters read 30 days on or after the conclusion of the Phase I rate period, regardless of whether meter installation is complete. If the utility has not installed the meters by December 10, 1991, the utility is authorized to charge only the base facility charge shown in the Phase II rates to those customers whose meters have not been installed.

We find that these new rates are fair, just, and reasonable, and are not unduly discriminatory. The utility's existing rates,

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the Phase I rates, and the Phase II rates are set forth below for comparison.

PHASE I RATES

WATER

Monthly Service Rates

Residential Service

	<u>Existing</u>	<u>Approved</u>
Flat Rate	\$ 8.25	\$ 11.51

WATER

Monthly Service Rates

General Service

Base Facility Charge		
<u>Meter Size</u>	<u>Existing</u>	<u>Approved</u>
2"	\$120.00	\$ 46.08
<u>Gallonage Charge</u>		
Per 1,000 gallons	\$ 1.16	\$ 1.15

WASTEWATER

Monthly Service Rates

Residential

	<u>Existing</u>	<u>Approved</u>
Flat Rate	\$ 15.05	\$ 20.37

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The Phase I rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets for residential customers and shall be effective for meter readings taken 30 days on or after the stamped approval date on the revised tariff sheets for the general service customers. The utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

PHASE II RATES

WATER

Monthly Service Rates

Residential and General Service

Base Facility Charge

Meter Size:

Approved

5/8 x 3/4"	\$ 5.76
3/4"	8.64
1"	14.40
1 1/2"	28.80
2"	46.08
3"	92.16
4"	144.00
6"	288.00

Gallonage Charge

Per 1,000 gallons

\$ 1.15

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WASTEWATER

Monthly Service Rates

Residential Service

<u>Base Facility Charge</u>	<u>Approved</u>
All Meter Sizes	\$ 9.55
<u>Gallonge Charge</u>	
Per 1,000 gallons (6,000 gallons maximum)	\$ 2.17

WASTEWATER

Monthly Service Rates

General Service

<u>Base Facility Charge</u>	<u>Approved</u>
<u>Meter Size:</u>	
5/8 x 3/4"	\$ 9.55
3/4"	14.33
1"	23.88
1 1/2"	47.75
2"	76.40
3"	152.80
4"	238.75
6"	477.50
<u>Gallonge Charge</u>	
Per 1,000 gallons	\$ 2.60

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These Phase II rates shall be effective for meters read 30 days after the stamped approval date on the revised tariff sheets. Again, the utility is authorized to charge only the base facility charge to those customers who do not have meters after the effective date of these rates. Within five months of the date of this Order, the utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

Amortization of Rate Case Expense

Section 367.0816, Florida Statutes, states,

The amount of rate case expense determined by the commission . . . to be recovered through . . . rate[s] shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate[s] . . . shall be reduced immediately by the amount of rate case expense previously included in rates.

The only rate case expense incurred by the utility for this case is the \$300.00 filing fee it paid. Pursuant to the above-quoted section of Chapter 367, we calculate that for \$300.00 to be recovered over four years, \$38.00 must be recovered annually for each system. However, since that annual amount does not reflect the regulatory assessment fees (RAFs) the utility must pay on the revenue attributable to rate case expense recovery, we have grossed-up the annual amount to reflect the RAFs and, upon so doing, find that the appropriate annual recovery of rate case expense is \$40.00 per system per year for four years.

At the end of four years, the utility's rates should be reduced to reflect the \$40.00 reduction to its annual revenue requirements. Based on existing circumstances, the effect of this revenue reduction will be a \$.02 reduction in the water base facility charge and a \$.02 reduction in the wastewater base facility charge. The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or a pass-through rate adjustment, separate data shall be filed for each rate change.

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Miscellaneous Service Charges

Currently, the utility's tariffs have no provision for miscellaneous service charges. The miscellaneous service charges set forth below, which we hereby approve, are designed to defray the costs associated with each of the services provided and place the responsibility of the costs on the person creating it rather than on the ratepaying body as a whole.

<u>Type of Service</u>	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$ 15	\$ 15
Normal Reconnection	\$ 15	\$ 15
Violation Reconnection	\$ 15	Actual Cost
Premises Visit	\$ 10	\$ 10

When both water and wastewater services are provided, we believe that only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

A definition of each charge follows:

Initial Connection - This charge would be levied for service initiation at a location where service did not exist previously.

Normal Reconnection - This charge would be levied for transfer of service to a new customer account at a previously served location or reconnection of service subsequent to a customer request for disconnection.

Violation Reconnection - This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

Premises Visit Charge (in lieu of Disconnection) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectable bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

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The charges approved above shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

Service Availability Charges

Rule 25-30.580, Florida Administrative Code, states that a utility's service availability policy must be designed such that the maximum amount of contributions-in-aid-of-construction, net of amortization, does not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. The rule also states that the minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that are represented by the water transmission and distribution system.

Anticipated customer growth is the principal factor involved when designing service availability charges which meet the guidelines of the above-quoted rule. Customer growth for this utility is so low that we project that both water and wastewater plant will be fully depreciated before reaching design capacity.

We established the utility's existing service availability charges in Order No. 16771, issued October 24, 1986. Designing new service availability charges which would cause the utility to achieve a 75% contribution level is not feasible because of the low growth. We have therefore calculated plant capacity charges and main extension charges to be collected from new water and wastewater customers that will cause the utility to have a contribution level slightly higher than the minimum level set forth in the above-quoted rule. The utility's existing service availability charges and those which we hereby approve are set forth below for comparison.

EXISTING CHARGES

	<u>Water</u>	<u>Wastewater</u>
System Capacity Charge	\$ 100	\$ 100

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APPROVED CHARGES

	<u>Water</u>	<u>Wastewater</u>
System Capacity Charge	\$ 100	\$ 200
Main Extension Charge	\$ 100	\$ 200
Meter Installation Fee		
5/8 x 3/4"	\$ 90	
Over 2"	Actual Cost	

The charges approved above shall be effective for connections made on or after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water and wastewater rates. A timely protest could delay what may prove to be a justified rate increase pending the completion of a formal hearing and issuance of a final order, thus resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the Phase I monthly service rates on a temporary basis, subject to refund, provided that the utility furnishes adequate security for a potential refund through a bond, letter of credit, or escrow account.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$5,989. If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting. The escrow account is established by the direction of this Commission for the purpose set forth above. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

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The utility must keep an accurate and detailed account of all monies received as a result of its implementing the temporary rates, specifying by whom or on whose behalf such amounts were paid. By the twentieth day of the month for each month that the temporary rates are in effect, the utility shall file a report showing the amount of revenues collected pursuant to the implementation of the temporary rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

PURCHASED POWER

It has come to this Commission's attention that PIU has been habitually neglectful in paying its power bills and that PIU's power provider, Clay Electric Cooperative, has on more than one occasion threatened to shut off PIU's power. Were Clay Electric to shut off PIU's power, PIU's customers would be without water and wastewater service.

Therefore, in consideration of the foregoing, we hereby direct our staff to explore alternatives for ensuring that PIU pays its purchased power bills regularly and in a timely manner, whether it be by requiring the posting of a surety bond, by requiring the escrow of funds, or otherwise.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Pine Island Utility Corporation for an increase in its water and wastewater rates in Volusia County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are by reference incorporated herein. It is further

ORDERED that all of the matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the

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Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Pine Island Utility Corporation is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the Phase I rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages for the utility's general service customers and shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets for the utility's residential customers. It is further

ORDERED that the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. It is further

ORDERED the miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Pine Island Utility Corporation shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Pine Island Utility Corporation shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that the Phase II rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. Pine Island Utility Corporation is authorized to charge only the base facility charge approved herein to those customers without a meter after the effective date of the Phase II rates. It is further

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ORDERED that within five months of the date of this Order, Pine Island Utility Corporation shall submit the revised tariff sheets and proposed customer notice requisite to implementing the Phase II rates approved herein. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Pine Island Utility Corporation is authorized to collect the Phase I rates approved on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Pine Island Utility Corporation has furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that a fine of \$1,000 is hereby assessed against Pine Island Utility Corporation; however, said fine is suspended until December 10, 1991. If by that date the six-month period the utility has not complied with all of the Florida Department of Environmental Regulation requirements set forth in the Consent Order and Notice of Violation, the fine is hereby reinstated and, thus, becomes due and payable. It is further

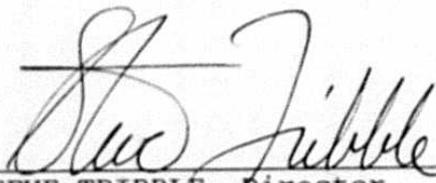
ORDERED that Pine Island Utility Corporation shall by December 10, 1991, install meters for all of its customers. It is further

ORDERED that our staff shall explore alternatives for ensuring that Pine Island Utility Corporation pays its power bills regularly and in a timely manner, whether it be by requiring the posting of a surety bond, by requiring the escrow of funds, or otherwise. It is further

ORDERED that this docket shall remain open for seven months from the date of this Order to allow staff time to verify compliance with the requirements of this Order. If all of the requirements of this Order have been met within that period and no timely protest is received from a substantially affected person, the docket may be closed administratively.

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By ORDER of the Florida Public Service Commission, this 10th
of JUNE, 1991.



STEVE TRIBBLE, Director,
Division of Records and Reporting

(S E A L)

MF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, all of our actions taken herein, except for the granting of temporary rates in the event of protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition

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for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 1, 1991. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portions of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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PINE ISLAND UTILITY CORP.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1
 DOCKET NO. 910276-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 23,424 A	\$ 7,583	\$ 31,007
LAND/NON-DEPRECIABLE ASSETS	0 B	0	0
PLANT HELD FOR FUTURE USE	0 C	(1,897)	(1,897)
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	0 E	0	0
C.I.A.C.	0 F	(2,050)	(2,050)
ACCUMULATED DEPRECIATION	(12,335)G	4,343	(7,992)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	0 I	218	218
WORKING CAPITAL ALLOWANCE	0 J	1,256	1,256
	-----	-----	-----
WATER RATE BASE	\$ 11,089 \$	\$ 9,453 \$	\$ 20,542
	-----	-----	-----

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PINE ISLAND UTILITY CORP.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1-A
 DOCKET NO. 910276-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 32,962 A	5,913 \$	38,875
LAND/NON-DEPRECIABLE ASSETS	0 B	0	0
PLANT HELD FOR FUTURE USE	0 C	(6,933)	(6,933)
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	0 E	0	0
C.I.A.C.	0 F	(1,700)	(1,700)
ACCUMULATED DEPRECIATION	(18,763)G	8,183	(10,580)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	0 I	193	193
WORKING CAPITAL ALLOWANCE	0 J	1,504	1,504
WASTEWATER RATE BASE	\$ 14,199 \$	7,160 \$	21,359
	-----	-----	-----

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PINE ISLAND UTILITIES, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE
SCHEDULE NO. 1-B

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To reflect reclassification from operation and maintenance expense.	\$ 295	\$ 2,426
2. To reflect retirement.	(250)	(513)
3. To reflect proforma meters.	7,560	
4. To reflect proforma back up motor/blower.		4,000
5. To reflect test year average adjustment.	(22)	
	<u>\$ 7,583</u>	<u>\$ 5,913</u>
C. <u>PLANT HELD FOR FUTURE USE</u>		
1. To reflect plant held for future use based on used and useful percentage as determined by the Comm.	\$(2,502)	\$ (8,947)
2. To reflect accumulated depreciation associated with plant held for future use.	605	2,014
	<u>\$(1,897)</u>	<u>\$ (6,933)</u>
F. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>		
1. To reflect Comm. calculated CIAC at 6/30/90.	\$(2,300)	\$ (900)
2. To reflect CIAC associated with margin reserve.	(400)	(800)
3. To reflect test year average adjustment.	650	
	<u>\$(2,050)</u>	<u>\$ (1,700)</u>

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SCHEDULE NO. 1-B
Page 2 of 2

<u>G. ACCUMULATED DEPRECIATION</u>	<u>WATER</u>	<u>WASTEWATER</u>
1. To reflect Comm.'s calculated total at 6/30/90.	\$ 4,098	\$ 7,885
2. To reflect test year average adjustment.	245	298
	<u>\$ 4,343</u>	<u>\$ 8,183</u>
<u>I. AMORTIZATION OF CIAC</u>		
1. To reflect Comm.'s calculated total at 6/30/90.	\$ 233	\$ 178
2. To reflect amortization of CIAC associated with margin reserve.	16	30
3. To reflect test year average adjustment.	(21)	(15)
	<u>\$ 218</u>	<u>\$ 193</u>
<u>J. WORKING CAPITAL ALLOWANCE</u>		
To reflect one-eighth of operation and maintenance expense.	<u>\$ 1,256</u>	<u>\$ 1,504</u>

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PINE ISLAND UTILITY CORP.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 2
DOCKET NO. 910276-WS

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 10,000	\$ (321)	\$ 9,679	23.10%	14.45%	3.34%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	804	0	804	1.92%	8.00%	0.15%
COMMON EQUITY	32,467	(1,049)	31,418	74.98%	11.64%	8.73%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 43,271	\$ (1,370)	\$ 41,901	100.00%		12.22%

RANGE OF REASONABLENESS

	LOW	HIGH
RETURN ON EQUITY	10.64%	12.64%
OVERALL RATE OF RETURN	11.47%	12.97%

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PINE ISLAND UTILITY CORP.
 SCHEDULE OF WATER OPERATING INCOME
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO.3
 DOCKET NO.910276-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 8,617 A	\$ 1,043	\$ 9,660 G	\$ 4,916	\$ 14,576
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	8,137 B	1,913	10,050	0	10,050
DEPRECIATION	451 C	674	1,125	0	1,125
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME TAXES	409 E	261	670 H	221	891
INCOME TAXES	0 F	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 8,997	\$ 2,848	\$ 11,845	\$ 221	\$ 12,066
OPERATING INCOME/(LOSS)	\$ (380)	\$ (1,805)	\$ (2,185)	\$ 4,695	\$ 2,510
WATER RATE BASE	\$ 11,089		\$ 20,542		\$ 20,542
RATE OF RETURN	-3.43%		-10.64%		12.22%

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PINE ISLAND UTILITY CORP.
SCHEDULE OF WASTEWATER OPERATING INCOME
TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO.3-A
DOCKET NO.910276-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 13,173 A	\$ 0	\$ 13,173 G	\$ 3,694	\$ 16,867
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	11,992 B	39	12,031	0	12,031
DEPRECIATION	844 C	278	1,122	0	1,122
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME	615 E	323	938 H	166	1,104
INCOME TAXES	0 F	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 13,451	\$ 640	\$ 14,091	\$ 166	\$ 14,257
OPERATING INCOME/(LOSS)	\$ (278)	\$ (640)	\$ (918)	\$ 3,528	\$ 2,610
WASTEWATER RATE BASE	\$ 14,199		\$ 21,359		\$ 21,359
RATE OF RETURN	-1.96%		-4.30%		12.22%

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PINE ISLAND UTILITIES, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 SCHEDULE NO. 3-B

A. <u>REVENUES</u>	<u>WATER</u>	<u>WASTEWATER</u>
To reflect test year revenue based on existing rates.	\$ 1,043	
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>		
1. To adjust manager's salary to Comm.'s approved annual allowance.	\$ 550	\$ 550
2. To reflect reclassification of purchased power expense to Account Nos. 615 and 715.	(179)	(279)
3. To reflect reclassification from Account Nos. 610 and 710.	179	279
4. To reflect reclassification to Wastewater Plant No. 370.		(627)
5. To adjust contractual operator allowance to Comm.'s approved allowance.	484	428
6. To remove unamortized portion of DER required water testing.	(666)	
7. To reflect annual sludge analysis as determined by the Comm.		250
8. To reflect reclassification to Water Plant Account No. 320.	(98)	(197)
9. To reflect reclassification to wastewater plant Account No. 370.		(1,800)

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PINE ISLAND UTILITIES, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE
SCHEDULE NO. 3-B

B. <u>OPERATION AND MAINTENANCE EXPENSE</u>	<u>WATER</u>	<u>WASTEWATER</u>
10. To adjust contractual maintenance and repairs and meter reading allowance as determined by the Comm.	664	964
11. To remove unamortized portion of DER permit.	(200)	
12. To reflect DER required bacteriological monitoring as determined by the Comm.	\$ 540	\$ 180
13. To reflect reclassification to Account Nos. 675 and 775.	(195)	(329)
14. To reflect Comm.'s approved annual rent allowance.	601	601
15. To adjust insurance expense to annual amount.		(348)
16. To reflect rate case filing fee amortized over four years (300/4) with 50% allocated to water and wastewater each.	38	38
17. To reflect reclassification from Account Nos. 630 and 730.	195	\$ 329
	<u>\$ 1,913</u>	<u>\$ 39</u>
C. <u>DEPRECIATION EXPENSE</u>		
To reflect Comm.'s calculated test year depreciation expense net of amortization of CIAC and non-used and useful depreciation.	<u>\$ 674</u>	<u>\$ 278</u>

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PINE ISLAND UTILITIES, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 SCHEDULE NO. 3-B

<u>E. TAXES OTHER THAN INCOME</u>	<u>WATER</u>	<u>WASTEWATER</u>
1. To reflect regulatory assessment fee at 4.5% on test year revenue.	\$ 237	\$ 299
2. To reflect payroll taxes on Comm.'s approved managers salary.	24	24
	<u>\$ 261</u>	<u>\$ 323</u>
<u>G. OPERATING REVENUES</u>		
To reflect increase in revenues required to cover expenses and allow recommended rare of return on investment.	<u>\$ 4,916</u>	<u>\$ 3,694</u>
<u>H. TAXES OTHER THAN INCOME</u>		
To reflect regulatory assessment fee at 4.5% on increase in revenues.	<u>\$ 221</u>	<u>\$ 166</u>