**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

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

 **January 7, 1992**

**TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING**

**FROM : DIVISION OF WATER AND WASTEWATER (PRICE, McCASKILL, RIEGER)**

 **DIVISION OF LEGAL SERVICES (JABER)**

**RE : UTILITY: UTILITIES, INC. OF FLORIDA (PPW)**

**DOCKET NO.: 920834-WS**

**COUNTY: PASCO**

**CASE: PETITION FOR LIMITED PROCEEDING TO INCREASE RATES TO RECOVER THE COST OF PURCHASED ASSESTS DISALLOWED IN DOCKET NO. 910020-WS BY UTILITIES, INC. OF FLORIDA.**

**AGENDA : JANUARY 19, 1992 - PROPOSED AGENCY ACTION - PARTIES MAY PARTICIPATE, EXCEPT FOR ISSUE 9**

**CRITICAL DATES: NONE**

**SPECIAL INSTRUCTIONS: NONE**

**RECOMMENDATION FILE NAME: I:\PSC\WAW\WP\W920834A.RCM**

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 **CASE BACKGROUND**

 Utilities, Inc. of Florida (UIF or utility) is a class B utility providing water and wastewater service for 27 systems in 6 counties in Central Florida. UIF is a wholly owned subsidiary of Utilities, Inc. Order No. 24259, issued March 20, 1991, granted the transfer of Paradise Pointe West's (PPW) water and wastewater system to Utilities, Inc. of Florida. PPW's water and wastewater system is located in Pasco County. The water system serves 745 customers and the wastewater system serves 718 customers.

 PPW's rates were last established in a file and suspend rate case, Docket No. 910020-WS, Order No. 25821, issued February 27, 1992. The utility was authorized a 10.65 percent rate of return with a range of reasonableness of 10.21 percent to 11.09 percent. In the rate case, the Commission assigned a zero value to all assets acquired through the purchase of the PPW system. The Commission determined that the original costs of the assets acquired at the time of the transfer were not supported by the record. Consequently, rate base only contained plant investments made by UIF after the acquisition of PPW.

 On August 19, 1992, UIF filed a petition for a limited proceeding to increase water and wastewater rates to recover the cost of purchased assets disallowed in the prior proceeding. The utility developed an original cost study for the purchased assets and submitted it along with other supporting documentation to the Commission as part of the application. The study assigns a value to the purchased assets so that the plant can be included in rate base. On September 18, 1992, UIF filed a notice of withdrawal of its request for the wastewater rate increase. The interim recommendation only addressed the utility's request for an interim increase in water rates which was designed to generate annual revenues of $161,659, an increase of 38.20 percent.

 The Commission denied the utility's request for interim water rates by Order No. PSC-92-1217-FOF-WS, issued October 27, 1992. On November 19, 1992, a customer meeting was held at PPW's recreation center in New Port Richey, Florida and approximately 360 customers attended. Customer concerns regarding quality of service are addressed in Issue 1.

 **DISCUSSION OF ISSUES**

**QUALITY OF SERVICE**

**ISSUE 1:** What is the quality of service provided by this utility?

**RECOMMENDATION:** The quality of service provided by this utility should be considered satisfactory. In light of the known problems attributed to the dead-end water lines, it is recommended that the utility aggressively pursue either looping the dead-end lines, or initiating a regular flushing program that insures a quality product. The utility should be required to submit its findings regarding the feasibility of looping the lines within ninety days of the effective date of this Order. The utility's findings should include costs associated with the looping of the dead-end lines and a timeframe for completion if it decides it to be cost feasible. If the utility determines that line looping is cost prohibited, an explanation should be given as to why. In its place, a satisfactory alternative, such as a well documented flushing program should be presented to the Commission for review. (RIEGER)

**STAFF ANALYSIS:** The customer meeting was held in the service area on November 19, 1992, at the Pointe West Recreation Auditorium. In attendance were approximately 360 customers. Six of the fifteen that spoke expressed concerns about quality of service.

 Mr. Eckhardt testified that it is ironic to further reward the people who ran the systems into the ground and violated Department of Environmental Regulations (DER) rules. Ms. Lenz testified that since the area has fire hydrants, the utility must have the capacity to serve them. Ms. English was concerned about the utility's apparent defiance of Order No. 25821, specifically regarding adequate fire flow capacity.

 Order No. 25821, was the last final order setting rates for this utility. The utility was ordered to aggressively pursue reaching an agreement with Pasco County for emergency fire protection within six months of the issuance of Order No. 25821. The utility notified staff that it had requested and received a bulk water agreement from Pasco County; however, the agreement had not been finalized because the County would not include language in the contract which would waive impact fees for future connections. The utility stated that because the bulk water agreement would be used only for fire protection, it believes that it would be unfair and perhaps discriminatory for the County to charge its current impact fee to future customers. The utility stated that because they could not reach an agreement on this issue, no further negotiations have been pursued. Staff is currently reviewing the status of this situation and will be addressing it separately from this docket.

 Ms. Lenz testified that the quality of service has not improved, and asked the Commission to disallow a rate increase. She complained about stagnant water and bad odors primarily on those streets that have closed systems or dead-end lines. She said that she had called 42 families, and 27 families have problems with odors, rust, and low pressure. Of the families she had contacted 26 buy bottled water to drink, and those that do drink the water chill and settle it before it's consumed. Although the utility's occasional flushing of lines does help, she asked that the dead-end lines be looped to eliminate the problem altogether. Mr. Marcucci agreed with Mr. Lenz by indicating that the odor problem will not be corrected if the water is not rerouted.

 In a December 7, 1992, letter to the Commission, the utility responded to the customers testimony made at the meeting. The utility agreed that there is an odor problem in dead-end lines and indicated that additional blow off valves will be installed within 30 days. The utility also stated that it will examine the possibility of looping the dead-end lines.

 Ms. English testified about a water leak that covered her meter. Even though she had contacted the utility, it was not repaired for many days. In its December 7, 1992, letter, the utility responded that the water meter was flooded due to several days of constant rain. However, the meter was capable of being read, and a leak between the main and the meter was found and repaired.

 Concerning infiltration in the wastewater collection system, Mr. Holzmann testified that the customers were told that there is a 50% water leak (infiltration) in piping that is assumed to be the recently installed force main. In its December 7, 1992, letter, the utility indicated that the force main has been pressure tested and that no leakage occurred. Infiltration has been reviewed by staff. There is no indication that it is excessive.

 The Commission has received written comments about quality of service from a customer who attended the customer meeting. That customer, Mr. Wilson, indicated that he does not drink the water because of its poor quality. He had recently purchased a water purifier because he believes the water is unsafe to drink. He believes that water rates should be lowered with no increase until the utility can deliver safe drinking water.

 In Order No. 25821, it was determined that the quality of service provided by the utility was satisfactory for water and wastewater. In this case, staff's review has determined that the utility is in compliance with state and local health requirements. Staff has determined that the quality of service remains satisfactory. However, some of the customer complaints about water quality made during the previous rate case are similar to those that have been received during this limited proceeding. Order No. 25821 stated that the utility should continue to address those concerns. In reviewing the utility's December 7, 1992, letter, staff believes that the utility is making an effort to improve upon problem areas, such as the dead-end lines situation.

 We encourage the utility to continue in this matter and notify the Commission when the installation of the blow off valves is completed. It is recommended that the utility aggressively pursue either looping the dead-end lines, or initiating a regular flushing program that insures a quality product. The utility should be required to submit its findings to the feasibility of looping the lines within ninety days of the date of this order. The utility's findings should include costs associated with the looping of the dead-end lines and a timeframe for completion if it decides it to be cost feasible. If the utility determines that line looping is cost prohibited, an explanation should be given as to why. In its place, a satisfactory alternative, such as a well documented flushing program should be presented to the Commission for review.

**ISSUE 2:** What is the appropriate rate base at the date of transfer?

**RECOMMENDATION:** The staff adjusted rate base for water at the date of transfer was determined to be $211,396. The wastewater rate base was calculated to be $80,982. (PRICE)

**STAFF ANALYSIS:**  The utility was transferred on October 30, 1990. Staff has reviewed the filing and the utility's requested adjustments. The utility has adjusted rate base to reflect the original cost for the PPW water and wastewater system which was disallowed in the previous rate case in Docket No. 910020-WS. In cases where no supporting records for the original cost of the plant exist, it has been Commission practice to estimate the cost of the assets by reconstructing the cost, by reference to cost indices, federal income tax returns, or any other reasonable proxy. In a recent staff-assisted rate case, Sandy Creek Utilities, Inc., Docket No. 900505-WS, Order No. 25373, issued November 21, 1991 and the rate increase for Cooper City Water and Sewer Systems, Docket No. R-70282-WS, Order No. 5402, issued May 3, 1972, an original cost study assisted in establishing rate base.

 Staff has made some adjustments to rate base per Order No. 25821 which establishes rate base at the time of transfer. Rate base at this time reflects the original cost of both the water and wastewater plant. Staff has attached accounting and adjustment schedules to depict rate base at the transfer date. The rate base schedules are numbered 1-A and 1-B and the rate base adjustment schedule is numbered 1-C.

**Rate Base**

 Plant-In-Service

 According to the original cost study, plant-in-service was $764,183 for water and $723,958 for wastewater. Staff has reviewed the calculations and we agree with the values assigned. The original cost study indicates that the value for land and land rights for water and wastewater is $9,371 and $16,714, respectively. These amounts have been reported consistently in the annual reports for 1981 through 1989. Therefore, absent any other evidence, staff recommends that these values be allowed. According to the warranty deed referenced in the audit prepared for Docket No. 910020-WS, the water plant has .34 acre and the wastewater plant has 10.29 acres.

 Staff's adjusted plant-in-service balance at October 30, 1990, is $764,183 for water and $723,958 for wastewater. Staff's adjusted land and land rights balance at October 30, 1990, for water is $9,371 and for wastewater, $16,714. The balances are consistent with the amounts reported by the utility.

 Accumulated Depreciation

 Based on the original cost study, the accumulated depreciation for plant at October 30, 1990, was $196,844 for water and $254,590 for wastewater. The book depreciation life of 33 years was used to derive these amounts. Staff believes both these amounts are appropriate based on our review of the original cost study.

 At October 30, 1990, staff's adjusted balance for accumulated depreciation is $196,844 and $254,590 for water and wastewater, repectively. These balances are consistent with the amounts reported by the utility.

 Contributions-In-Aid-Of-Construction

 The utility reported contributions-in-aid-of-construction (CIAC) in the original cost study as $438,419 for the water system and $398,738 for the wastewater system. The CIAC for water is composed of $395,919 related to contributed plant and $42,500 related to Pointe West's imputed connection fees. Likewise, the wastewater CIAC includes $334,988 of contributed plant and $63,750 relates to the imputed connection fees.

 According to the sales agreement found in the abandonment audit prepared for Docket No. 890914-WS, the Pointe West customers were to pay the utility $100 for water connection fees and $150 for wastewater connection fees. Since there were no records available to indicate the connection fees were collected, the connection fees were imputed by staff at that time of the audit as though the fees were collected.

 Staff has also imputed additional CIAC of $34,591 and $199,075 for water and wastewater respectively, to reflect as CIAC, the difference in the cost of plant reported in the utility's annual report and the original cost of plant determined in the original cost study. In reviewing the utility's annual reports from 1981 to 1989, staff noted that the cost of the contributed lines was not reported in the annual reports. Since it appears that the utility may not have included the cost of contributed plant in its annual reports, staff believes that it is reasonable to conclude that the unexplained difference in plant values reported in the annual report and the original cost study may be attributable to unrecorded CIAC. Therefore, staff believes it is necessary to impute additional CIAC. The Commission took this exact position on imputing additional CIAC for Sunshine Utilities in both Dockets Nos. 881030-WU and 900386-WU, Orders Nos. 22969 and 25722. For water, the original cost study reports $773,554 for plant. The plant balance reflected in the annual report is $300,544. The difference of $473,010 is considered unjustified plant. The $473,010 of unjustified plant is then netted against $395,919 of contributed property and $42,500 of imputed connection fees per the original cost study; thus, arriving at staff's additional imputed CIAC of $34,591.

 Similarly, for wastewater, the original cost study reports plant of $740,672 and according to the annual report, the plant balance is $142,859 for a difference of $597,813 of unjustified plant. The remaining $597,813 of unjustified plant is netted against $334,988 of contributed property and $63,750 of imputed connection fees per the original cost study; thus, arriving at staff's additional imputed CIAC of $199,075.

 The utility reflected the cost of the water transmission and distribution system and the wastewater sewage collection system for Pointe West as non-contributed because connection fees were imputed for these systems in connection with a 1973 "franchise" document between Paradise Pointe West, and Pointe West Water Company and Pointe West Sewer Company. Rule 25-30.570, Florida Administrative Code, provides that if the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to water transmission and distribution system and the sewage collection system. Therefore, in determining the non-contributed cost of plant-in-service, connection fees imputed for the Pointe West systems were first netted against the transmission and distribution system for water and the sewage collection system for wastewater. Any excess connection fees and other imputed CIAC was then applied to treatment plant because we believe that after recovery of the transmission and distribution system and sewage collection system as CIAC, it is reasonable that a utility would recover the cost of its treatment plant through CIAC. For water, the imputed connection fees of $20,886 for Pointe West was allocated to the transmission and distribution mains in order to make this account fully contributed. The excess $21,614 of the $42,500 connection fees for Pointe West is allocated to services. Staff has applied $20,440 of staff's imputed CIAC to services to make the account fully contributed. The remaining $14,151 of staff's imputed CIAC was allocated to distribution reservoirs and standpipes to make this account 16.01 percent contributed. The imputed CIAC allocated to this account is 16.01 percent to the total plant balance.

 For wastewater, $1,345 of the imputed connection fees of $63,750 was allocated to collection sewers - force. By allocating those imputed connection fees, this account is made fully contributed. The remaining imputed connection fees for Pointe West, $62,405, is applied to collection sewers - gravity. In addition, $16,895 of staff's imputed CIAC is also applied to this account in order to make it fully contributed. The remaining $182,180 of staff's imputed CIAC is then spread over the services to customers and treatment & disposal equipment account as follows. The account services to customers was allocated $27,870 which makes the account fully contributed. The remaining staff imputed CIAC of $154,310 was allocated to treatment and disposal equipment of which this amount is 62.23 percent of the total plant account; therefore, the account is partially contributed.

 After the above adjustments, the staff adjusted CIAC balance at October 30, 1990, was $473,010 for water and $597,813 for wastewater.

 Accumulated Amortization of CIAC

 The balance for amortization of CIAC per the original cost study on October 30, 1990, was determined to be $68,939 and $59,402 for water and wastewater, respectively. Although staff agrees with the amount the utility initially calculated, we made several adjustments to reflect amortization of the CIAC imputed by staff. Since the imputed CIAC was offset against specific account balances, the amortization of CIAC was the same as the depreciation on those accounts.

 For the water system, amortization of CIAC imputed for the transmission and distribution mains was calculated to be $12,235. The amortization associated with CIAC imputed for services for Pointe West is $21,777. Finally, the amortization for distribution reservoirs and standpipes was calculated by staff to be $4,745. This amount is computed by taking the percentage of contributed plant, 16.01, and applying it to the respective accumulated depreciation accounts for Pointe West's distribution reservoirs and standpipes.

 Regarding the wastewater system, the amortization of imputed CIAC associated with the collection sewers, force and gravity is $747 and $44,056, respectively. Also, $14,395 is the amortization of CIAC associated with services to customers. Lastly, staff computed the amortization for treatment and disposal equipment to be $74,113. This amount is derived by applying the percentage of contributed plant, which is 62.23, to the respective accumulated depreciation accounts.

 The total of the water adjustments increased the CIAC amortization by $38,757. The wastewater amortization was increased by $133,311. The account balance for water at the date of purchase, October 30, 1990, is $107,696 and for wastewater, $192,713.

 Acquisition Adjustment

 An acquisition adjustment is the difference between the purchase price and the previous owner's original cost amount. When the purchase price exceeds the previous owner's original cost amount, a positive acquisition adjustment results. When the purchase price is less, a negative acquisition adjustment results. Rate base at the date of purchase has been determined to be $211,396 for water and $80,981 for wastewater. The purchase price paid by UIF for the water and wastewater system was $208,000 and $20,000, respectively. Since the purchase price was less than rate base in both instances, a negative acquisition adjustment would have resulted. The Commission's policy regarding acquisition adjustments has been that in the absence of extraordinary circumstances, a purchase of a utility system at a premium or at a discount shall, not affect the rate base calculation. At the October 6, 1980, Agenda Conference, the Commission stated its policy on acquisition adjustments in Docket No. 800614-WS. It was as follows: "Acquisition adjustments, up or down, shall not be allowed unless the acquiring utility shows through extraordinary circumstances that they are necessary and in the best interest of the customers. The utility must show that public bodies were given a chance to acquire the utility or at least comment after full disclosure." For water, the adjustment would have been a negative $3,396 and for wastewater, a negative $60,981. However, had the abandoned plant been reflected in the rate base calculation at the date of transfer, the wastewater rate base would have been $32,319 resulting in a negative acquisition adjustment of $12,319. The utility did not request an acquisition adjustment in this case, nor has it been demonstrated that extraordinary circumstances exist to warrant a negative acquisition adjustment. Therefore, consistent with commission policy, no acquisition adjustment is recommended.

 According to staff's calculation, rate base for water at October 30, 1990, is $211,396 and $80,982 for wastewater. Because the utility withdrew the request to increase wastewater rates, staff is only establishing rate base for wastewater in this docket.

**ISSUE 3:** What is the appropriate rate base for the test year, April 30, 1991?

**RECOMMENDATION:** The staff adjusted rate base for water and wastewater at the test year, April 30, 1991, is $234,425 and $213,579, respectively. (PRICE)

**STAFF ANALYSIS:**  The utility's calculation of rate base at April 30, 1991, was $272,755 for water and $252,777 for wastewater. We have attached accounting schedules to illustrate our recommended rate base at the test year. The rate base schedules are numbered 2-A and 2-B and the rate base adjustment schedule is numbered 2-C. Staff's calculation of rate base at April 30, 1991, totalled $222,693 for water and $187,396 for wastewater. These balances were calculated by updating rate base for the purchased assets at October 30, 1990, to April 30, 1991. These amounts were then added to the rate base values allowed in Order No. 25821 to develop the adjusted April 30, 1991, rate base value. Rate base for water at April 30, 1991, includes staff's adjustments to reclassify specific plant-in-service accounts as plant held for future use. Rate base for wastewater at April 30, 1991, reflects staff's adjustment to remove the cost of the abandoned wastewater treatment plant.

 Plant-In-Service

 The utility's balance of water plant-in-service for the purchased assets at April 30, 1991, was $764,183. Staff agrees with this initial balance; however, it was necessary to increase this amount by the water plant-in-service permitted in Order No. 25821, $44,084. Staff's adjusted balance for water plant-in-service has been calculated to be $808,267 which is consistent with the utility's reported amount.

 Staff's balance of plant-in-service for the purchased wastewater assets has been determined to be $723,958 as of April 30, 1991. This amount was reduced by $274,799 to reflect the removal of the cost of the abandoned wastewater treatment plant from plant-in-service. As a result of this adjustment the value of the purchased wastewater assets at April 30, 1991, has been determined to be $449,159. Order No. 25821 permitted wastewater plant-in-service of $185,689. Therefore, the adjusted balance of wastewater plant-in-service has been calculated to be $634,848 at April 30, 1991. This amount is consistent with the utility's reported balance.

 Land and Land Rights

 The original cost of land for the water system has been determined to be $9,371 as of April 30, 1991. This amount is consistent with the utility's reported balance. Staff agrees and recommends the land balance of $9,371 for the water system as of April 30, 1991.

 The original cost of land for the wastewater system has been determined to be $16,714 as of April 30, 1991. The amount was reduced by $8,357 to reflect non-used land as plant held for future use. Order No. 25821 permitted wastewater land of $97. As a result, the adjusted balance of wastewater land at April 30, 1991 has been determined to be $8,454. This amount is consistent with the utility's reported balance.

 Plant Held For Future Use

 Staff made a $20,075 adjustment to plant held for future use. This adjustment is comprised of the plant-in-service account, net of the respective accumulated depreciation, and land. Staff reclassified $31,693 of plant-in-service to reflect $4,514 of structure and improvement, $24,090 of wells and springs and $3,089 of power generation equipment as plant held for future use. These amounts relate to the removal of well no. 2 which in its present condition is of no benefit to the existing customers and is considered to be non-operational. There appears to be no immediate plans to put this well back on line; therefore, it is recommended that all dollars related to this facility be considered as plant held for future use. Also, staff reclassified $4,686 of the land balance to reflect non-used land as plant held for future use. Lastly, staff reclassified the accumulated depreciation for the water purchased assets of $16,304 to accumulated depreciation for the plant held for future use.

 Contributions-In-Aid-Of-Construction

 The utility reported CIAC of $438,419 and $355,048 for water and wastewater, respectively at April 30, 1991. These amounts do not include additional CIAC imputed by staff. Further, the utility's balance of wastewater CIAC excludes $43,690 for removal of imputed connection fees allocated to the abandoned wastewater treatment plant.

 Staff has calculated CIAC for the water system to be $473,010 as of April 30, 1991. CIAC for wastewater has been determined to be $597,813. These amounts include additional imputed CIAC of $34,591 and $334,988 for the water and wastewater systems, respectively. CIAC for wastewater was reduced by $154,310 to remove CIAC associated with the abandoned wastewater treatment plant. As a result of this adjustment, CIAC at April 30, 1991, was determined to be $443,503.

 Accumulated Depreciation

 Accumulated depreciation from October 30, 1990, to April 30, 1991 was calculated using the water and wastewater guideline average service lives per Rule 25-30.140(2)(a) & (b), Florida Administrative Code. Staff increased accumulated depreciation of the purchased assets at October 30, 1990, by $12,973 for water and $15,654 for wastewater to derive the balance at April 30, 1991. These amounts are consistent with the utility's balances.

 Staff's adjusted balance of accumulated depreciation on the purchased water assets at April 30, 1991, was calculated to be $209,817. Order No. 25821, allowed accumulated depreciation of $6,787 for rate base at April 30, 1991. Therefore, the adjusted balance of accumulated depreciation for total water plant-in-service has been determined to be $216,604 as of April 30, 1991.

This amount is consistent with the utility's reported balance.

 Accumulated depreciation for the wastewater purchased assets was reduced by $141,458 to remove depreciation on the abandoned wastewater treatment plant. As a result, the adjusted balance at April 30, 1991, was calculated to be $128,786. Order No. 25821 allowed accumulated depreciation of $8,879 for rate base at April 30, 1991. Therefore, the staff's adjusted accumulated depreciation balance for total wastewater plant-in-service has been determined to be $137,665 as of April 30, 1991. This balance is consistent with the utility's calculation.

 Accumulated Amortization of CIAC

 The utility reflected accumulated amortization of CIAC as $97,834 for water and $75,527 for wastewater at April 30, 1991. These balances do not include amortization of additional CIAC imputed by staff. Further, the utility's amortization of connection fees for water and wastewater was based on the composite depreciation rate, while staff's amortization was based on the depreciation rate for transmission and distribution mains for water and the sewage collection system depreciation rate for wastewater because staff related the CIAC to the lines for which it was imputed.

 Staff calculated accumulated amortization of CIAC to be $114,744 for water and $204,615 was wastewater. Since staff related CIAC to specific accounts, the amortization of CIAC was consistent with the depreciation of those accounts. Therefore, staff increased accumulated amortization of CIAC at October 30, 1990, by $7,048 for water and $11,902 for wastewater to derive the April 30, 1991 balance.

 The wastewater accumulated amortization balance of $204,615 was reduced by $79,256 to remove amortization of CIAC associated with the abandoned wastewater treatment plant. Therefore, the adjusted balance of accumulated amortization for the wastewater system has been calculated to be $125,359.

 Working Capital

 The working capital allowance at April 30, 1991, was reported by the utility to be $12,305 for water and $26,659 for wastewater. The utility utilitized the formula approach (one-eighth of O & M expenses) to calculate the increase in working capital associated with the rate case expense for this limited proceeding. In this case, the utility's reported rate case expense was $6,355 for both water and wastewater; therefore, the utility's adjustment to working capital was $794 for both water and wastewater.

 However, staff calculated the water and wastewater increase to working capital to be $221 at April 30, 1991, and the total account balance at April 30, 1991, was determined to be $11,732 and $26,086 for water and wastewater, respectively. Staff took one-eighth of the allowed rate case expense associated with this limited proceeding, $1,770, to compute the increase in the working capital allowed in Order No. 25821.

 In consideration of the above, staff recommends that rate base be established as $234,425 and $213,579 for water and wastewater, respectively at April 30, 1991.

**ISSUE 4:** What is the appropriate overall rate of return for this limited proceeding?

**RECOMMENDATION:** The appropriate overall rate of return is 10.65 percent. (PRICE)

**STAFF RECOMMENDATION:** The utility has requested that its last authorized overall rate of return be used in this proceeding. By Order No. 25821, the utility was authorized an overall rate of return of 10.65 percent and a return on equity of 12.83 percent. Staff believes it is appropriate to use the last authorized rate of return in determining the revenue requirement in this limited proceeding. Section 367.022, Florida Statutes, states in part that, "...the commission shall not adjust rates if the effect of the adjustment would be to change the last authorized rate of return."

 In consideration of the above, staff recommends that it is appropriate to use the utility's last authorized rate of return of 10.65 percent to determine the return on investment in this proceeding. Also, this is consistent with the recent Commission decision in both Dockets Nos. 911168-WS, Ortega Utility Company and Docket No. 920598-SU, Parkland Utilities, Inc.

**ISSUE 5:** What is the appropriate rate case expense?

**RECOMMENDATION:** The appropriate rate case expense should be $14,160, amortized over four years. This amount should be allocated 50 percent to water and 50 percent to wastewater operations. (PRICE)

**STAFF ANALYSIS:** In the last rate case, the allowed rate case expense for the utility was $96,101. In this filing, the utility's initial estimate of total rate case expense was $50,840. This amount was amortized over four years and was allocated 50 percent to water and 50 percent to wastewater. The adjustment to operation and maintenance expenses for rate case expense was $6,355 for water and wastewater, respectively. The utility's requested amount of rate case expense is comprised of $29,960 of expenses through Proposed Agency Action (PAA) and an estimated $20,880 of expenses associated with the hearing proceedings. The utility's consulting firm estimated the cost of the original cost study to be $13,500 and the preparation of the minimum filing requirements for the limited proceeding to be $7,500. The projected consulting costs related to hearing procedures are $7,500. Utility subsidiary personnel involvement with the filing was estimated to cost $1,160 through PAA and the projected expenses for participating in a hearing was estimated to be $580. The legal expenses were estimated to be $6,000 through Proposed Agency Action and the expenses after PAA are estimated to be $12,800. Also, the filing fee associated with the limited proceeding is $1,800.

 Staff requested a further breakdown to justify the expenses above. The requested supplemental information provided a more accurate description of the tasks involved as well as detailing the actual expenses incurred to date, and projected costs yet to be incurred. The revised estimate totalled $57,237.

 For consulting purposes, the updated expense is estimated to be $30,786.34. This amount is composed of $13,463.52, the actual expense for completing the original cost study. To date, the actual expense for consulting is $8,462.82 and estimated consulting expenses through PAA is $1,360. The estimated consulting expenses, after PAA, is $7,500. The requested total expenses of $3,141 relate to UIF's subsidiary personnel involvement. To date, the actual incurred expense for the personnel of UIF's subsidiary are $986. The additional estimated expenses for the utility's subsidiary personnel are $875 through PAA and $1,280 for estimated hearing expenses. The updated requested legal fees to be recovered are $23,309.68. The actual legal fees incurred to date are $5,144.68 and projected legal fees through PAA are estimated to be $3,750. The legal fees estimated after PAA are $14,425.

 Staff recommends the total allowable rate case expense through Proposed Agency Action is $14,160. This amount represents $13,464 for consulting fees for preparation of the original cost study and $696 which is attributed to subsidiary personnel involvement.

 Although the utility represented actual and estimated rate case expense, including legal and consulting fees of $34,032.02 through Proposed Agency Action, staff believes that only the cost of the original cost study should be allowed at this time. In its last rate case, the utility used an audit and an original cost study prepared by the Commission to establish rate base at the date of transfer. At the hearing, it was determined that there was no supporting or corroborative evidence to support the audit and the cost study. For that reason, the audit and cost study were ruled inadmissible, and rate base for the transferred assets was established as zero at the date of transfer. In this proceeding, the utility has developed its own original cost study to establish rate base. We believe that the cost of preparing the original cost study should be allowed in rate case expense for this proceeding. However, for ratemaking purposes, staff believes that rate case expense should include only those costs that could not have been avoided had the utility presented supporting or corroborative evidence in the prior rate case. Staff does not believe that the utility customers should bear the cost of the utility's error and failure to present corroborative evidence to support rate base in its last rate case. We, therefore, recommend that in order to support its requested rate base values and allow only that amount of rate case expense which is fair and reasonable, it is appropriate to place the utility in the same position now that it would have been in had it presented corroborative evidence to support rate base in its last rate case. To do this, staff recommends that the Commission disallow any costs in this case that are duplicative of the last rate case, or that could have been avoided had the utility provided corroborative evidence to support its request in its recent rate case. Staff believes that the filing fees of $1,800 could have been avoided. The Commission previously disallowed the filing fee in Florida Cities Water Company, Docket No. 840419-SU, Order No. 16818, issued November 6, 1986. In that rate case, the additional cost associated with refiling the rate case, including the filing fee, was disallowed. As a result of error known by the utility prior to staff qustioning, it was necessary to refile the rate case and the Commission believed those expenses associated with the refiling were imprudent. Further, we believe that some of the legal and consulting fees in preparing this filing are duplicative or could have been avoided. Although staff believes that some of the legal and consulting fees in this case may not be duplicative, we are not able to identify or quantify those amounts at this time because the utility did not provide enough detailed information to make those determinations. Furthermore, some of the costs which could have obviously been avoided are disallowed; however, there was no significant detailed information provided to identify or quantify duplicative duties performed in the last rate case. Staff recommends all costs be disallowed, except the costs associated with the original cost study.

 In consideration of the above, staff recommends the appropriate rate case expense through Proposed Agency Action is $14,160. This amount should be amortized over four years and allocated 50 percent to water and 50 percent to wastewater, resulting in an adjustment of $1,770 to operation and maintenance expense.

**ISSUE 6:** What is the appropriate increase in the revenue requirement for this utility?

**RECOMMENDATION:** The appropriate increase in the revenue requirement should be $40,764 (34.85%) for the water system. The utility withdrew its request for a wastewater increase; therefore, no increase is recommended for the wastewater system. (PRICE)

**STAFF ANALYSIS:** The utility requested a revenue increase of $53,453 (45.70%). Staff recommends that the utility be allowed an increase in revenue of $40,764 (34.85%). These revenues will allow the utility the opportunity to recover its operating expenses associated with the plant included in rate base, and provide the utility the opportunity to earn its authorized rate of return of 10.65 percent. As a result of this increase, the revenue requirement for the water system has been determined to be $157,740. Schedule No. 3 is attached which depicts staff's recommended increase calculation and the attached adjustment schedule is 3-A.

 In the filing, the utility increased operation and maintenance expenses by $6,355 to reflect amortization of rate case expense of $50,840 over four years. This amount was allocated 50 percent to water and 50 percent to wastewater. Staff recommends that the appropriate rate case expense is $1,770, which represents amortization of rate case expense of $14,160 over four years. allocated 50 percent to water and 50 percent to wastewater. As a result, the total test year operation and maintenance expenses has been calculated to be $93,857.

 The utility increased depreciation expense by $12,796 to reflect depreciation expense on the purchased assets, net of CIAC amortization. The utility calculated the annual expense to be $25,945. This amount was then reduced by $13,150 to reflect amortization of CIAC. As a result, the net increase to depreciation expense was $12,796. Staff recommends that the appropriate depreciation expense associated with the purchased assets, net of CIAC amortization is $10,612. Staff calculated the annual expense to be $25,945. This amount was then reduced by $14,098 to reflect amortization of CIAC, and by $1,235 to remove depreciation on plant held for future use. As a result of these adjustments, depreciation expense on the purchased assets was calculated to be $10,612. The total test year depreciation expense is, therefore, calculated to be $15,039.

 The utility increased taxes other than income by $2,405 to reflect regulatory assessment fees on its requested revenue increase of $53,453. Staff recommends that the appropriate revenue increase is $40,764. Therefore, the additional regulatory assessment fees associated with this increase are $1,834. The taxes other than income balance at the test year end is, therefore, calculated to be $15,930.

 The utility calculated $9,220 as the income tax provision for the test year. Staff recalculated the income tax provision based on its net operating income requirement. As a result, the income tax expense for the test year has been calculated to be $7,948.

 After applying the above adjustments, the revenue increase was calculated to be $40,764 (34.85%), resulting in a revenue requirement of $157,740 and net operating income of $24,966. The increase in net operating income is $19,769 over the net operating income set in the last rate case. Staff recommends that these adjustments be allowed.

**ISSUE 7:** What are the appropriate water rates?

**RECOMMENDATION:** The rates should be designed to allow the utility the opportunity to generate additional annual water operating revenues of $40,764 which results in a water increase of 34.85 percent. The appropriate rate structure is the base facility and gallonage charge rate structure currently utilitized by the utility. Staff's recommended rates for the water system allow the utility the opportunity to recover its operating expenses and to earn a 10.65% return on its investment. The rates will become effective for meter readings 30 days on or after the stamped approval date of the tariff sheets. The tariff sheets will be approved provided the utility has filed the appropriate revised tariff sheets, staff verifies that the tariff sheets are consistent with the Commission's decision, and that the proposed customer notice is adequate. (PRICE)

**STAFF ANALYSIS:** Staff recommends that the rates be designed to allow the utility the opportunity to generate additional annual wastewater operating revenues of $40,764. This results in an increase of 34.85 percent for water. The Commission's preferred rate structure is the base facility and gallonage charge rate structure, because it is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that rate payers pay their share of the variable costs of providing service (through the consumption or gallonage charge) and also pay their share of the fixed costs of providing service (through the base facility charge).

 Approximately 47.12% (or $74,323) of the water revenue increase is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on annualized number of factored equivalent residential connections (ERCs). The remaining 52.88% (or $83,417) of the water revenue requirement represents the consumption charge based on the number of gallons consumed during the test period.

 The utility's current, proposed and staff's recommended rates are shown on Schedule No. 4.

**ISSUE 8:** What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized limited proceeding rate case expense?

**RECOMMENDATION:** As reflected in Schedule No. 5, the water rates should be reduced by $1,853 (1.17%) at the expiration of the four year period, in compliance with Section 367.0816, Florida Statutues. The utility should be required to file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. (PRICE)

**STAFF ANAYLSIS:** Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

 The water rates should be reduced by $1,853 as shown in Schedule No. 5. The revenue reductions reflect the annual rate case amounts amortized (expensed) plus the gross-up for regulatory assessment fees.

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

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

**ISSUE 9:** Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed?

**RECOMMENDATION:** Yes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest. The utility should be required to establish an escrow agreement with an independent financial institution and the temporary rates should be placed into escrow pending completion of the hearing process. The utility should be authorized to collect the temporary rates after staff's approval of the proposed customer notice and revised tariff sheets. (PRICE, JABER)

**STAFF ANALYSIS:** In its last rate case, the utility did not make a successful showing that it had an investment in the transferred assets. In this docket, the utility provided an original cost study and other documentation to support its investment in the purchased assets. Staff has completed its investigation and after making certain adjustments, believes that the utility has shown that it is appropriate to increase the utility's revenues by $40,764 to reflect the additional revenues required to provide the utility a return on its investment. A timely protest might delay what may be a justified rate increase, resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest staff recommends that the recommended rates be approved as temporary rates, subject to refund, pending the completion of the hearing. Thus, both the utility and the ratepayer are protected. The utility should be required to establish an escrow agreement with an independent financial institution and the temporary rates should be placed into escrow pending completion of the hearing process. The following conditions should be a part of the agreement:

 1) No funds in the escrow account may be withdrawn by the utility without the express approval of the Commission.

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

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

 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

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

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

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

 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

 In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase should be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

 The utility should maintain a record of the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility should file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

**ISSUE 10:** Should this docket be closed?

**RECOMMENDATION:** Yes, this docket should be closed if no timely protests are filed. (JABER, PRICE)

**STAFF ANALYSIS:** If no protests are filed, within 21 days of the issuance of the order, this docket may be closed.

UTILITIES INC. OF FLORIDA (PPW) SCHEDULE NO. 1‑A

SCHEDULE OF WATER RATE BASE DOCKET NO. 920834‑WS

RATE BASE AT 10/30/90 ‑ TRANSFER DATE

 PER ORIGINAL STAFF ADJUST. BALANCE

 COST STUDY TO COST STUDY AT 10/30/90

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UTILITY PLANT IN SERVICE $ 764,183 $ 0 $ 764,183

LAND/NON‑DEPRECIABLE ASSETS 9,371 0 9,371

PLANT HELD FOR FUTURE USE 0 0 0

ACQUISITION ADJUSTMENT 0 0 0

C.W.I.P. 0 0 0

C.I.A.C. (438,419)A (34,591) (473,010)

ACCUMULATED DEPRECIATION (196,844) 0 (196,844)

AMORTIZATION OF ACQUISITION ADJUSTMENT 0 0 0

AMORTIZATION OF C.I.A.C. 68,939 B 38,757 107,696

WORKING CAPITAL ALLOWANCE 0 0 0

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 WATER RATE BASE $ 207,230 $ 4,166 $ 211,396

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UTILITIES INC. OF FLORIDA (PPW) SCHEDULE NO. 1‑B

SCHEDULE OF WASTEWATER RATE BASE DOCKET NO. 920834‑WS

RATE BASE AT 10/30/90 ‑ TRANSFER DATE

 PER ORIGINAL STAFF ADJUST. BALANCE

 COST STUDY TO COST STUDY AT 10/30/90

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UTILITY PLANT IN SERVICE $ 723,958 $ 0 $ 723,958

LAND/NON‑DEPRECIABLE ASSETS 16,714 0 16,714

PLANT HELD FOR FUTURE USE 0 0 0

ACQUISITION ADJUSTMENT 0 0 0

C.W.I.P. 0 0 0

C.I.A.C. (398,738)A (199,075) (597,813)

ACCUMULATED DEPRECIATION (254,590) 0 (254,590)

AMORTIZATION OF ACQUISITION ADJUSTMENT 0 0 0

AMORTIZATION OF C.I.A.C. 59,402 B 133,311 192,713

WORKING CAPITAL ALLOWANCE 0 0 0

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 WASTEWATER RATE BASE $ 146,746 $ (65,764) $ 80,982

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UTILITIES INC. OF FLORIDA (PPW) SCHEDULE NO. 1‑C

ADJUSTMENTS TO RATE BASE DOCKET NO. 920834‑WS

RATE BASE AT 10/30/90 ‑ TRANSFER DATE PAGE 1 OF 1

 DESCRIPTION WATER WASTEWATER

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C.I.A.C.

1. To reflect staff imputed CIAC $ (34,591) $ (199,075)

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 TOTAL ADJUSTMENTS $ (34,591) $ (199,075)

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AMORITZATION OF C.I.A.C.

1. To reflect additional amortization on staff $ 38,757 $ 133,311

 imputed CIAC

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 TOTAL ADJUSTMENTS $ 38,757 $ 133,311

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UTILITIES, INC. OF FLORIDA (PPW) SCHEDULE NO. 2‑A

SCHEDULE OF WATER RATE BASE DOCKET NO. 920834‑WS

TEST YEAR ENDED 4/30/91

 UTILITY STAFF ADJUST. BALANCE

 ADJUST. BAL. TO UTIL. BAL. PER STAFF

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UTILITY PLANT IN SERVICE $ 808,267 $ 0 $ 808,267

LAND/NON‑DEPRECIABLE ASSETS 9,371 A 0 9,371

PLANT HELD FOR FUTURE USE 0 B (20,075) (20,075)

ACQUISITION ADJUSTMENT 0 0 0

C.W.I.P. 0 0 0

C.I.A.C. (438,419)C (34,591) (473,010)

ACCUMULATED DEPRECIATION (216,604) 0 (216,604)

AMORTIZATION OF ACQUISITION ADJUSTMENT 0 0 0

AMORTIZATION OF C.I.A.C. 97,834 D 16,910 114,744

WORKING CAPITAL ALLOWANCE 12,305 E (573) 11,732

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 WATER RATE BASE $ 272,754 $ (38,329) $ 234,425

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UTILITIES, INC. OF FLORIDA (PPW) SCHEDULE NO. 2‑B

SCHEDULE OF WASTEWATER RATE BASE DOCKET NO. 920834‑WS

TEST YEAR ENDED 4/30/91

 UTILITY STAFF ADJUST. BALANCE

 ADJUST. BAL. TO UTIL. BAL. PER STAFF

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UTILITY PLANT IN SERVICE $ 634,848 $ (8,454) $ 626,394

LAND/NON‑DEPRECIABLE ASSETS 16,811 A 0 16,811

PLANT HELD FOR FUTURE USE 0 B 0 0

ACQUISITION ADJUSTMENT 0 0 0

C.W.I.P. 0 0 0

C.I.A.C. (355,048)C (88,455) (443,503)

ACCUMULATED DEPRECIATION (137,665) 0 (137,665)

AMORTIZATION OF ACQUISITION ADJUSTMENT 0 0 0

AMORTIZATION OF C.I.A.C. 75,527 D 49,832 125,359

WORKING CAPITAL ALLOWANCE 26,659 E (573) 26,086

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 WASTEWATER RATE BASE $ 261,132 $ (47,650) $ 213,482

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 UTILITIES, INC. OF FLORIDA (PPW) SCHEDULE NO. 2‑C

 ADJUSTMENTS TO RATE BASE DOCKET NO. 920834‑WS

 TEST YEAR ENDED 4/30/91 PAGE 1 OF 1

 DESCRIPTION WATER WASTEWATER

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A. LAND/NON‑DEPRECIABLE ASSETS

 1. To reflect non‑used & useful land $ (8,454)

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B. PLANT HELD FOR FUTURE USE

 1. To reflect plant removed $ (31,693)

 2. To reflect land removed (4,686)

 3. To reflect accumulated depreciation removed 16,304

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 TOTAL ADJUSTMENTS $ (20,075)

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C. C.I.A.C.

 1. To reflect staff imputed CIAC $ (34,591) $ (199,075)

 2. To remove CIAC on retired plant. 0 110,620

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 TOTAL ADJUSTMENTS $ (34,591) $ (88,455)

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D. AMORITZATION OF C.I.A.C.

 1. To reflect staff's additional amortization $ $

 of connection fees. 1,053 1,783

 2. To reflect additional amortization on staff's

 imputed CIAC. 15,857 103,664

 3. To reflect staff's balance of CIAC amortization

 associated with the abandoned plant. 0 (55,615)

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 TOTAL ADJUSTMENTS $ 16,910 $ 49,832

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E. WORKING CAPITAL ALLOWANCE

 1. Reduce utility amount to reflect staff balance $ (573) $ (573)

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UTILITIES, INC. OF FLORIDA (PPW) SCHEDULE NO. 3

SCHEDULE OF WATER OPERATING INCOME DOCKET NO. 920834‑WS

TEST YEAR ENDED 4/30/91

 UTIL. ADJUST. UTILITY UTILITY STAFF ADJUST. STAFF ADJUST. STAFF ADJUST. BALANCE

 TEST YEAR ADJUSTMENTS REQUESTED REV. TO TEST YEAR TEST YEAR FOR INCREASE PER STAFF

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OPERATING REVENUES $ $ 116,976 $ 53,453 $ 170,429 A $ (53,453) $ 116,976 F $ 40,764 $ 157,740

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OPERATING EXPENSES:

OPERATION AND MAINTENANCE 92,087 6,355 98,442 B (4,585) 93,857 0 93,857

DEPRECIATION 17,223 0 17,223 C (2,184) 15,039 0 15,039

AMORTIZATION 0 0 0 0 0 0 0

TAXES OTHER THAN INCOME TAXES 14,096 2,405 16,501 D (2,405) 14,096 G 1,834 15,930

INCOME TAXES 0 9,220 9,220 E (9,220) 0 H 7,948 7,948

 ‑‑‑‑‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑‑‑‑

TOTAL OPERATING EXPENSES $ $ 123,406 $ 17,980 $ 141,386 $ (18,394) $ 122,992 $ 9,782 $ 132,774

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OPERATING INCOME/(LOSS) $ $ (6,430) $ 35,473 $ 29,043 $ (35,059) $ (6,016) $ 30,982 $ 24,966

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WATER RATE BASE $ $ 272,755 $ $ 272,755 $ 234,425 $ 234,425

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RATE OF RETURN ‑2.36% 10.65% ‑2.57% 10.65%
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 UTILITIES, INC. OF FLORIDA (PPW) SCHEDULE NO. 3‑A

 ADJUSTMENTS TO THE OPERATING STATEMENT DOCKET NO. 920834‑WS

 TEST YEAR ENDED 4/30/91 PAGE 1 OF 1

 DESCRIPTION WATER

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A. OPERATING REVENUE

 1. Remove utility requested revenue increase. $ (53,453)

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B. OPERATION AND MAINTENANCE

 1. To reduce utility balance to staff balance $ (4,585)

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C. DEPRECIATION

 1. To reduce utility balance to staff balance $ (2,184)

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D. TAXES OTHER THAN INCOME TAXES

 1. Reduce utility balance to staff balance $ (2,405)

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E. INCOME TAXES

 1. Remove taxes on utility requested revenue

 increase $ (9,220)

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F. OPERATING REVENUE

 1. Reflect increase in revenue. $ 40,764

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G. TAXES OTHER THAN INCOME TAXES

 1. Reflect regulatory assessment fees

 on increased revenue. $ 1,834

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H. INCOME TAXES

 1. To reflect income taxes related to staff's

 recommended revenue increase $ 7,948

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DOCKET NO. 920834‑WS SCHEDULE NO. 4

JANUARY 7, 1993

 SCHEDULE OF PRESENT, PROPOSED AND RECOMMENDED RATES

 WATER

 GENERAL AND RESIDENTIAL SERVICE

 UTILITY UTILITY STAFF

 PRESENT PROPOSED RECOMMENDED

 METER SIZE RATES RATES RATES

‑‑‑‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑ ‑‑‑‑‑‑‑‑‑

5/8" x 3/4" $6.76 $8.34 $7.04

 3/4" 10.14 12.51 10.56

 1" 16.90 20.86 17.60

 1‑1/2" 33.80 41.72 35.20

 2" 54.08 66.74 56.32

 3" 108.16 133.49 112.64

 4" 169.00 208.58 176.00

 6" 338.00 417.15 352.00

GALLONAGE CHARGE $0.90 $1.62 $1.64

DOCKET NO. 920834‑WS SCHEDULE NO.

JANUARY 7, 1993

 CALCULATION OF NEW WATER RATES

 AFTER FOUR YEAR AMORTIZATION EXPI

RESIDENTIAL AND GENERAL SERVICE:

 STAFF

 RECOMMENDED PROPOSED

 METER SIZE RATES DECREASE

5/8" X 3/4" $7.04 $0.08

 3/4" 10.56 0.12

 1" 17.60 0.21

 1‑1/2" 35.20 0.41

 2" 56.32 0.66

 3" 112.64 1.32

 4" 176.00 2.07

 6" 352.00 4.14

GALLONAGE CHARGE

PER 1,000 GALLONS $1.64 $0.02