

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate ) DOCKET NO. 951258-WS  
increase in Brevard County by ) ORDER NO. PSC-97-0223-FOF-WS  
Florida Cities Water Company ) ISSUED: FEBRUARY 25, 1997  
(Barefoot Bay Division). )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman  
J. TERRY DEASON  
JOE GARCIA

FINAL ORDER DENYING REQUEST FOR ORAL ARGUMENT AND  
GRANTING IN PART AND DENYING IN PART  
MOTIONS FOR RECONSIDERATION

BY THE COMMISSION:

BACKGROUND

Florida Cities Water Company, Barefoot Bay Division, (FCWC or utility) is a Class A utility providing water and wastewater service for a predominately residential area in Barefoot Bay, Florida. The utility was serving 4,458 water and 4,440 wastewater customers as of December 31, 1994. For the twelve months ended December 31, 1994, the utility recorded operating revenues of \$671,582 for water service and \$823,463 for wastewater service. The utility recorded a net operating loss of \$73,769 for the water system and a net operating income of \$77,577 for the wastewater system. The Barefoot Bay system is in an area that has been designated by the St. Johns River Water Management District (SJRWMD) as a critical water supply use caution area.

On November 6, 1995, the utility filed its application for approval of interim and permanent rate increases pursuant to Sections 367.082 and 367.081, Florida Statutes, respectively. The utility requested that this case be scheduled for a formal hearing and not processed pursuant to the proposed agency action (PAA) process as provided for in Section 367.081(8), Florida Statutes.

We held the technical hearing in Barefoot Bay, Florida, on April 1 and 2, 1996. By Final Order No. PSC-96-1147-FOF-WS, issued September 12, 1996, we approved increased rates for FCWC and issued

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FESC-RECORDS/REPORTING

a Notice of Proposed Agency Action imputing contributions-in-aid-of-construction for a grant from the St. Johns River Water Management District to FCWC.

On September 24, 1996, intervenor Clinton Dyer filed a motion for reconsideration of the final order. On September 27, 1996, the Office of Public Counsel (OPC) filed a motion for reconsideration on behalf of the Citizens of the State of Florida. On October 2, 1996, FCWC filed a Motion to Strike or Alternatively to Require Compliance with Rule Governing Motions for Reconsideration addressing Mr. Dyer's motion for reconsideration. On October 4, 1996, OPC filed a Citizen's Response to Motion to Strike. On October 9, 1996, FCWC timely filed a Response to Citizen's Motion for Reconsideration and Cross-Motion for Reconsideration, along with a request for oral argument on its response and cross-motion. On October 11, 1996, OPC filed a response to FCWC's cross-motion for reconsideration. By Order No. PSC-96-1456-FOF-WS, issued December 2, 1996, we granted FCWC's motion to strike Mr. Dyer's motion for reconsideration, based upon its failure to adhere to the requirements of Rule 25-22.060, Florida Administrative Code.

#### ORAL ARGUMENT

Rule 25-22.058(1), Florida Administrative Code, permits us to grant oral argument, provided, among other things, that the request states "with particularity why oral argument would aid the Commission in comprehending and evaluating the issues before it." FCWC's request for oral argument makes no such statement. Additionally, FCWC's response and cross-motion for reconsideration contain sufficient argument for us to render a fair and complete evaluation of the merits without oral argument. Therefore, FCWC's request for oral argument on its Response to Citizens' Motion for Reconsideration and Cross-Motion for Reconsideration is hereby denied.

#### RECONSIDERATION OF RATE BASE

The standard for determining whether reconsideration is appropriate is set forth in Diamond Cab Co. of Miami v. King, 146 So. 2d 889 (Fla. 1962). The purpose of a petition for rehearing is merely to bring to the attention of the trial court or the administrative agency some point which it overlooked or failed to consider when it rendered its order in the first instance, and it is not intended as a procedure for rearguing the whole case merely because the losing party disagrees with the judgment. Id. at 891. We have applied the foregoing standard in our analysis of the parties' motions for reconsideration.

### Margin Reserve

OPC argues that we erred in granting a margin reserve to the utility in calculating its wastewater treatment plant prior to advanced wastewater treatment (AWT) standards. OPC argues that at page 14 of Order No. PSC-96-1147-FOF-WS we state, ". . . , we do not find it appropriate to grant FCWC a margin reserve." However, OPC states that on Attachment B to the order, we included a margin reserve of 18,971 gallons per day (gpd). In its response to OPC, FCWC argues that the language in the text of our order did not accurately memorialize our vote to include a margin reserve. Further, in its Cross-Motion for Reconsideration, FCWC argues that if we denied margin reserve, we overlooked or failed to consider the evidence on the issue.

Staff's original recommendation was to grant 100% used and useful for the wastewater treatment plants. It is not our policy to grant a margin reserve when the plants are considered 100% used and useful. At the Agenda Conference held on June 25, 1996, we expressed concern regarding the hydraulic capacity versus permitted capacity of the plant. Due to that concern, we voted to reduce the used and useful percentage of the investment in the original wastewater treatment facility. This action resulted in the plant being considered less than 100% used and useful. Due to the reduction in the used and useful percentage, and since there is a small growth potential in the utility's certificated area, we included a margin reserve allocation.

As the utility correctly pointed out in its response to the Citizens' Motion for Reconsideration, the subject of margin reserve was never explicitly discussed. Since zero margin reserve was originally recommended, we failed to express the fact that a margin reserve had now been included, since, in the original recommendation, no margin reserve issue was included. The margin reserve calculation was, however, clearly shown on the used and useful calculation form (attachment B, revised), which was distributed to us for consideration at the agenda conference. We adopted our staff's calculation. Therefore, we hereby clarify that we did grant FCWC a margin reserve.

### Contributions In Aid of Construction (CIAC)

By Order No. PSC-96-1147-FOF-WS, we decided there should be no imputation of CIAC. However, we did, in fact, include a margin reserve in our used and useful calculation. Accordingly, we find it appropriate to reconsider our decision on whether CIAC should be imputed on the margin reserve factor.



In the utility's MFRs, CIAC has been imputed through the end of the projected test year, which is related to the customer growth rates used in its projection methodology for the current rate proceeding. FCWC did not impute CIAC associated with its margin reserve calculation. Utility Witness Young testified that the imputation of CIAC effectively undermines the utility's ability to earn a return on the necessary investment in plant required to meet its statutory responsibility of readiness to serve existing and future customers within a reasonable amount of time.

OPC Witness Dismukes testified that in order to achieve a proper matching, if a margin reserve is included in the used and useful calculations, then rate base should be adjusted to impute CIAC in an amount equivalent to the number of equivalent residential connections (ERCs) represented by the margin reserve factor.

While the utility believes that imputing CIAC on the margin reserve undermines the utility's ability to earn a fair return on plant constructed to meet statutory guidelines, the evidence does not support the utility's position that we should not impute CIAC associated with margin reserve. We agree with Ms. Dismukes' testimony that CIAC should be imputed in order to achieve proper matching of the CIAC collections made from those customers who will connect during the margin reserve period. This is consistent with our decisions in Orders Nos. 23660, 25092, and PSC-93-1113-FOF-WS, issued on October 24, 1990, September 23, 1991, and July 30, 1993, respectively. In determining the amount of CIAC to impute, we multiplied the number of ERCs included in the margin reserve by the appropriate service availability charge. The proper charge to use in this docket is the utility's proposed service availability charge of \$1,400, since this represents the going forward charge that will be in effect during the margin reserve period.

However, in Orders Nos. PSC-96-1320-FOF-WS and PSC-96-1338-FOF-WS issued on October 30, 1996 and November 7, 1996, respectively, we imputed only 50% of the amount of CIAC attributed to the margin reserve. In these cases, we found that the total amount imputed would not be collected at the beginning of the margin reserve period, rather that it would be averaged over the life of such period. We find this application appropriate in the instant case, as well. However, as stated in the above-mentioned orders, the imputation shall still be limited to the amount of net plant included in the margin reserve.

Based on the foregoing, wastewater CIAC shall be increased by \$22,969 to reflect the imputation of CIAC on the margin reserve. Corresponding adjustments shall also be made to increase both

wastewater accumulated amortization of CIAC and test year CIAC amortization expense by \$903.

Excessive Infiltration and Inflow (I&I)

Amount

At page 16 of Order No. PSC-96-1147-FOF-WS, we state that we used water sold in our calculation of excessive I&I. OPC argues, in its Motion for Reconsideration, that we incorrectly used the water pumped in lieu of water sold in the formula for I&I calculation. In its response to OPC, FCWC argues that unrefuted testimony supported the use of water pumped in calculating excessive I&I. FCWC also argues in its Cross-Motion for Reconsideration, that we incorrectly state in our order that we used water sold. Further, FCWC argues in its Cross-Motion for Reconsideration, that we incorrectly used the average daily flows, in the maximum month in place of the correct average annual daily flows, in the formula for I&I calculation, which resulted in 36.01% excess I&I.

We agree with OPC that we incorrectly used water pumped instead of water sold. We also agree with FCWC that we incorrectly used the maximum month instead of the average annual daily flows. Accordingly, we have recalculated I&I using the total water sold and average annual daily flows in place of the total water pumped and the average daily flows from the maximum month. The corrected I&I figures will result in changes to the wastewater used and useful percentages which are discussed later in this Order. Based on our calculations, I&I totals 148,013 gpd. The acceptable level of I&I is 130,974 gpd to the plant, which results in excess I&I of 17,039 gpd.

FCWC's Method of Calculation

The utility argues, in its Cross-Motion for Reconsideration, that we should have calculated I&I by comparing the quantity of water pumped to the quantity of water treated. FCWC also argues that we applied the incorrect methodology to the calculation. FCWC basically argues that there is no "excessive" I&I. FCWC is rearguing this issue, which is inappropriate for reconsideration. See Diamond Cab at 891.

FCWC states in its motion that witness Young testified that infiltration is properly calculated on the basis of comparing the quantity of water pumped to the quantity of wastewater treated. This Commission uses one of two sources for returned flows in calculating I&I: historical flows of water sold, if available; or

the number of ERCs multiplied by the appropriate industry standard (American Water Works Association) flow level per ERC if no historical flows are available.

The utility would have us accept an I&I flow total, exclusive of the flows from its customers, equal to almost two times the permitted plant flow. The wastewater plant during October, its highest flow month, was treating more than 156% of the total water sold that month. This is indicative of excessive I&I, regardless of the method of calculation. The expense for treatment of excessive flow must be factored into the rates and, ultimately, borne by the ratepayers. None of the cost of treating extra water is placed on the utility. Therefore, a utility can easily determine this to be no problem.

The utility correctly argues that the Water Pollution Control Federal Manual of Practice No. 9 (MOP 9) is an accepted industry reference for the determination of acceptable levels of I&I often used by this Commission. The utility also argues that MOP 9 states that it is common to allow 30,000 to 60,000 gpd per mile for systems below ground water, and that it is unrefuted in the record that the Barefoot Bay collection system is below groundwater. The utility also correctly argues that the Commission applied the average day, maximum month flows instead of the annual average daily flow data, which is discussed earlier in this Order.

With regard to the utility's claim that MOP 9 states that it is common to allow up to 60,000 gpd per mile I&I; MOP 9 states, on page 30 that, "Infiltration rates as high as 60,000 gpd per mile . . . have been recorded for systems below groundwater, . . ."

However, MOP 9 limits the 30,000 gpd allowance to small to medium sized sewers (24 inches in diameter and smaller). This utility has one length of pipe that is 18 inches in diameter. It is approximately 260 feet long. The remaining lines and diameters of the lines in the system are 12 inches (3/4 mile), 10 inches (1.35 mile), 8 inches (17.2 miles) all vitrified clay, and 8 inches polyvinyl chloride (PVC) (12.63 miles).

The method of calculating I&I propounded by the utility yields outrageously high figures relative to the size of the collection system and normally expected flows. Our acceptance of the utility's proposed I&I allowances would permit up to 1.2 million gallons per day (MGD) of I&I exclusive of the daily flows from the utility's customers, which total more than 450,000 gpd. This adds up to over 1.65 MGD of flows to the plant, which is permitted by the Department of Environmental Protection (DEP) at 0.75 MGD. The plant is hydraulically capable of passing up to 0.9 MGD. Since it is obvious, through analysis, that I&I actually exist, and since



the system is rather small, we appropriately utilized a more sensible, logical and accurate approach by using the actual flows reported in FCWC's MFRs. Commonly, vitrified clay pipe (vcp) is known to leak profusely and PVC pipe is known to have little to no leak problem. We utilized MOP 9 and applied the most generous allowances permitted by that standard in calculating an acceptable level of flows from sources other than water customers. The resulting flow is within a more acceptable range of I&I for this system. Based on the foregoing, we do not find it appropriate to reconsider our decision on the method of calculation of I&I.

#### OPC's Method of Calculation

OPC seeks reconsideration of the Commission's method for calculation of used and useful percent versus I&I in the collection system, by stating that, since the maximum month average daily flow is used for determination of used and useful, the same month's flow should be used for I&I determination in lieu of the average annual daily flow. In its response to OPC, FCWC argues that OPC provides no record support to indicate that we made a mistake by utilizing different flows for our calculations, other than alleging that "consistency" required the use of the maximum month average daily flow for calculating both used and useful and I&I for the wastewater system. We agree. As such, OPC's reargument is inappropriate for reconsideration.

Further, we disagree with OPC on the merits of its argument. The two calculations are unrelated as are the uses for them. The used and useful calculation must be concerned with the maximum flows the treatment plant may experience in order to allow for that event. I&I has to do with the collection system and the amount of leakage permitted from groundwater into the system. Groundwater levels and peak flows may and do occur at different times of the year.

The two calculations measure different components of plant and the results of the calculations are not related. Therefore, consistent with Commission policy, and since this utility is subject to severe seasonal fluctuations, we calculated the used and useful percent for the treatment plant using maximum month average daily flows and I&I percent using average annual daily flows, which is supported by the record. Therefore, we find it inappropriate to reconsider our decision to use average annual daily flows in the calculation of I&I in the collection system of the Barefoot Bay collection system.

Used and Useful

As discussed earlier in this Order, staff's original recommendation in this docket was to grant 100% used and useful to the wastewater treatment facilities. In considering staff's recommendation at the Agenda Conference held on June 25, 1996, we expressed concern regarding the hydraulic capacity versus permitted capacity of the facilities. Our concern was that the original plant had been permitted by the DEP for a capacity of 0.9 MGD and with the addition of the advanced wastewater treatment facility, which is a duplicate of the original, was being downsized and re-permitted with a capacity of only 0.75 MGD. Additionally, it was established in the record that returning the capacity of the plant to the original 0.9 MGD required an investment of \$25,000. This, when compared to the plant investment of over \$4,000,000, was considered to be an insignificant amount. Due to that concern, and following discussion on the issue, we voted to reduce the used and useful percentage of the investment in the original wastewater treatment facility. Since the additional plant was required by the DEP to meet advanced treatment status, we found it 100% used and useful.

In its Cross-Motion for Reconsideration, the utility correctly argues that there is no record support for such a decision. There were only two capacity figures offered for consideration in this case, one being 0.9MG and a second of 0.75MG. Therefore, we have reconsidered our decision and find it appropriate to treat the wastewater plant as a single unit.

The original wastewater treatment plant was built to a hydraulic capacity of 1 MGD. Due to effluent disposal problems, it was permitted by DEP at 0.9 MGD. In Docket No. 910976-WS, we considered the prudence of constructing one unit to service the entire service area of Barefoot Bay, instead of several smaller units, and granted the utility 100% used and useful status.

By the utility's own action of reducing the capacity of the plant and downsizing the permitted flow level to 0.75 MGD from the original capacity of 0.9 MGD, it has become apparent that the original builders may have been overly optimistic in the original design capacity expectations for the Barefoot Bay system. Utility witness Christopher testified that it has become apparent that the actual flows were less than originally estimated. Due to a relatively small annual ERC growth factor of 0.94% per year, it appears the original design flows may not be reached in the foreseeable future. Since FCWC has admittedly downsized the design and permitted capacity of an otherwise larger treatment plant, we find it appropriate to consider this in our evaluation of the



prudence of the original design capacity. There is precedent for such a decision in previous dockets. We have held that when circumstances change sufficiently between rate cases such that a change in used and useful allotment is appropriate, we are not bound by used and useful decisions made in former dockets. See Orders Nos. PSC-96-1320-FOF-WS and PSC-96-1338-FOF-WS.

Utility witness Christopher testified that the plant could be restored to its 0.9 MGD capacity by installing two pumps and related electrical equipment at a cost of \$25,000. He further testified that with flow equalization, which is in place, the plant could be stretched to the 0.9 MGD. This indicates that the plant can actually be operated at 0.9 MGD with no additional investment.

OPC argues that the Commission erred in using the maximum month average daily flow to determine the pre-AWT used and useful percentage, stating that it is inconsistent with Order No. PSC-96-1133-FOF-SU, issued September 10, 1996, in Docket No. 950387-SU. We disagree with OPC; each case stands on its own merit and is based on the evidence in the record.

Since this utility is subject to unusual seasonal flow variations and must be equipped to treat them, we have utilized the maximum month average daily flows in our calculation of the used and useful percentage for the wastewater treatment plant.

Attachment B.1, revised, shows calculations based on the plant having 0.9 MGD capacity. Since the used and useful percentage is less than 100%, this calculation includes a small margin reserve allowance. We have added the additional \$25,000 to account #380.1, Treatment and Disposal Equipment, giving the treatment facilities a capacity of 0.9 MGD and rating them at 76.67% used and useful.

#### Rate Base Summary

Based upon our calculations, we find that the revised wastewater rate base totals \$5,638,952. The schedule that depicts the wastewater rate base amount is attached as Schedule No. 1-B, and the adjustments to rate base are attached as Schedule No. 1-C.

#### REVENUE REQUIREMENT

Based upon our reconsideration of rate base, we find that the appropriate revised wastewater revenue requirement is \$1,828,851. The operating income statement, which reflects the revenue requirement calculation, is attached as Schedule No. 3-B and the adjustments are shown on Schedule No. 3-C.

RATES AND RATE STRUCTURE

The final rates approved for the utility are designed to produce revenues of \$1,802,722 for the wastewater service, which is an increase of \$913,514 or 102.73%. This increase excludes miscellaneous service revenues, reclaimed water revenue and the allocation of wastewater revenue to the water operations. The rates are designed using the base facility charge rate structure.

Consistent with the utility's request, we find that a 20% differential between the residential and general service wastewater gallonage charges is appropriate. The purpose of the 20% differential in the wastewater gallonage charge between general service and residential customers recognizes that approximately 20% of the water used by residential customers is used for purposes such as irrigation and is not collected by the wastewater systems.

The utility shall file revised tariff sheets and a proposed customer notice to reflect the appropriate rates pursuant to Rule 25-22.0407(10), Florida Administrative Code. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

A comparison of the utility's original rates, interim rates, requested rates, and our approved rates is set forth on Schedule No. 4.

STATUTORY FOUR-YEAR RATE REDUCTION

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of rate case expense previously authorized in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$22,813 for wastewater. The removal of rate case expense will result in the reduction of rates set forth on Schedule No. 5.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility shall also file proposed customer notices setting forth the lower rates and reason for the reductions. 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 for the reduction in the rates due to the removal of amortized rate case expense.

#### REFUND OF INTERIM WASTEWATER REVENUES

By Order No. PSC-96-0119-FOF-WS, issued on January 23, 1996, the utility's proposed rates were suspended and interim wastewater rates were approved subject to refund, pursuant to Sections 367.082, Florida Statutes. According to Section 367.082, Florida Statutes, any refund shall be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Examples of these adjustments are an attrition allowance or rate case expense, which are recovered only after final rates are established.

In this proceeding, the test period for establishment of interim rates was the historical twelve months ended June 30, 1995. The approved wastewater interim rates did not include any provisions for proforma consideration of increased operating expenses or increased plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for equity earnings.

To establish the proper refund amount, we have calculated a revised interim wastewater revenue requirement utilizing the same data used to establish final rates. Rate case expense was excluded because it was not an actual expense during the interim collection period.

Using the principles discussed above, the wastewater revenue requirement for the interim collection period is \$1,815,138. This revenue level exceeded the wastewater interim revenues which were granted in Order No. PSC-96-0119-FOF-WS. Therefore, we do not find that a refund of wastewater interim rates is necessary.

#### REFUND OF WASTEWATER REVENUES

On August 6, 1996, pursuant to Section 367.081(6), Florida Statutes, the utility implemented, subject to refund, the rates that were approved at the June 25, 1996, Agenda Conference. These wastewater rates which were implemented on August 6, 1996, are higher than our approved rates set forth on Schedule 4. Therefore, we find that a refund is appropriate.



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The appropriate wastewater refund, with interest, shall be calculated pursuant to Rule 25-30.360, Florida Administrative Code. The refund shall be the difference between the wastewater rates that were implemented on August 6, 1996, and the wastewater rates approved herein. The utility shall submit the proper refund report reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code. The utility's corporate undertaking shall be released upon staff's verification that the refund has been completed. This docket shall be closed after the proper refund has been made and the revised tariff sheets and customer notice have been filed by the utility and approved by staff.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Cities Water Company, Barefoot Bay Division's request for oral argument is hereby denied. It is further

ORDERED that the Office of Public Counsel's Motion for Reconsideration is hereby granted in part and denied in part, as set forth in the body of this Order. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division's Cross-Motion for Reconsideration is hereby granted in part and denied in part, 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

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

ORDERED that the rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that prior to its implementation of the rates approved herein, Florida Cities Water Company, Barefoot Bay Division shall submit and have approved a proposed customer notice to its customers of the rates and reasons therefore. The notice will be approved upon staff's verification that it is consistent with our decision herein. It is further

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ORDERED that prior to its implementation of the rates approved herein, Florida Cities Water Company, Barefoot Bay Division shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein and that the proposed customer notice is adequate. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division shall provide proof that the customers have received notice within 10 days of the date of notice. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. Florida Cities Water Company, Barefoot Bay Division shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division, shall refund with interest, calculated pursuant to Rule 25-30.360, Florida Administrative Code, the additional wastewater revenues collected subject to refund as set forth in the body of this Order. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division, shall make the refund to customers of record as of the date of this Order pursuant to Rule 25-30.360, Florida Administrative Code. Florida Cities Water Company, Barefoot Bay Division, shall submit the proper refund report reports pursuant to Rule 25-30.360(7), Florida Administrative Code. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division, shall treat any unclaimed refunds as contributions-in-aid-of-construction pursuant to Rule 25-30.360(8), Florida Administrative Code. It is further

ORDERED that this docket shall be closed upon staff's verification the Florida Cities Water Company, Barefoot Bay Division has made the required refunds as set forth in this Order and upon Florida Cities Water Company, Barefoot Bay Division's filing and staff's approval of revised tariff sheets and a customer notice.

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By ORDER of the Florida Public Service Commission, this 25th  
day of February, 1997.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

TV

NOTICE OF JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Any party adversely affected by the Commission's final action in this matter may request 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 wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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.



FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION  
 SCHEDULE OF WASTEWATER RATE BASE  
 TEST YEAR ENDED 06/30/96

SCHEDULE NO. 1-B  
 DOCKET NO. 951258-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR 6/30/96	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR 6/30/96
1 UTILITY PLANT IN SERVICE	\$ 4,720,099	4,935,862	\$ 9,655,961	(665,476)	8,990,485
2 LAND	363,923	1,040,446	1,404,369	(329,446)	1,074,923
3 NON-USED & USEFUL COMPONENTS	0	0	0	(776,994)	(776,994)
4 CONSTRUCTION WORK IN PROGRESS	1,421,517	(1,421,517)	0	0	0
5 ACCUMULATED DEPRECIATION	(1,399,695)	(393,232)	(1,792,927)	30,881	(1,762,046)
6 CIAC	(2,595,460)	(43,000)	(2,638,460)	(104,227)	(2,742,687)
7 AMORTIZATION OF CIAC	857,338	102,847	960,185	4,096	964,281
8 ADVANCES FOR CONSTRUCTION	(138,200)	5,200	(133,000)	0	(133,000)
9 WORKING CAPITAL ALLOWANCE	58,962	(15,034)	43,928	32,763	76,691
10 OTHER: ALLOC. OF GENERAL OFFICE	0	19,787	19,787	0	19,787
11 UNFUNDED SFAS 106 OBLIGATION	0	0	0	(72,488)	(72,488)
<b>RATE BASE</b>	<b>\$ 3,288,484</b>	<b>4,231,359</b>	<b>\$ 7,519,843</b>	<b>(1,880,891)</b>	<b>5,638,952</b>
	=====	=====	=====	=====	=====

FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION  
 ADJUSTMENTS TO RATE BASE  
 TEST YEAR ENDED 06/30/96

SCHEDULE NO. 1-C  
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EXPLANATION	W/ STEWATER
<b>(1) UTILITY PLANT IN SERVICE</b>	
a) To remove plant additions associated with PS&Is	\$ (690,476)
b) To include additional plant costs	25,000
	<u>\$ (665,476)</u>
<b>(2) LAND</b>	
To remove additions to land associated with PS&Is	\$ <u>(329,446)</u>
<b>(3) NON-USED &amp; USEFUL</b>	
a) To remove non-used & useful wastewater treatment plant	\$ (837,631)
b) To remove accumulated depreciation on non-used and useful plant	60,637
	<u>\$ (776,994)</u>
<b>(4) ACCUMULATED DEPRECIATION</b>	
a) To remove depreciation associated with PS&Is	\$ 32,271
b) To include depreciation associated with additional plant costs	(1,390)
	<u>\$ 30,881</u>
<b>(5) CIAC</b>	
a) To include grant funding from SJRWMD for reclaimed water facilities	\$ (81,258)
b) To impute CIAC on the margin reserve	(22,969)
	<u>\$ (104,227)</u>
<b>(6) ACCUMULATED AMORTIZATION OF CIAC</b>	
a) To include amortization of grant funding from SJRWMD	\$ 3,193
b) To include amortization associated with imputed CIAC	903
	<u>\$ 4,096</u>
<b>(7) WORKING CAPITAL</b>	
a) To include PS&Is as Other Deferred Debits in working capital	\$ 40,423
b) To include Other Deferred Credits in the working capital allowance	(6,435)
c) To adjust working capital to the 13-month average balance	(1,225)
	<u>\$ 32,763</u>
<b>(8) UNFUNDED SFAS 106 OBLIGATION</b>	
To allocate the unfunded liability associated with other postretirement benefits	\$ <u>(72,488)</u>

FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION  
 CAPITAL STRUCTURE - WASTEWATER  
 TEST YEAR ENDED 06/30/96

SCHEDULE NO. 2  
 DOCKET NO. 951258-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
<b>PER UTILITY</b>							
1 LONG TERM DEBT	36,616,667	0	(32,626,837)\$	3,989,830	46.03%	8.33%	3.83%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	9.00%	0.00%
3 PREFERRED STOCK	9,000,000	0	(8,019,341)	980,659	11.31%	9.00%	1.02%
4 COMMON EQUITY	24,360,915	0	(21,706,498)	2,654,417	30.62%	11.88%	3.64%
5 CUSTOMER DEPOSITS	759,458	0	(676,706)	82,752	0.95%	6.00%	0.06%
6 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	1,637,481	0	(1,459,058)	178,423	2.06%	9.61%	0.20%
8 DEFERRED INCOME TAXES	7,179,404	0	(6,397,121)	782,283	9.02%	0.00%	0.00%
9 TOTAL CAPITAL	<u>79,553,925</u>	0	<u>(70,885,561)\$</u>	<u>8,668,364</u>	<u>100.00%</u>		<u>8.75%</u>
<b>PER COMMISSION</b>							
10 LONG TERM DEBT	36,616,667	0	(33,476,013)\$	3,140,654	46.03%	8.33%	3.83%
11 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
12 PREFERRED STOCK	9,000,000	0	(8,228,060)	771,940	11.31%	9.00%	1.02%
13 COMMON EQUITY	24,360,915	0	(22,271,451)	2,089,464	30.62%	11.88%	3.64%
14 CUSTOMER DEPOSITS	759,458	0	(694,318)	65,140	0.95%	6.00%	0.06%
15 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-WTD COST	1,637,481	0	(1,497,032)	140,449	2.06%	9.65%	0.20%
16 DEFERRED INCOME TAXES	7,179,404	0	(6,563,618)	615,786	9.02%	0.00%	0.00%
17 TOTAL CAPITAL	<u>79,553,925</u>	0	<u>(72,730,494)\$</u>	<u>6,823,431</u>	<u>100.00%</u>		<u>8.75%</u>
<b>RANGE OF REASONABLENESS</b>					<b>LOW</b>	<b>HIGH</b>	
AUTHORIZED RETURN ON EQUITY					<u>10.88%</u>	<u>12.88%</u>	
OVERALL RATE OF RETURN					<u>8.44%</u>	<u>9.05%</u>	



FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION			SCHEDULE NO. 3-B				
STATEMENT OF WASTEWATER OPERATIONS			DOCKET NO. 951258-WS				
TEST YEAR ENDED 06/30/96							
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR 6/30/96	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR 6/30/96	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	823,724	1,286,757	2,110,481	(1,217,158)	893,323	935,528	1,828,851
OPERATING EXPENSES						104.72%	
2 OPERATION AND MAINTENANCE	581,627	206,405	788,032	39,032	827,064 \$		827,064
3 DEPRECIATION	121,189	174,831	296,021	(81,878)	214,143		214,143
4 AMORTIZATION	1,300	0	1,300	0	1,300		1,300
5 TAXES OTHER THAN INCOME	79,324	94,283	173,608	(54,772)	118,836	42,099	160,935
6 INCOME TAXES	(1,057)	194,591	193,535	(397,467)	(203,932)	336,198	132,265
7 TOTAL OPERATING EXPENSES	782,384	670,110	1,452,495	(495,085)	957,411	378,296	1,335,707
8 OPERATING INCOME	41,340	616,647	657,986	(722,073)	(64,088)	557,232	493,144
9 RATE BASE	3,288,484		7,519,843		5,638,952		5,638,952
RATE OF RETURN	1.26%		8.75%		-1.14%		8.75%

**FLORIDA CITIES WATER CO.-BAREFOOT BAY DIVISION  
 ADJUSTMENTS TO OPERATING STATEMENTS  
 TEST YEAR ENDED 06/30/96**

**SCHEDULE NO. 3-C  
 DOCKET NO. 951258-WS  
 PAGE 1 OF 1**

EXPLANATION	WASTEWATER
<b>(1) OPERATING REVENUES</b>	
a) Reverse utility's proposed revenue increase	\$ (1,273,024)
b) To reflect test year growth with no decline in consumption (Issue 24)	35,966
c) To reflect rental income associated with an antenna (Issue 31)	19,900
	<u>\$ (1,217,158)</u>
<b>(2) OPERATION AND MAINTENANCE EXPENSES</b>	
a) To adjust Account 715-purchased power for treating excessive infiltration and inflow	\$ (18,380)
b) To adjust Account 718-chemicals for treating excessive infiltration and inflow	(4,751)
c) To adjust Account 775-miscellaneous expenses to include amortization of PS&Is	67,995
d) To adjust rate case expense for updated current and remove prior expenses	(5,832)
	<u>\$ 39,032</u>
<b>(3) DEPRECIATION EXPENSE</b>	
a) To remove depreciation associated with PS&Is	\$ (32,271)
b) To include amortization expense associated with grant funding from SJRWMD	(3,193)
c) To remove depreciation expense associated with non-used & useful plant	(46,901)
d) To include depreciation expense associated with additional plant costs	1,390
e) To include amortization expense associated with imputed CIAC	(903)
	<u>\$ (81,878)</u>
<b>(4) TAXES OTHER THAN INCOME TAXES</b>	
To adjust regulatory assessment fees related to revenue adjustment	\$ (54,772)
<b>(5) INCOME TAXES</b>	
To reflect income taxes associated with adjusted test year income	\$ (397,467)
<b>(6) OPERATING REVENUES</b>	
Adjustment to reflect approved revenue requirement	\$ 935,528
<b>(7) TAXES OTHER THAN INCOME TAXES</b>	
Regulatory assessment taxes on additional revenues	\$ 42,099
<b>(8) INCOME TAXES</b>	
Income taxes related to approved income amount	\$ 336,198

**UTILITY: FLORIDA CITIES WATER COMPANY - BAREFOOT BAY DIVISION**  
**COUNTY: BREVARD**  
**DOCKET NO. 951258-WS**  
**TEST YEAR ENDED: June 30, 1996**

Schedule No. 4

**RATE SCHEDULE**

**WASTEWATER**

Monthly Rates

	<b>Rates prior to Filing</b>	<b>Commission Approved Interim</b>	<b>Utility Requested Final</b>	<b>Commission Approved Final Rates</b>
<b><u>Residential and Multi-Family</u></b>				
Base Facility Charge: 5/8" x 3/4"	\$7.68	\$9.12	\$30.78	\$20.36
Gallonge Charge, per 1,000 Gallons (Sewer Cap - 6,000 Gallons)	\$2.82	\$3.35	\$3.10	\$4.71
<b><u>General Service</u></b>				
Base Facility Charge: Meter Size:				
5/8" x 3/4"	\$7.68	\$9.12	\$30.78	\$20.36
3/4"	\$11.54	\$13.71	\$46.17	\$30.54
1"	\$19.23	\$22.85	\$76.95	\$50.90
1-1/2"	\$38.46	\$45.69	\$153.90	\$101.80
2"	\$61.54	\$73.12	\$246.24	\$162.88
3"	\$123.07	\$146.22	\$482.48	\$325.76
4"	\$192.31	\$228.48	\$769.50	\$509.00
6"	\$384.62	\$456.97	\$1,539.00	\$1,018.00
8"	--	--	\$3,078.00	\$2,036.00
Gallonge Charge, per 1,000 Gallons	\$3.39	\$4.03	\$3.73	\$5.65

**Typical Residential Bills**

**5/8" x 3/4" meter**

3,000 Gallons	\$16.14	\$19.17	\$40.08	\$34.49
5,000 Gallons	\$21.78	\$25.87	\$46.28	\$43.90
10,000 Gallons (Sewer Cap - 6,000 Gallons)	\$24.60	\$29.22	\$49.38	\$48.61



**UTILITY: FLORIDA CITIES WATER COMPANY - BAREFOOT BAY Schedule No. 5**  
**COUNTY: BREVARD**  
**DOCKET NO. 951258-WS**  
**TEST YEAR ENDED: JUNE 30, 1996**

**RATE SCHEDULE**

**Schedule of Rate Decrease After Expiration of  
 Amortization Period for Rate Case Expense**

**WASTEWATER**

**Monthly Rates**

<b><u>Residential Service</u></b>	<b><u>Commission Approved Final Rates</u></b>	<b><u>Commission Approved Rate Decrease</u></b>
Base Facility Charge: 5/8" x 3/4"	\$20.36	\$0.26
Gallorage Charge per 1,000 Gallons (Sewer Cap - 6,000 gallon cap)	\$4.71	\$0.06
 <b><u>General Service</u></b>		
Base Facility Charge: Meter Size:		
5/8"x3/4"	\$20.36	\$0.26
3/4"	\$30.54	\$0.39
1"	\$50.90	\$0.64
1-1/2"	\$101.80	\$1.29
2"	\$162.88	\$2.06
3"	\$325.76	\$4.12
4"	\$509.00	\$6.44
6"	\$1,018.00	\$12.88
8"	\$2,036.00	\$25.77
Gallorage Charge, per 1,000 gallons	\$5.65	\$0.07

DOCKET NO. 951258-WS  
 Year ended June 30, 1996

Attachment B.1 (revised)

UTILITY NAME: FLORIDA CITIES WATER CO.- BAREFOOT BAY DIV.

WASTEWATER TREATMENT PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3 - 4)}{1} = \text{===== 76.67 \%}$$

- (1) Capacity of plant w/lgst clarifier out \_\_\_\_\_ 900,000 GP  
=====
- (2) Average Daily Flow, max month \_\_\_\_\_ 697,600 GP  
=====

(3) Margin Reserve (not to exceed 20% of present ERC's):

- (a) Average number of customers in ERCs 4,513  
=====
- (b) Average yearly customer growth in ERC's for most recent 5 years 41  
=====
- (c) Construction time for additional capacity (in months) 18  
=====

$$\text{Margin Reserve} = 3b \times (3c/12) \times ((2)/3a) = \text{===== 9506 GP}$$

(4) Excessive Infiltration

- (a) Total amount 148,013 GPD  
=====
- (b) Reasonable amount 130,974 GPD  
=====

Excessive amount \_\_\_\_\_ 17,039 GP  
=====