

1495

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-	)	DOCKET NO. 900967-SU
assisted rate case in Citrus County	)	ORDER NO. 24937
for the Riverhaven System of	)	FILED: 08-20-91
HOMOSASSA UTILITIES, INC.	)	
<hr/>		
	)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 J. TERRY DEASON  
 BETTY EASLEY  
 MICHAEL McK. WILSON

FINAL ORDER GRANTING TEMPORARY  
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
 ORDER APPROVING INCREASED RATES  
 AND REQUIRING CAPACITY STUDY AND EXPANSION PLAN

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

Homosassa Utilities, Inc., Riverhaven System, (Homosassa or utility) is a class "C" wastewater utility whose service area is located near the City of Homosassa in Citrus County, Florida.

On December 7, 1990, Homosassa applied for the instant staff-assisted rate case and paid the appropriate filing fee. Pursuant to Section 367.0814, Florida Statutes, February 7, 1991, was established as the official date of filing. For the purpose of evaluating the utility's request, we have selected the twelve-month period ending December 31, 1990, as the test period.

DOCUMENT NUMBER-DATE

08367 AUG 20 1991

FPSC-RECORDS/REPORTING

496

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 2

This Commission regulated the Riverhaven system beginning in October, 1975. The system was sold by its then owner Marathon U.S. Realties, Inc., (Marathon) to Citrus County in February, 1985. By Order No. 14730, issued August 16, 1985, we recognized this sale and canceled Marathon's certificate. In June, 1986, Marathon repurchased the system, and by Order No. 18098, issued September 3, 1987, we granted Marathon an original wastewater certificate, established rate base, and approved Marathon's adoption of the county's rates and charges. By Order No. 20518, issued December 23, 1988, we approved Marathon's transfer of its wastewater certificate to Homosassa.

At the time of the transfer to Homosassa, we noted that Homosassa's contract operator was USA Utilities, Inc., (UUI). UUI is related to Homosassa by (virtually) common ownership. Although not all of the stockholders are the same, the primary stockholder, as well as the president of Homosassa, is also a stockholder of UUI. There are three other Homosassa stockholders who are also UUI stockholders. The president of UUI is also the president of Stearns & Wheler, an engineering firm that provides engineering services to Homosassa.

#### QUALITY OF SERVICE

Our staff conducted a customer meeting in the utility's service area on May 14, 1991, at the Riverhaven Community Clubhouse. Approximately 200 utility customers appeared.

The majority of the comments made at the meeting, pertained to a connection moratorium imposed on the utility by the Florida Department of Environmental Regulation (DER). This moratorium resulted from a January 4, 1991, consent order agreement entered into between DER and the utility. That consent order agreement recites the following: that in 1990 the utility released wastewater that exceeded permit limits, failed to maintain the facility for its intended purpose, failed to provide DER with the required sampling results to monitor its performance, and failed to notify DER within the required time period that it discharged effluent to the surrounding ground surface. The utility agreed to pay a \$14,000 settlement, to make the necessary plant improvements, and, by no later than September 1, 1991, to reobtain its suspended operating permit.

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 3

At the customer meeting, the homeowners' association president referred to the utility's problems with the DER and said that the moratorium has had an adverse effect on local property values. He said that the utility has shown poor financial management and that the customers should not now be put into the position of rewarding that mismanagement. Increased revenues, he argued, should be granted only to a financially responsible organization. He applauded the plant improvements that are currently being made, but noted that DER had a lot to do with it.

Several other customers commented on the utility's problems with DER and its affect on them. One said that the utility should not get a rate increase until it obtains a current DER operating permit. Another said that with the moratorium, he cannot build on his property or sell it. A third said that it is obvious that the utility has not been running the plant properly, and he wanted to know why connections located outside of the Riverhaven subdivision were allowed while there were still undeveloped lots within the subdivision. Numerous customers had questions similar to these.

Regarding the connections outside the Riverhaven subdivision, we have reviewed the utility's certificated service territory, and it does transcend the boundaries of the subdivision to include an area with several commercial connections. The utility should show no preferential treatment to any customers within its certificated territory, and the utility has the obligation to provide service to any customer in its territory upon request. Because of the moratorium, the utility is unable to fulfill the latter obligation. Even though the moratorium will be lifted once the treatment plant's operating permit is reobtained, the treatment plant's 94 % used and useful level (as is discussed later) indicates that new connections will be allowed for only a short time. Until DER repermits the wastewater treatment plant, it will not be known how many available connections will be allowed for the current facility. It is obvious that the utility will be faced with major plant expansion costs in order to be able to provide wastewater service to the remaining lots within the Riverhaven subdivision. In fact, we are aware of a lawsuit by a developer against the utility filed in the local circuit court concerning the connection moratorium. When expansion costs will be incurred and how much they will be is not known at this time, so we are not considering plant expansion costs in this rate case.

498

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 4

Several customers complained about odor. The above-mentioned DER consent order agreement establishes the utility's failure to properly maintain the facility for its intended purpose. Problems such as odor would be common for a poorly maintained a facility. However, with the current improvements being made at both the wastewater treatment facility and the wastewater collection liftstations, odor control should be more manageable. Assuming that the utility maintains the plant properly after improvements are made, the odor problem should improve.

Several customers commented on tanker trucks dumping waste into the utility's collection system apparently without authorization. The utility believes that there have been no recent occurrences. In April, 1990, the utility posted a \$500 reward for information leading to the arrest and conviction of anyone found illegally dumping into the system. We believe that the utility has taken the proper approach to remedy the situation and that unauthorized dumping is no longer a problem.

One customer said that there are leaks in the system and that residents have had wastewater leak onto their lawns. We believe that with the improvements currently being made to the liftstations, problems such as wastewater spills should be eliminated.

In addition to the comments made at the customer meeting, we have received letters from several utility customers, as well as from a County Commissioner, concerning the financial status of the utility, available plant capacity, rate structure, and various service problems.

In consideration of the foregoing, we find that the utility's quality of service is unsatisfactory. Since there are improvements currently underway, we will not require additional physical improvements at this time. Except for the imminent plant capacity problem, we believe that most of the utility's service problems will be corrected soon. Reobtaining the DER operating permit and making improvements at the liftstations currently take precedence over plant expansion. Once these priorities have been taken care of, the utility should proceed with plans for plant expansion as soon as possible.

Since DER has already penalized the utility for its negligent operation of its facility, a similar penalty imposed by this

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 5

Commission would be redundant and be of no practical benefit to the customers at this time. However, we hereby require the utility to adhere to the deadline established by DER to reobtain its operating permit. If the utility does not obtain a DER operating permit by that date, we shall reevaluate the situation. We anticipate that with the plant modifications completed, the plant will be repermited at its original capacity of 100,000 gallons per day, and it will be up to DER to establish the remaining available plant capacity.

In addition, we hereby order the utility to submit within six months of the date of this Order a comprehensive study of the available connection capacity to the existing facility, along with plans for plant expansion, assuming expansion is required.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1-A, and 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.

Used and Useful

As noted above, we assume that when DER reissues the wastewater treatment plant operating permit, the permit capacity of the plant will be the same as it was before, 100,000 gallons per day (gpd). To arrive at the used and useful percentage of the wastewater treatment plant and disposal facilities, we divide the sum of the 89,000 gpd average daily flow and the 5,164 gpd margin reserve by the 100,000 gpd capacity of the plant. The quotient is 94. We therefore find that the wastewater treatment plant and disposal facilities are 94% used and useful.

To arrive at the used and useful percentage of the wastewater collection system, we divide the sum of the 517 equivalent residential connections (ERCs) at the end of the test year and the 19 ERCs in the margin reserve by the 933 ERCs capacity of the collection system. The quotient is 57. We therefore find that the wastewater collection system is 57% used and useful.

500

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 6

### Plant-In-Service

According to Order No. 20518, the amount of plant-in-service in the utility's rate base as of December 31, 1987, was \$746,494. Homosassa's 1989 annual report showed plant of \$866,581. However, the utility could not provide documentation to support any plant additions. Therefore, we have removed \$120,087 of unsupported plant.

The utility provided documentation for plant additions made in 1990 for rehabilitation of a lift station and work on its drainfield. The total amount, \$39,071, included a markup of \$1,027 charged by UUI. As noted in the case background, the utility and UUI, its contract operator, are related entities. Because of the close relationship of the utility and UUI, we shall not treat transactions between the two as if entered into at arm's length. We have examined the costs which UUI has included in its labor-related overhead charges and determined that many of the items were already charged directly to Homosassa. Allowing the utility the markups and the labor-related overhead charges would be double-counting the expenses. Therefore, we have removed the \$1,027 markup and reduced the UUI labor charges by \$125. We have therefore included an average balance of \$18,959 for additions in average test year plant.

We have determined from information from the utility's consultant that a computer which was on the company's books is no longer in service. Therefore, we have removed \$2,363 from utility plant and made corresponding adjustments to accumulated depreciation and depreciation expense.

In consideration of the foregoing, we find that the simple average balance of test year plant-in-service is \$763,090.

### Pro Forma Plant

During the test year, the utility began construction of drainfield improvements required by the DER consent order. These improvements are at or near completion at this time. The utility requested recovery of a large amount of engineering charges for the project. Upon examination of the information provided by the utility, we have determined that these engineering charges pertain to a plant expansion program which has not taken place. Some of the charges date back to 1987. Due to the staleness of many of the

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 7

figures provided and the uncertainty of what plant improvements may be done in the future, we have excluded engineering charges from rate base in this proceeding. However, this does not preclude the utility from having reasonable engineering charges included in rate base when plant expansion actually takes place.

Currently, the utility is in the process of cleaning its percolation ponds. In addition, the utility seeks permit modifications to insure continued compliance with DER mandates. The modifications include the installation of a sand filter and improvement to the ponds. The utility is also rehabilitating its lift stations. We have reviewed the utility's estimates to complete the work and other information it has provided. We conclude that \$161,855 is a reasonable allowance for pro forma plant. We will therefore include that pro forma plant in rate base and increase accumulated depreciation and depreciation expense by one year's depreciation on that plant, \$10,796.

#### Land

The land upon which utility facilities are located is owned by the utility. On its 1989 annual report, the utility recorded land value as \$141,777. In Order No. 20518, whereby we approved the transfer of the utility from Marathon to Homosassa, the cost of land allowed in rate base was \$20,967. We noted in that Order that in addition to purchasing the system, Homosassa purchased additional land (in excess of 3 acres) adjacent to the existing plant site for \$65,000. This land was not included in rate base at the time of the transfer since it was not on the utility's books. We indicated that Homosassa would be able to include the land on its books, if and when it became a part of the utility system. In 1990, the utility constructed a new drainfield on the that land. We have included the drainfield in plant-in-service, so we may no include the land in rate base. The appropriate total land value to be included in rate base is \$85,967. The utility has not provided support for some \$55,810 of land included on its 1989 annual report, so that amount shall not be allowed.

#### Non-Used And Useful

Based on the percentage of non-used and useful utility property, we shall reduce plant by \$44,734 and make corresponding reductions of \$7,744 to accumulated depreciation and \$2,616 to depreciation expense.

500-B

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 8

#### Accumulated Depreciation

Applying the depreciation rates in effect at the time of the transfer from Marathon to Homosassa to the amount of plant approved above, we find that the proper average test year balance of accumulated depreciation is \$282,647.

#### Contributions-in-Aid-of-Construction

The utility collected a service availability charge of \$1,075 per connection for the years 1988 through 1990. According to Order No. 20518, issued December 23, 1988, whereby we approved the system's transfer from Marathon to Homosassa, we allowed the utility to collect a \$950 service availability charge composed of a \$700 plant capacity charge and a \$250 main extension charge. These charges appear in the utility's filed and approved tariff sheet, effective December 12, 1988. The utility has therefore unlawfully overcharged its customers for service availability. According to our analysis, the utility collected \$5,450 in overcharges for service availability.

Most of the persons who have paid service availability charges are builders. The service availability charges have probably been passed on to the home buyers as part of the cost of the home. In some cases, according to customer testimony at the customer meeting, where the customer paid the connection fee, the builder reimbursed the customer.

In response to our inquiry regarding the utility's overcharge, the utility said that the \$1,075 charge was that established by Citrus County during the period of time that it owned the system. That charge consisted of \$700 for capacity, \$250 for offsite facilities, a \$100 inspection fee, and a \$25 deposit. The utility claimed to be charging those rates believing them to be correct. The utility asserts we approved Citrus County's charges in Order No. 18098, issued September 3, 1987, whereby we recertificated this system with Marathon as owner. The utility contends that the Commission made a mistake in Order No. 20518, issued December 23, 1988, in establishing the \$700 capacity and \$250 offsite facility charges.

We disagree. We have reviewed the above-referenced orders and the transfer application from Marathon to Homosassa. Order No. 18098 makes no mention of the \$100 inspection fee or a \$25 deposit

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 9

to be collected with the other charges. Indeed, Marathon's service availability policy as stated in its tariff was that

The Utility collects a plant capacity fee of \$700 and a main extension charge of \$250 from each new customer prior to connection of the on-site customer's lines with the off-site collection system.

No separate inspection fee is charged at the time of hook-up to the system, although an inspection is performed by the utility. If the customer's installation does not meet the prescribed standards and the utility has to make more than one inspection, the utility shall charge an inspection fee equal to the actual cost for each additional inspection.

The tariff pages accompanying the transfer application from Marathon to Homosassa contained identical verbiage, although they provided for a customer deposit equal to one month's bill, which at that time was \$15.

If we required a refund of the overcharges, the refund would be to the customers who paid the fee. However, most of the charges were paid by builders who have since sold the homes. These builders would have recovered the charges in the purchase price of the home. Additionally, there was testimony at the customer meeting that, in some cases where the fees were paid by a homeowner, the homeowner was reimbursed by the builder. If a refund was made in this case, it appears as though the recipient would recover twice, either through the cost of the house or through the prior reimbursement. On the other hand, if the overcharged CIAC remains in rate base, the customers will benefit by having lower rates than if there had been a refund.

In the present circumstances, we shall not order a refund of the CIAC overcharges. Nonetheless, the utility has violated its tariff. We do not think it would benefit the customers to show cause the utility for this violation at this time; however, we are hereby putting the utility on notice that any further noncompliance will not be looked on favorably.

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 10

CIAC Balance

According to Order No. 20518, CIAC as of December 31, 1987, was \$573,609. According to the utility's records, it collected \$55,800 in CIAC additions since that date. However, it has come to our attention that the utility has not collected fees associated with twenty-one connections at the Sportsman Villas. The utility has met with the builder involved and has requested a \$22,575 payment for these connections. We have included this amount in CIAC and made corresponding additions of \$752 to accumulated amortization and \$1,506 to amortization expense.

In addition, according to a billing analysis performed by the utility's consultant, the utility is serving more customers than appears on its books. The consultant stated that the number of customers on the billing analysis, about 399, appeared to be correct. He explained that there were apparently some illegal hookups, customers and/or builders who have connected to the system without paying the appropriate fees. We have therefore imputed CIAC on thirty-six additional residential connections and one commercial connection, a total increase of \$40,850, and made corresponding additions of \$6,802 to accumulated amortization and \$2,725 to amortization expense.

The utility has collected an advance for construction from the Cherokee Trace development. Due to permitting problems the developer has been experiencing, it is unknown when the development will be hooked up, if at all. Regardless, there is apparently little, if any, possibility for it to be hooked up prior to plant expansion. We normally exclude advances for construction from the rate base if the hookups will not be made to the current plant. Accordingly, we have excluded from rate base the \$32,000 in advances associated with Cherokee Trace. This amount may be included in rate base at such time that hookup appears imminent.

In accordance with our policy, we have imputed CIAC on the margin reserve. Thus, we have increased CIAC by \$21,000 and made corresponding additions of \$701 to accumulated amortization and \$1,401 to amortization expense.

In consideration of the foregoing, we find that the proper simple average balance of CIAC for this utility is \$705,772. Using the same methodology used to calculate accumulated depreciation, we

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 11

find that the proper average balance for accumulated amortization of CIAC is \$194,947.

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 amount of test year operating and maintenance expense is \$67,261. Therefore, we have included one-eighth of that amount, \$8,408, in rate base as the utility's working capital allowance.

Test Year Rate Base

In consideration of the foregoing, we find that test year rate base is \$181,114.

COST OF CAPITAL

Debt

During the test year, the utility had outstanding a first mortgage loan originally issued January 7, 1988, at a rate of 11.125%. The mortgage was issued by NCNB National Bank of Florida and was guaranteed by UUI. On January 7, 1991, a balloon payment of \$283,345 became due. That payment was not made, causing the utility to be in default. The utility negotiated a short-term renewal at 10.0%. A new note, which has not yet been finalized, is being negotiated to be effective until January 15, 1992, at an interest rate of prime plus 2%.

We have learned that the utility has loaned funds to a related party, Allied Utilities, with an average test year balance of \$60,357. According to the utility's accountant, the funds were lent at zero interest. Since that money was used for purposes not related to Homosassa, we shall remove it from the long-term debt balance.

The utility submitted information regarding long-term debt for services received during the test year and for which promissory notes were signed in January, 1991. The total amount owing under these notes is \$127,425, comprised of the following:

500-F

ORDER NO. 24937  
 DOCKET NO. 900967-SU  
 PAGE 12

<u>Issue Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Payee</u>	<u>Purpose</u>
1/30/91	\$15,000	12%	Malloy, James and Campbell	Legal Services
1/28/91	\$59,340	12%	UUI	Contractual Services
1/18/91	\$26,565	10%	Stearns & Wheler	Engineering - Plant Expansion
1/2/91	\$26,520	12%	UUI	Plant Expansion

In a later section of this Order, we disallow the utility's legal expenses, and, therefore, we shall not include the corresponding note in the capital structure. In addition, since we have disallowed charges for plant expansion, including the engineering services related thereto, from rate base, and since the debt incurred for plant expansions was written off subsequent to the test year, we shall not include these amounts in the capital structure. The remaining note to UUI for \$59,340, at an interest rate of 12%, has been written off. This amount is for services which were actually rendered and were used to calculate rates. Because UUI and the utility are related companies, we shall include this forgiven debt in the capital structure as additional paid in capital.

In consideration of the foregoing, we find that the proper amount of average test year long-term debt is \$333,013 at an interest rate of 10%.

#### Equity

At the end of the test year, the utility had a \$1 balance in common stock, a \$112,099 balance in paid-in capital, and negative retained earnings of \$144,105. The average balance of equity for the test year was \$4,835. Since, as stated earlier, we have included the forgiven debt associated with services provided by UUI

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 13

as additional paid in capital, we have increased the average test year equity balance to \$29,670.

Using the leverage formula set forth in Order No. 24246, effective April 9, 1991, we have calculated the appropriate rate of return on equity to be 13.51%, with a range of 12.51% to 14.51%.

Overall Rate of Return

Upon reconciling the utility's capital structure to its rate base, we find that the utility's capital structure is comprised of 12.22% equity at a cost rate of 13.51%, 86.07% debt at a cost rate of 10.00%, and 1.71% 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 10.39%. Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3-A, and 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

Homosassa currently charges a flat monthly rate of \$16.29 per ERC, as is allowed in its tariff effective January 12, 1990. The 1990 billing ledger submitted by the utility shows that the utility recorded total revenue of \$96,288.75 for the year. For the month of January, 1990, however, the utility shows revenues of \$15,061, when for the other months of the year it only shows amounts of about \$7,400. The utility recorded \$6,925 on January 4, 1990, when this amount appears to pertain to 1989. The utility's 1989 annual report shows that revenues between 1988 and 1989 decreasing by \$6,020, with no corresponding decrease in customers. Since the utility has a flat rate structure, the amount of revenue would not decrease unless the number of customers decreased. This irregularity confirms our observation that the \$6,925 booked on January 4, 1990, should have been included in 1989 revenues.

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 14

Accordingly, we have removed this amount from test year revenues. We therefore find that annualized test year revenues are \$89,305.

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 discussion of our adjustments follows.

Sludge Removal. For the test year, the utility recorded sludge removal expense of \$10,583. This amount includes a \$743 markup by UUI. We have removed the markup, since we do not believe it is appropriate. We find that the remaining sludge removal expense, \$9,840, is reasonable.

Purchased Power. The utility recorded the purchased power expense of \$8,656 for the test year. The amount of electricity used at the wastewater treatment plant and its eleven lift stations appears reasonable, and we shall therefore allow the recorded amount.

Chemicals. The utility reported \$2,769 in test year chemical expense. When asked to justify the December, 1990, purchase of 865 gallons of chlorine at a cost of \$1,081, the utility did not respond. The utility appears to use an average of 100 gallons of chlorine per month, at a cost of \$125 per month, which we believe to be reasonable. One month, however, the cost was \$188, a \$63 increase which the utility has not explained. The utility also included a \$125 out-of-test year purchase in its test year total. After reducing the recorded amount by \$1,269 to account for the unexplained increases and the out-of-period cost, we find that the proper amount for test year chemical expense is \$1,500.

Materials and Supplies. The utility recorded a \$6,455 materials and supplies expense for the test year. From this amount, we have removed the UUI markup of \$1,318 and tax on markups and items which already included tax of \$94. Upon making these adjustments, we find that the proper amount of materials and supplies expense for the test year is \$5,043.

Contractual Services. During the test year the utility paid or accrued \$70,589 for contractual services, much of which pertains to services provided by UUI. We have broken down the contractual services expense category into several subcategories for more careful analysis.

Plant Operator. A UUI plant operator operates Homosassa's wastewater plant. The monthly fee charged through September, 1990, was \$475. In November, 1990, the monthly fee increased to \$522.50. Since we believe that the \$522.50 monthly fee is reasonable, we have increased annual expense to reflect a full year at the current rate.

Samples and Analysis. The utility recorded \$7,424 in test year expenses for samples and analysis. That total included a \$70 out-of-period amount, which we have removed. We have also removed a \$371 markup from UUI. We have increased this expense by \$1,683 to account for an invoice that was included as an unbilled item by the utility but which should have been included as part of test year expense. The utility requested a \$4,920 pro forma adjustment to groundwater monitoring expense; however, test year expense already includes \$2,920 in invoices for groundwater monitoring. Therefore, the pro forma adjustment, which we think is reasonable, should be \$2,000. Test year expense for this subcategory is therefore \$7,300.

Repairs, from UUI. Pursuant to a written contract UUI provides Homosassa with labor for repairs at hourly rates ranging from \$30 to \$90 depending upon the number of workers involved and whether the work is done during regular business hours. In light of the fact that UUI charges various overhead items directly to Homosassa, we doubt that UUI's hourly rate is comparable to rates charged by unrelated third parties who recover overhead through the hourly rate. The labor charges should reflect a reasonable hourly wage for performance of repairs. We have therefore consulted the Training, Research, and Education for Environmental Occupations (TREEO) Center survey of utility employee salaries to determine a more appropriate rate. We think that the base hourly rate for one worker should be \$11.12, including payroll tax. Accordingly, we have removed \$3,239 from repair charges. The total amount allowed for this subcategory is \$3,819.

Repairs, from third parties. The utility has recorded \$2,650 in expenses for repairs made by entities other than UUI.

500-J

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 16

The total includes a \$251 for markups by UUI. We have removed the markup, leaving \$2,399 as the amount allowed.

Accounting. The utility recorded \$2,760 in test year accounting fees. During the test year UUI maintained all records for Homosassa. UUI uses a voucher system to assign expenses to each of the utilities it manages. During the test year, Homosassa's books were not kept in accordance with the NARUC Uniform System of Accounts, as it is required to do by Rule 25-30.115(1), Florida Administrative Code. The utility has stated that it has obtained the services of an accountant who will, starting January, 1991, maintain its accounting records on an automated basis and produce financial statements and reports as required by governmental and regulatory agencies.

The accountant's estimated annual accounting fees are \$6,300. We do not believe the charge is appropriate. First, the monthly financial statement's processing was estimated to account for \$125 per month, or \$1,500 of the annual total. Based on our experience with other utilities, \$100 per month, \$1,200 per year, would be more reasonable. Second, \$1,200 was included for year-end close-out, update of the permanent file, and preparation of the PSC annual report. Preparation of the annual report should be simplified by the fact that the utility will now have up-to-date books and records. We think that the appropriate charges for these items are \$100 for the close-out and update of the files and \$500 for preparation of the annual report. The total also includes \$600 for preparation of annual indexing/pass-through schedules. These schedules are designed so that utilities can prepare them without the assistance of outside consultants, and our staff often renders assistance to utilities who need it. We believe \$100 is sufficient for index/pass-through applications. The total also includes \$500 for preparation of tax returns. Homosassa files a return that includes another system it owns. Although \$500 is appropriate for the preparation of the return, we shall split the amount between the two systems. We will also allow \$50 for the preparation of intangible and tangible tax returns. The accountant attributed \$500 of the total to meetings with management for planning and for discussions about DER and this Commission, etc. We believe that such meetings will be of a non-recurring nature once the utility's current problems are resolved. We have, therefore, disallowed this cost. Finally, the estimate includes \$2,000 for meetings and special reports required by Homosassa's bank. Any special reports required by the bank are the direct

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 17

result of problems arising from management decisions. Such matters are under the control of the stockholders and should not be paid for by the ratepayers. Based on the above, we find that the appropriate allowance for accounting expenses is \$2,200.

Legal. The utility recorded \$19,059 in test year legal expenses. A portion of the total is attributable to services regarding the DER consent order. Invoices showed that some of the charges were attributable to preparation of a sales package for the sale of the utility, and one invoice did not even pertain to the Homosassa Riverhaven system. The charges due to the DER matter are extraordinary, non-recurring items and are therefore disallowed. In addition, costs incurred due to the proposed sale of the utility should be paid by the stockholders, not the ratepayers, and are also therefore disallowed. We therefore disallowed legal expense.

Management Fees. The utility requested \$25,520, for management fees. The total includes \$22,400: \$62.50 per hour, for the manager of UUI, and \$3,120, \$75 per hour, for the president of Homosassa. The utility has stated that the manager works with the attorneys, DER, the Commission, engineers, accountants and developers; oversees customer billing, operating and maintenance personnel; and meets with Homosassa's owners. The president of Homosassa meets with the manager of UUI; oversees financial statements, makes all financial decisions, and meets with all governmental agencies, accountants, and attorneys on an as-needed basis.

The hourly rate charged for management services is very high, \$62.50. In addition, the utility recorded fifty-six weeks worth of charges. Based on a salary survey of utility employees in the state of Florida, we have derived a reasonable hourly rates of \$17.86 and have added an additional 11.15% to cover payroll tax and workers compensation expense. Annualizing this expense to reflect a fifty-two week year, we find that a management fee of \$6,606 is appropriate.

Upon examining both the utility's annual reports and tax returns, we have determined that the utility president has never received compensation from the utility. The invoice on which the charge is contained appears to be little more than an afterthought, with charges for the previous thirteen months. We have no assurance that any compensation will be paid to the president, even

500-L

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 18

if recovery were allowed in this case. We have, therefore, disallowed the president's salary.

Office, Clerical. The utility requested clerical expenses of \$26 per hour for seven hours per month to cover billing duties. Based on a survey of utility salaries in Florida, we think that a rate of \$11.12 per hour, including related payroll tax, is appropriate. The annual clerical expense is therefore \$934.

We have also calculated the cost of pre-paid postcards for billing. At \$.19 each, the expense for a year would be \$912. The total office expense is therefore \$1,846.

Lawn Mowing. The utility has requested a pro forma adjustment of \$1,250 per month, \$15,000 per year, for mowing around the ponds, drainfield, and other facilities. We note that according to the utility's expenses for 1990, lawn mowing, including \$233 in tractor rental and \$188 in labor charges from UUI, was recorded as repair expenses. As discussed above, the labor charges from UUI are excessive. We believe that the utility could obtain mowing services for \$35 per hour, including the tractor and operator. The total for seven hours labor would be \$245 per month, or \$2,940 per year.

Meter Reading. The utility requested that its new rates be set using a base facility charge rate structure, which would require monthly meter readings from the water provider. The water provider, the Homosassa Special Water District, has informed the utility that it would be willing to provide a monthly printout of Riverhaven area customer meter readings for a fee of \$300. Since in a later part of this Order we approve a base facility charge rate structure for this utility, we shall allow the \$300 as a pro forma adjustment to the test year.

Rents - Equipment. The utility recorded \$3,340 in costs for equipment rental. We have removed the \$492 UUI markup included in this total.

Transportation. The utility provided documentation showing \$104 in transportation expense. The total is comprised largely of mileage charges from UUI at \$.50 per mile. We believe that the Internal Revenue Service's standard mileage rate of \$.26 per mile is more appropriate. Accordingly, we have reduced transportation expense by \$44, for a total test year expense of \$96.

Insurance. The utility recorded \$136 in test year property insurance expense. As this amount appears reasonable, we shall allow it.

Regulatory Commission Expense. The utility has requested \$10,809 in rate case expense. We believe this amount is high for a staff-assisted rate case in the Proposed Agency Action stage; however, some of the charges are justified.

The utility paid the \$900 filing fee for this case, which we shall allow. The utility consultant prepared a billing analysis in conjunction with the requested change to the base facility charge/gallonage rate structure. Because we prefer this rate structure, we think this cost is justified and therefore will allow the \$1,785 fee and \$538 travel expense associated with the billing analysis. In addition, the utility requested recovery of the \$155.55 paid to the consultant to prepare its staff-assisted application. As this amount appears reasonable, it is also allowed.

The utility has requested recovery of some \$5,370 in expenses incurred from responding to inquiries from our staff. Of this, \$1,661 was for attorney's fees, \$2,600 was for the utility's accountant, and the remainder for the rate case consultant. Our staff requested additional information largely at the behest of UUI's manager, who thought that our staff had overlooked items in its accounting report. The utility could have resolved many of the areas of inquiry on its own. The utility's attorney provided insufficient information regardless. Although, the utility's accountant provided useful information, the \$2,600 charge from him is not acceptable given the amount of information he provided. The utility had three consultants involved in this case, which we believe is unjustified for a staff-assisted rate case. The ratepayers should not have to pay for Homosassa's lack of efficiency. Accordingly, we shall allow only \$500 for the accountant's time and \$500 for the utility's rate case consultant.

In its estimate of expenses to complete the case, the utility requested \$1,500 for its attorney to attend the agenda conference. We believe this is unreasonable considering that the utility has three cases on the same agenda and that in a previous estimate the utility requested \$475 to attend the agenda. One-third of the initial request, \$158, will be allowed. The utility also requested \$170 to review our staff's recommendation, \$85 to prepare the

500-N

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 20

customer notice, and \$255 to revise the tariff. The request of \$170 to review the recommendation is reasonable, but we believe that \$255 is sufficient expense for both the notice and the tariffs.

In consideration of the foregoing, the total rate case expense which we will allow is \$5,285. When amortized over four years, as is required by Section 367.0816, Florida Statutes, annual rate case expense recovery is \$1,321.

Miscellaneous Expense. UUI allocated \$890 for office rent, \$704 for telephone expense, and \$271 for electric expense to the utility. In related cases involving Homosassa and UUI, we have reallocated these expenses in a manner which more accurately reflects the proportionate sizes of the respective systems. The Riverhaven system, however, is many times larger than the other systems. We have therefore used a 35% allocation factor for these expenses. The allocated expenses have increased as follows: Rent expense is \$1,113; telephone expense is \$881; and electric expense is \$339. The utility submitted bills for long distance telephone calls from UUI's central office to the Homosassa office which pertain to operation of the utility. We shall allow \$443 for this expense. The utility also provided documentation showing \$1,279 in expenses for purchased water used to operate the wastewater treatment plant. We have increased this expense by \$162 annually to reflect increased water rates to be charged by the Homosassa Special Water District, beginning July, 1991.

Depreciation Expense Net of Amortization of CIAC

Applying the depreciation rates prescribed by Rule 25-30.140, Florida Administrative Code, to test year plant, we find that test year depreciation expense is \$30,499. We have increased depreciation expense by the \$10,976 for depreciation associated with pro forma plant and have reduced it by the \$2,616 associated with non-used and useful plant and the \$394 associated with the computer no longer used.

Using the same depreciation rates, we have calculated the amortization of CIAC to be \$21,055. We have added \$1,401 in amortization expense associated with the imputation of CIAC on the margin reserve, \$1,506 in expense associated with CIAC not collected from a developer, and \$2,725 in expense associated with

500-8

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 21

imputed connections. Total amortization expense after these adjustments is \$26,687.

In consideration of the foregoing, we find that the proper amount of test year depreciation expense, net of amortized CIAC, is \$11,598.

Taxes Other Than Income Taxes

The utility submitted its 1990 property tax bills which total \$10,192. In addition to this amount, we have added \$5,082 to account for the 4.5% regulatory assessment fee to be assessed on test year revenues. We therefore find that the proper amount for test year taxes other than income taxes is \$15,274.

Income Taxes

Homosassa has a \$144,105 deficit in retained earnings and, therefore, pays no income taxes. As no income taxes are paid, no income tax expense shall be allowed.

Test Year Operating Income/Loss

Based on our above test year revenues calculation and adjusted operating expenses calculation, Homosassa's test year operating loss is \$3,764.

Revenue Requirement

Based upon our review of the utility's books and records and based upon the adjustments made herein, we find that the appropriate annual revenue requirement for this utility is \$112,951. This revenue requirement represents an annual increase in revenue of \$23,646 (26.48%). This revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 10.39% return on its investment.

RATES AND CHARGES

Monthly Rates

The utility currently employs a flat rate structure. The utility has requested to implement our preferred rate structure,

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.

A BFC rate structure for this utility will require a small cost to the customers since the utility must pay for usage information from the water provider. However; this cost is less than one dollar per customer per year. In consideration of the foregoing, we find that the utility's rate structure should be changed to the BFC rate structure.

We have calculated new rates for the utility which are designed to allow it to achieve the revenue requirement approved herein. We find that these new rates are fair, just, and reasonable, and are not unduly discriminatory. The utility's existing rates and the rates which we hereby approve are set forth below for comparison.

Wastewater

Monthly Rates

Residential

<u>Base Facility Charge</u>	<u>Current</u>	<u>Commission Approved</u>
All Meter Sizes	\$16.29 Flat Rate	\$ 9.85
<u>Gallonage Charge</u>		
Per 1,000 gallons (10,000 gal. maximum)	N/A	\$ 1.39

500-0

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 23

Wastewater  
Monthly Rates  
General Service

<u>Base Facility Charge</u>	<u>Current</u>	<u>Commission Approved</u>
<u>Meter Sizes</u>	\$16.29 per ERC Flat Rate	
5/8"		\$ 9.85
3/4"		14.77
1"		24.62
1-1/2"		49.25
2"		78.79
3"		157.59
4"		246.23
6"		492.47

Gallonage Charge

Per 1,000 gallons (No maximum)	N/A	\$ 1.67
-----------------------------------	-----	---------

The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved only upon our staff's verification of the following: that the tariff sheets are consistent with our decision herein, that the proposed customer notice is adequate, and that the escrow account required by the section below is properly established.

5-00-R

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 24

Escrow Requirement

We have included certain pro forma additions in rate base. That portion of the rate increase approved above which is associated with pro forma plant shall be placed in escrow until construction of the pro forma plant items is completed, the utility has reobtained an operating permit, and our review of the utility's capacity study has taken place. The amount of the increase attributable to the pro forma additions which shall be escrowed is as follows: \$1.81 of the base facility charge for residential customers, \$1.81 per ERC of the base facility charge (based on meter size) for commercial customers, \$.32 per 1,000 gallons for residential customers, and \$.38 per 1,000 gallons for general service customers.

The escrow account shall be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state, at a minimum, that the account is established at the direction of this Commission for the purpose set forth above, that the account is to be an interest bearing account, that no withdrawals of funds shall occur without the prior written approval of the Commission through the Director of the Division of Records and Reporting, that the ultimate disposition of the escrow funds, including interest, is subject to the authority of the Commission, and that pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

Once the rates become effective, the utility shall deposit the funds to be escrowed into the escrow account within seven (7) days of the utility's receipt thereof. 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.

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.

As identified previously, we have allowed the utility \$5,283 in rate case expense. Pursuant to the above-quoted section of Chapter 367, we calculate that for \$5,283 to be recovered over four years, \$1,321 must be recovered annually. However, since that annual amount does not reflect the 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 \$1,380 per year for four years.

At the end of four years, the utility's rates should be reduced to reflect the \$1,380 reduction to its annual revenue requirement. Based on existing circumstances, the effect of this revenue reduction will be a \$.12 reduction in the wastewater base facility charge and a \$.02 reduction to the wastewater gallonage 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.

Miscellaneous Service Charges

Currently, the utility's tariff contains no 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.

500-T

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 26

WATER

Initial Connection	\$ 15.00
Normal Reconnection	\$ 15.00
Violation Reconnection	\$ 15.00
Premises Visit (in lieu of disconnection)	\$ 10.00

A description of each type of miscellaneous service charges follows:

(1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.

(2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

(3) Violation Reconnection: This charge is to 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. (Actual cost is limited to direct labor and equipment rental.)

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

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.

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 27

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.

The utility's current tariff includes service availability charges of \$700 for plant capacity and \$250 for main extensions. At present, the net contribution level for this utility is 44%. The collection plant, with an original cost of \$520,710, is fully contributed. In addition, the utility has collected, to date, \$108,690 in connection/capacity fees. While the collection lines are only 57% used and useful, the treatment and disposal plant 94% used and useful. The utility had plans to construct a 200,000 gpd treatment plant, but those plans have been put on hold.

The calculation of service availability charges depends upon information that will not be available until the utility submits plans for expansion, which we have required it to do. We will reevaluate service availability charges at that time. At present, the utility's contribution level is acceptable; due to the limited remaining capacity, additional collections will not cause the contribution level to exceed our Rule's guidelines. Accordingly, we shall not revise the utility's \$950 service availability charge at this time.

Temporary Rates in the Event of Protest

This Order proposes an increase in 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 monthly service rates approved herein, on a temporary basis, subject to refund, provided that the utility submits, and our staff approves, adequate security for a potential refund

500-V  
ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 28

through a bond, letter of credit, or escrow account, revised tariff sheets and a customer notice.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$16,447. For the period it is in effect, such a bond or letter of credit shall be irrevocable without the consent of the Commission.

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 escrow agreement. The Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state, at a minimum, that the account is established at the direction of this Commission for the purpose set forth above, that the account is to be an interest bearing account, that no withdrawals of funds shall occur without the prior written approval of the Commission through the Director of the Division of Records and Reporting, that the ultimate disposition of the escrow funds, including interest, is subject to the authority of the Commission, and that pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

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 undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Homosassa Utilities, Inc., for an increase in its wastewater rates in Citrus 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 is hereby approved in every respect. It is further

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 29

ORDERED that all 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 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 Homosassa Utilities, Inc., is authorized to charge the new rates and charges as set forth in the body of this Order, provided it submits and has approved by Staff revised tariff sheets and a customer notice, and provided it properly establishes the escrow account required for the pro forma portion of the approved rates. It is further

ORDERED that, as set forth in the body of this Order, the portion of the approved rates attributable to pro forma plant additions shall be subject to refund with interest in accordance with Rule 25-30.360, Florida Administrative Code, and that Homosassa Utilities, Inc., shall furnish satisfactory security for any potential refund related thereto. It is further

ORDERED that the 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. 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, Homosassa Utilities, Inc., 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, Homosassa Utilities, Inc., shall submit and have approved revised tariff pages. The revised tariff pages

500-X

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 30

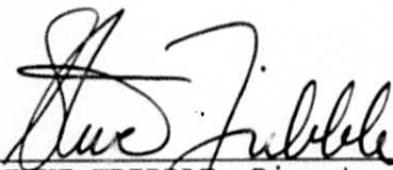
will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Homosassa Utilities, Inc., is authorized to collect the monthly service rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Homosassa Utilities, Inc. submitted and Staff has approved revised tariff pages, a proposed customer notice, and satisfactory security for any potential refund. It is further

ORDERED that Homosassa Utilities, Inc., shall adhere to the deadline to established by DER to reobtain its operating permit and it shall submit, within six months of the date of this Order, a comprehensive study of the available connection capacity to the existing facility along with plans for plant expansion, assuming expansion is required. It is further

ORDERED that this docket will remain open pending our review of improvements construction and our review of the aforementioned study and plan.

By ORDER of the Florida Public Service Commission, this 20th  
of AUGUST, 1991.

  
\_\_\_\_\_  
STEVE TRIBBLE, Director,  
Division of Records and Reporting

(S E A L)  
MF

500-4

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 31

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 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 9/10/91. 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.

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 32

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.

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 33

HOMOSASSA UTILITIES, INC. (RIVERHAVEN)  
SCHEDULE OF SEWER RATE BASE  
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-A  
DOCKET NO. 900967-SU

COMPONENT	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 866,581	\$ 58,364	\$ 924,945
2			
3 LAND	141,777	(55,810)	85,967
4			
5 NON-USED & USEFUL COMPONENTS	0	(44,734)	(44,734)
6			
7 C.W.I.P.	33,287	(33,287)	0
8			
9 C.I.A.C.	(653,939)	(51,833)	(705,772)
10			
11 ACCUMULATED DEPRECIATION	(274,407)	(8,240)	(282,647)
12			
13 AMORTIZATION OF C.I.A.C.	180,804	14,143	194,947
14			
15 ADVANCES FOR CONSTRUCTION	0	0	0
16			
17 WORKING CAPITAL ALLOWANCE	0	8,408	8,408
18			
19 RATE BASE	\$ 294,103	\$ (112,989)	\$ 181,114
20			

500-BB

ORDER NO. 24937  
 DOCKET NO. 900967-SU  
 PAGE 34

HOMOSASSA UTILITIES, INC. (RIVERHAVEN)  
 ADJUSTMENTS TO RATE BASE  
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-B  
 PAGE 1 OF 2  
 DOCKET NO. 900967-SU

EXPLANATION	ADJUSTMENTS
1 UTILITY PLANT IN SERVICE	
2 A. To remove unsupported additions.	\$ (120,087)
3	
4 B. To include average balance of test year	
5 plant additions as adjusted to commission calculation.	18,959
6	
7 C. To include pro forma plant.	161,855
8	
9 D. To remove computer not used in utility.	(2,363)
10	-----
11 NET ADJUSTMENT	\$ 58,364
12	=====
13	
14 LAND	
15 A. To remove unsupported additions.	\$ (55,810)
16	=====
17	
18 NON-USED AND USEFUL	
19 A. To remove non-used and useful plant	\$ (44,734)
20 and land.	=====
21	
22 CONSTRUCTION WORK IN PROGRESS	
23 A. To transfer to pro forma plant.	(26,599)
24	
25 B. To remove excess labor charges and markup.	(6,688)
26	-----
27 NET ADJUSTMENT	\$ (33,287)
28	=====
29	
30 CONTRIBUTIONS IN AID OF CONSTRUCTION	
31 A. To adjust to commission calculation.	\$ 32,592
32	
33 B. To impute CIAC on the margin reserve.	(21,000)
34	
35 C. To include CIAC not collected from developer.	(22,575)
36	
37 D. To impute CIAC on additional connections.	(40,850)
38	-----
39 NET ADJUSTMENT	\$ (51,833)
	=====

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 35

HOMOSASSA UTILITIES, INC. (RIVERHAVEN)  
ADJUSTMENTS TO RATE BASE  
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-B  
PAGE 2 OF 2  
DOCKET NO. 900967-SU

EXPLANATION	ADJUSTMENTS
1 ACCUMULATED DEPRECIATION	
2 A. To adjust to commission calculation (average).	\$ (6,606)
3	
4 B. To remove acc. depr. associated with computer.	1,418
5	
6 C. To include accumulated depreciation associated	
7 with pro forma plant.	(10,796)
8	
9 D. To reflect non-used and useful adjustment.	7,744
10	
11 NET ADJUSTMENT	\$ (8,240)
12	
13	
14 ACCUMULATED AMORTIZATION (CIAC)	
15 A. To adjust to commission calculation.	\$ 5,888
16	
17 B. To include amortization associated with	
18 additional connections.	6,802
19	
20 C. To reflect accumulated amortization associated	
21 with imputation of CIAC on the margin reserve.	701
22	
23 D. To reflect accumulated amortization	
24 associated with CIAC not collected from developer.	752
25	
26 NET ADJUSTMENT	\$ 14,143
27	
28	
29 WORKING CAPITAL ALLOWANCE	
30 A. To adjust the working capital allowance to	\$ 8,408
31 commission calculation.	

5-00-DD

ORDER NO. 24937  
 DOCKET NO. 900967-SU  
 PAGE 36

HOMOSASSA UTILITIES, INC. (RIVERHAVEN)  
 CAPITAL STRUCTURE  
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 2-A  
 DOCKET NO. 900967-SU

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTILITY BALANCE	COMMISSION ADJUSTED TEST YEAR	PRO RATA RECONCIL.	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST
LONG TERM DEBT	\$ 303,343	\$(60,357)	\$ 242,986	\$(87,098)	155,888	86.07%	10.00%	8.61%
SHORT TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	4,815	0	4,815	(1,726)	3,089	1.71%	8.00%	0.14%
PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	4,835	29,670	34,505	(12,368)	22,137	12.22%	13.51%	1.65%
INVESTMENT TAX CREDITS	0	0	0	0	0	0.00%	0.00%	0.00%
DEFERRED INCOME TAXES	0	0	0	0	0	0.00%	0.00%	0.00%
OTHER CAPITAL	0	0	0	0	0	0.00%	0.00%	0.00%
<b>TOTAL CAPITAL</b>	<b>\$ 312,993</b>	<b>\$(30,687)</b>	<b>\$ 282,306</b>	<b>\$(101,192)</b>	<b>181,114</b>	<b>100.00%</b>		<b>10.39%</b>

RANGE OF REASONABLENESS

	LOW	HIGH
EQUITY	12.51%	14.51%
OVERALL RATE OF RETURN	10.27%	10.52%

ORDER NO. 24937  
 DOCKET NO. 900967-SU  
 PAGE 37

HOMOSASSA UTILITIES, INC. (RIVERHAVEN)  
 STATEMENT OF SEWER OPERATIONS  
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-A  
 DOCKET NO. 900967-SU

DESCRIPTION	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 96,229	\$ (6,924)	\$ 89,305	\$ 23,646	112,951
2					
3 OPERATING EXPENSES					26.48%
4					
5 OPERATION AND MAINTENANCE	\$ 51,074	\$ 16,187	\$ 67,261	\$	67,261
6					
7 DEPRECIATION	0	11,598	11,598		11,598
8					
9 AMORTIZATION	0	0	0		0
10					
11 TAXES OTHER THAN INCOME	1,031	13,179	14,210	1,064	15,274
12					
13 INCOME TAXES	0	0	0	0	0
14					
15					
16 TOTAL OPERATING EXPENSES	\$ 52,105	\$ 40,964	\$ 93,069	\$ 1,064	94,133
17					
18					
19 OPERATING INCOME	\$ 44,124	\$ (47,888)	\$ (3,764)	\$ 22,582	18,818
20					
21					
22 RATE BASE	\$ 294,103		\$ 181,114		\$ 181,114
23					
24					
25 RATE OF RETURN	15.00%		-2.08%		10.39%
26					

500-FF

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 38

HOMOSASSA UTILITIES, INC. (RIVERHAVEN)  
ADJUSTMENTS TO OPERATING STATEMENT  
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-B  
PAGE 1 OF 2  
DOCKET NO. 900967-SU

EXPLANATION	ADJUSTMENTS
1 OPERATING REVENUES	
2 A. To remove 1989 revenues included in January 1990.	\$ (6,924)
3	=====
4	
5 OPERATION AND MAINTENANCE EXPENSE	
6 A. To include unbilled items.	\$ 54,845
7	
8 B. To remove an undocumented item.	(427)
9	
10 C. To remove out-of-period items.	(670)
11	
12 D. To remove excess chemical purchases.	(1,144)
13	
14 E. To remove markups and excess sales tax.	(3,269)
15	
16 F. To remove excessive clerical costs.	(338)
17	
18 G. To include pro forma expenses as calculated by commission.	2,046
19	
20 H. To reduce mileage to \$.26 per mile.	(44)
21	
22 I. To remove excessive management fees paid	
23 to USA Utilities.	(17,074)
24	
25 J. To remove legal expenses associated with lawsuit.	(19,059)
26	
27 K. To include rate case expense amortized over	
28 four years, \$5,285/4.	1,321
29	-----
30 NET ADJUSTMENT	\$ 16,187
31	=====
32	
33 DEPRECIATION EXPENSE	
34 A. To include depreciation expense as	
35 calculated by commission.	\$ 30,499
36	
37 B. To include depreciation expense associated	
38 with pro forma plant.	10,796
39	
40 C. To remove depreciation expense associated with	
41 non-used and useful plant.	(2,616)
42	
43 D. To remove depr. exp. associated with computer.	(394)

ORDER NO. 24937  
DOCKET NO. 900967-SU  
PAGE 39

HOMOSASSA UTILITIES, INC. (RIVERHAVEN)  
ADJUSTMENTS TO OPERATING STATEMENT  
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-B  
PAGE 2 of 2  
DOCKET NO. 900967-SU

EXPLANATION -----	ADJUSTMENTS -----
1 E. To include amortization of CIAC exp. as 2 calculated by commission. 3	(21,055)
4 F. To reflect amortization expense associated 5 with imputation of CIAC on the margin reserve. 6	(1,401)
7 G. To reflect amortization expense associated with 8 CIAC not collected from developer. 9	(1,506)
10 H. To reflect amortization associated 11 with additional connections. 12	(2,725)
13 NET ADJUSTMENT	\$ 11,598
14	*****
15	
16 TAXES OTHER THAN INCOME	
17 A. To include property tax per 1990 bills. 18	\$ 10,192
19 B. To included regulatory assessment fees 20 at 4.5%. 21	2,987
22 NET ADJUSTMENT	\$ 13,179
23	*****
24	
25 OPERATING REVENUES	
26 A. To adjust revenues to reflect revenues 27 which allow a fair rate of return. 28	\$ 23,646
29	*****
30 TAXES OTHER THAN INCOME	
31 A. To reflect regulatory assessment fees 32 related to commission adjustment to revenues. 33	\$ 1,064
	*****