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MAY 22, 1997

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3:25
FPSC - Records/Reporting

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (K. JOHNSON) *KMJ*
RE: DOCKET NO. 961434-WS - APPLICATION FOR STAFF ASSISTED
RATE CASE IN CLAY COUNTY BY POINT WATER AND SEWER, INC.

75C-97-0588-FOF-WS

Attached is an ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST AND NOTICE OF PROPOSED AGENCY ACTION ORDER ESTABLISHING WATER AND WASTEWATER RATES, with attachments, to be issued in the above referenced docket. (Number of pages in Order - 42)

KMJ/mw

see 1

Attachment

cc: Division of Water & Wastewater (Kemp, T. Davis)

I: 961434OR.KMJ

attachments not on line

Sent to
Kulbarn
5/23

1-OK.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff
assisted rate case in Clay
County by Point Water and Sewer,
Inc.

DOCKET NO. 961434-WS
ORDER NO. PSC-97-0588-FOF-WS
ISSUED: May 23, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING WATER AND WASTEWATER RATES

BY THE COMMISSION:

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

BACKGROUND

Point Water and Sewer, Inc. (PWS or utility) is a Class C utility providing service in Clay County to two general service water and wastewater customers (a marina and a town home community known as the Point Property Owners Association (PPOA), which consists of 19 units). Although the Public Service Commission (PSC) has had jurisdiction over Clay County since 1967, and the utility has been in existence since 1980, the utility is not certificated. Originally, the utility was jointly owned by six different corporations, NOH, Inc., IGR, Inc., NGF, Inc., NLM, Inc., CNK, Inc., and QNK, Inc. James E. Longe was the primary shareholder in all of these corporations. These corporations were merged into IGR, Inc. On September 12, 1995, in a related party transaction, IGR, Inc. entered into a security agreement in the

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amount of \$100,000 for sale of the utility to PWS. John Yonge and Patrick Carr are equal company owners of PWS. The Commission was made aware of the utility's existence in December of 1995, by the Department of Environmental Protection (DEP).

On February 14, 1997, PWS filed for a staff assisted rate case and requested emergency rate relief but later withdrew the request for emergency rates. On January 24, 1997, staff held a meeting with the customers to explain what occurs in a certification docket versus a staff assisted rate case docket. During the meeting, the customers discussed their concerns about the current owner being certificated as well as the possibility of interconnection with the county. The staff assisted rate case issues discussed consisted of the disparity between test year and historical operating expenses, administrative hours needed, test year capitalized expenses previously paid by the customers and equivalent residential connection (ERC) allocations to the marina. These concerns have been addressed in the appropriate issues. The customers also detailed the history of the utility, legal disputes between the utility and the customers and their fears of rate exploitation by the utility.

As stated previously, the utility was jointly owned by several corporations in which Mr. James Yonge was the primary shareholder. The utility was constructed in 1980 to provide water and wastewater service to the Point Town Home Community known as "The Point". Since its construction, service has been expanded to include one other customer, The Whitney Marina (the Marina), located next door to the plant. In early 1981, the PPOA and Mr. James Yonge entered into an agreement known as the Declaration of Covenants, Conditions, Restrictions and Provisions for Party Wall of the Point (Declaration) which stated:

Section 2. The owners of the respective Units and the Association shall pay for such water and sewer service the going rates presently and hereafter charged for water and sewer services by private utility companies in Clay County, Florida. If any dispute arises as to the going rates, then the rates charged by Kingsley Service Company to its residential customers in Clay County, Florida, shall be used as the going rate.

From 1981 to 1987, Mr. James Yonge, as primary shareholder, managed the plant, oversaw the operations and billed the PPOA and marina for monthly services. During that time, the utility applied for a DEP permit in which the utility was required to install a

dechlorinator. In late 1987, the PPOA, believing that they had been overcharged \$16,000 for water and wastewater services provided from 1981 through 1987, filed a suit in court against Mr. James Yonge. On February 27, 1988, the PPOA and Mr. James Yonge entered into a settlement agreement by which Mr. James Yonge agreed to pay the PPOA \$12,000 for all charges, assessments and late fees due and owing to the association. Also included in the agreement was an amendment to the Declaration (herein referred to as the Amended Declaration) which stated:

Section 2. The Owners of the respective Units through and with the Association shall pay for such water and sewer service. The amount paid shall be the equivalent of all the operating, supply, maintenance, utility, testing, analysis, replacements, modifications and regulatory costs necessary for the proper and efficient operation of the water and sewer plants in compliance with all federal, state and local regulations.

Along with agreeing to pay all operating expenses of the utility, the PPOA undertook administrative control of plant operations by paying the utility's expenses directly to the vendor. Based on information from the PPOA, monthly expenses for plant operations at that time averaged \$750. In 1993, the Environmental Protection Agency (EPA) assessed a \$25,000 fine against the utility for failure to comply with a DEP permit requirement to install a dechlorinator on the wastewater treatment plant. Mr. James Yonge advised the EPA that the PPOA was the responsible party because it was the operator of the utility. The PPOA contended that its only responsibility was to pay the expenses of the utility. In 1994, the EPA rescinded its fine against the PPOA and sought action against Mr. James Yonge as owner of the utility for performance of the requirement and payment of the fine. In 1995, Mr. James Yonge filed suit in court against the PPOA claiming that the PPOA was the responsible party for the EPA fine. That case is still pending in court. To preclude future misinterpretation of the PPOA's role of paying the utility's expenses, the PPOA notified Mr. James Yonge in a letter dated December 22, 1995, that it would no longer accept invoices for utility expenses. The letter also stated that all correspondence should be directed to Mr. James Yonge and that the PPOA should be charged monthly in accordance with the Amended Declaration.

On March 1, 1995, James Yonge regained control of the facility operations and billing. Seven months later, on September 12, 1995, PWS became the owner of the utility in which James Yonge's son,

John Yonge, is the president. Not long after gaining ownership of the utility, PWS billed the PPOA \$21,000 for services rendered between March and September 1995, to be considered past due if not paid within 15 days. In response to the utility's bill, the PPOA requested proof of the utility's authority to collect for Mr. James Yonge and complete documentation supporting monthly rates of \$3,000 for water and wastewater. The PPOA, believing that the utility's new rate was excessive, refused to make payments. However, in acknowledgment that the utility was entitled to compensation for services provided, the PPOA established an escrow account and paid \$750 each month into the account. In an effort to resolve the disagreement between the two parties and prevent termination of water and wastewater services, the PPOA contacted the DEP and requested assistance. The DEP, upon discovery that this utility was subject to Commission jurisdiction, notified Commission staff of the situation.

Staff contacted the utility and advised it of the Commission's jurisdiction and also notified it that because the utility was not authorized to charge rates, it could not terminate services to the PPOA for non-payment. The utility filed an application for exemption pursuant to Section 367.022, Florida Statutes, on July 21, 1996. However, the utility's plant capacity exceeded the minimum capacity for an exempt utility; therefore, PWS did not qualify for an exemption.

On November 4, 1996, PWS submitted an application for an original water and wastewater certificate, in Docket No. 961321-WS. The PPOA filed a timely objection to the utility's certificate application, and, consequently, that matter is scheduled to go to hearing in August, 1997. Accordingly, no certificate has been issued to PWS pending the completion of the hearing process in that matter.

On October 1, 1996, the utility filed a complaint against the PPOA in circuit court, to recover amounts charged in accordance with the Amended Declaration for water and wastewater services provided. The PPOA filed a motion for a temporary injunction on October 11, 1996, and filed its answer to the complaint on October 30, 1996. On November 8, 1996, the Court issued a temporary injunction in which the utility was ordered to continue water and wastewater services to the PPOA and also ordered the PPOA to pay to the utility \$32,921.86 within 30 days of the order, for services rendered from March 1995 through October 1996. On November 19, 1996, the PPOA filed a motion for clarification of, or amendment to, the temporary injunction. On December 6, 1996, an Agreed Order on the PPOA's motion was issued. That Order directed the PPOA to pay 83% of actual costs to the utility for: a service technician;

chemicals; tests; maintenance; taxes; regulatory expenses and necessary insurance premiums until further Order of the Court. These costs were to be paid by the PPOA within twenty days of receipt of the invoice from the utility. In conjunction with the clarification, the Court reduced the \$32,921.86 for unpaid costs from March 1995 through October 1996, to \$23,770.03. Included in the Order, the Court stated:

Nothing herein shall be interpreted to infringe upon the jurisdiction of the Public Service Commission to set utility rates in this State. Furthermore, nothing herein shall be deemed an admission by either party as to: (a) the reasonableness of the charges, amounts or percentage set forth above; (b) what items should be considered reasonable business expenses; or (c) the rates that should be imposed by the PSC.

In accordance with the Court Order, the utility invoiced the customers for 83% of expenses and the PPOA remitted payment. However, on February 12, 1997, the PPOA transmitted to Commission staff a facsimile of two invoices from the utility in the amounts of \$1,510.60 for a DEP permit and \$11,264.14 for an insurance policy with payment due 20 days after receipt. Upon notice of the invoice sent to the customers and discussions with the utility and the PPOA, we believed that the expedition of this staff assisted rate case would be in the best interest of all parties involved. Consequently, the customer meeting was rescheduled from its original date, of May 14, 1997, to March 27, 1997. Audit and engineering investigations were performed to determine the appropriate components necessary for setting rates. A historical test year ending December 31, 1996 was selected. Due to the lack of records, the engineer performed an Original Cost Study.

Since the circuit court had before it issues within our exclusive jurisdiction, the Commission filed on February 28, 1997, with the circuit court, a Petition for Leave to Intervene and Petition to Transfer the Proceeding to the Florida Public Service Commission. One day prior to the filing, counsel for the PPOA filed with the circuit court, a Motion to Abate or Transfer the Proceeding to the Commission. Both pleadings were heard by the Court on April 29, 1997, in Clay County.

QUALITY OF SERVICE

A customer meeting was held on March 27, 1997. The utility provides water and wastewater service to two general service customers, a town home complex and a marina. It is calculated that there are 29 ERCs connected to the water system and 21 ERCs connected to the wastewater system. About 19 residents were in attendance at the customer meeting.

Customer satisfaction is affected by a poor relationship between the residents of the Point Town Home Community and the owner of the utility. The primary issues of the customer meeting were rates and ownership of the utility. Some customers expressed concern with sewage backups in the marina. Upon investigation, this did not appear to be a frequent problem because the last occurrence was over six months ago. Numerous situations could be the cause of such an incident, most all of them related to either equipment failure or improper equipment adjustment. Because this situation has not occurred recently, this issue is considered resolved.

During discussions over rates and expenses, Ms. Lorie Easterling, a town home owner, submitted a letter representing the homeowners' collective concerns. In that letter Ms. Easterling questioned the cost of chlorine purchases, whether or not the utility was using too much chlorine, and odors from the water treatment plant. The water treatment process includes aeration to remove hydrogen sulfide and disinfection by liquid chlorine. During the process of aeration, as the sulfides are released from the water, odors are produced. Those odors are not toxic, and are inherent and normal to the process. Purchases of chlorine are also considered normal to the process. Each utility is required to maintain a minimum of 0.2 milligrams per liter (mg/l) of free chlorine residual throughout the entire distribution system. While there is a required minimum level of disinfection, there is not a required ceiling. Concentrations of hydrogen sulfide may vary on a day to day basis causing adequate disinfection on one day to be out of balance the next day. At any time the utility may exceed the minimum requirement for chlorine levels. This is not a violation and, in most cases, is unavoidable. Chlorine purchases at the wastewater plant also are considered normal. Historically, chlorine purchases were considerably less than what was recorded during the test year, also historically, the DEP files show citations for improper disinfection. After the operator changed the point of chlorination and increased the dosage rate, the utility satisfied the disinfection citations and continues to be in compliance.

The product quality of the drinking water served is considered satisfactory. The utility is up-to-date with all chemical tests required by DEP. The results of those test analysis were found to meet or exceed all standards for safe potable water. Accordingly, the quality of the drinking water provided by Point Water and Sewer is considered satisfactory.

The product quality of the Point's wastewater services is also considered satisfactory. Because the wastewater plant discharges directly into the St. Johns River, it is monitored closely by the DEP through extended testing requirements. The wastewater utility is up-to-date with all chemical tests which are required by DEP and the results of those analysis results were satisfactory. The DEP has found that the utility properly disinfects the treated wastewater with sufficient retention time prior to the dechlorination equipment. The wastewater effluent is properly dechlorinated and passes standards for surface water discharge. At present, the DEP has no open citations or corrective orders pending against the utility.

Operational conditions at both plants are acceptable. No excessive or foul odors were detected from either plant during staff's plant visit. Each facility was operating according to its design, and equipment at both plants appears to be receiving normal maintenance. Plant-in-service operations are in compliance with DEP regulatory standards. General housekeeping needs some attention which was discussed with the owner of the utility. It was agreed that the trees next to the water plant would be trimmed, a layer of gravel would be spread around the wastewater plant, and attention would be given to weed control and general clean up. An allowance for grounds keeping has been included in the rate structure.

This utility is within the St. John's River Water Management District (SJRWMD). Due to the size of the utility, neither the water nor wastewater systems are considered jurisdictional under the SJRWMD rules. This utility is not required to obtain a consumptive use permit, nor does it qualify for conservation rates.

The utility is currently in compliance with the DEP standards and the general operating conditions of each plant, and the overall reaction of the customers concerning quality of service was favorable. In consideration of the above, we find that the quality of service provided by Point Water and Sewer, Inc. is satisfactory.

RATE BASE

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

Used and Useful

The water treatment plant is 57.61% used and useful. The water distribution system is 80.95% used and useful with the exception of account number 334, which is 100% used and useful. The wastewater plant is 81.33% used and useful with the exception of Account Number 363, which is 100% used and useful. The collection system is 80.95% used and useful with the exception of Account Number 363, which is 100% used and useful.

Water Treatment Plant

The water treatment plant is an open system operation designed to accommodate the entire town home complex at build-out. Only 19 units were actually constructed, sold and currently occupied and are estimated to be 17 ERCs. At some point in the history of the utility, service was extended to the marina which is calculated (by historical flow records) to be an additional 12 ERCs. Customer growth at this utility has been stagnant over the past five years. The capacity of the plant is rated by the DEP at .028 million gallons per day (MGD). According to monthly operating reports, the peak five day average was 16,130 gallons per day (gpd), occurring in June, 1996. Using the approved formula as an indicator of useful plant, we find that the water treatment plant is 57.6% used and useful.

Water Distribution Mains

The existing water distribution mains were constructed to accommodate only 24 of the platted 34 lots in the service area. Twenty-one ERCs is considered to be the actual capacity of distribution system without the construction of additional mains. There are currently 19 town home units (estimated to be 17 ERCs) on this distribution system which were constructed by the developer. The marina constructed its own distribution system that extends and connects to the utility at the plant site. Because this line is privately owned by the marina, it has been exempted from the used and useful calculation. Using the approved formula as an indicator

of useful plant, we find that the water distribution system is 80.95% used and useful. The exception to this percentage of useful plant would be Account Number 334 (meter and meter installations). Meters are installed upon demand and are considered 100% used and useful.

Wastewater Treatment Plant

The capacity of the wastewater treatment plant is 15,000 gpd, operating in the extended aeration mode of treatment. The highest daily flows during the test year occurred in June, 1996, and was 12,200 gpd. There are two customer connections, the town home complex which is estimated to be 17 ERCs, and the marina which is estimated to be 4 ERCs. The used and useful formula, used as an indicator, yields a percentage of useful plant at 81.33%. Accordingly, we find that the wastewater treatment plant accounts are 81.33% used and useful.

Wastewater Collection System

The wastewater collection system is roughly the same as the water distribution system. The configuration of the collection mains can accommodate 24 units, estimated to be 21 ERCs. While the platted maps of the service area show 34 potential homesites, only 19 units were actually constructed which are estimated to be 17 ERCs. The marina constructed its own main extension that forwards influent directly to the master lift station at the plant site. Because this line is privately owned by the marina, it has been exempted from the used and useful calculation. Customer growth over the last five years has been stagnant. The approved formula method, used as an indicator of useful plant, was the basis for calculating the used and useful percentage of the collection system. Using the formula, we find that the wastewater collection system is 80.95% used and useful.

TEST YEAR RATE BASE

PWS does not have records supporting the costs associated with the construction of this utility. A review of the 1983 tax returns for NOH, Inc. and IGR, Inc. did not reflect any plant, accumulated depreciation or land. Consequently, an original cost study was performed by the engineer. Also, an examination of the original town home sales agreement indicated that the customers did not incur a hook-up or connection fee. The appropriate components of rate base consist of utility plant in service, non-used and useful plant, land, accumulated depreciation, contributions in aid of construction (CIAC), amortization of CIAC and working capital allowance. We have used the amounts set forth in the original cost

study as a basis for these rate base components. Further adjustments are necessary to reflect test year balances. A discussion of each adjusted component follows.

Depreciable Plant in Service

The utility recorded test year utility plant in service balances of \$42,769 for water and \$36,549 for wastewater. We find that both the water and wastewater plants, through the end of the test year, are 100% contributed. Utility plant in service has been decreased by \$13,491 for water and increased by \$42,835 for wastewater. The adjustments to the water plant included a decrease of \$13,791 to reflect utility plant in service pursuant to the original cost study; an increase of \$600 for pro forma plant to reflect the installation of a 2-inch meter for the PPOA as recommended by our engineer; a decrease of \$2,284 to reflect an averaging adjustment on plant; and an increase of \$3,968 to reflect fees associated with the certification docket in organizational costs. We made one adjustment of \$42,835 to increase wastewater utility plant in service, an increase of \$3,968 to reflect fees associated with the certification docket in organizational costs; and a decrease of \$1,984 to reflect an averaging adjustment on plant. Total utility plant in service is \$31,262 for water and \$81,368 for wastewater.

Land

The utility recorded land balances of \$7,231 for water and \$13,451 for wastewater. Since the utility does not own this land nor has it incurred a cost to use the land, we have made adjustments of \$7,231 and \$13,451 for water and wastewater, respectively, to remove these balances from rate base.

Non-Used and Useful Plant

We have determined that the used and useful percentages are 57.61% for the water treatment plant, 80.95% for the water distribution system, 81.33% for the wastewater treatment plant, and 80.95% for the wastewater collection system. We then applied the non-used and useful percentages to calculate average non-used and useful plant of \$11,030 for water and \$14,855 for wastewater. Non-used and useful accumulated depreciation is \$6,763 for water and \$11,340 for wastewater. Therefore, we find that the net average non-used and useful plant is \$4,267 for water and \$3,525 for wastewater.

CIAC

The utility did not record CIAC for the test year. The utility did not have any records supporting the costs associated with the construction of this utility. A review of the 1983 tax returns for NOH, Inc. and IGR, Inc. did not reflect any plant, accumulated depreciation or land. Therefore, in accordance with Rule 25-30.140(8), Florida Administrative Code, we have imputed CIAC on 100% of all water and wastewater plant through the end of the test year. We have increased the CIAC account by \$28,978 for water and \$79,384 for wastewater. We also made adjustments to decrease CIAC by \$11,030 for water and \$14,865 for wastewater to reflect non-used and useful. The utility has not had any plant additions since 1980, for the water plant and none since 1993 for the wastewater plant, therefore an averaging adjustment was not necessary. Based on the foregoing, we find that the appropriate CIAC balance is \$17,948 for water and \$64,519 for wastewater.

Accumulated Depreciation

The utility recorded an accumulated depreciation balance of \$2,917 each for water and wastewater. We have calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. We increased water by \$15,022 and wastewater by \$60,075 to reflect test year accumulated depreciation amount. An increase of \$35 for water was made to reflect accumulated depreciation on pro forma plant. We also reduced accumulated depreciation by \$675 and \$2,306 for water and wastewater, respectively, to reflect average balance. Accordingly, the appropriate accumulated depreciation balances are \$17,300 for water and \$60,687 for wastewater.

Amortization of CIAC

The utility did not record anything for amortization of CIAC. We made adjustments of \$17,840 for water and \$62,893 for wastewater to reflect amortization on the imputed CIAC. Amortization of CIAC was decreased by \$6,763 and \$11,340 for water and wastewater respectively to reflect the non-used and useful amortization on CIAC. We have reduced amortization of CIAC by \$625 for water and \$2,256 for wastewater to reflect averaging adjustments. After making the adjustments, we find that the appropriate amortization of CIAC balances are \$10,452 for water and \$49,297 for wastewater.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense formula

for calculating working capital allowance. Applying that formula, and based on O&M of \$15,594 for water and \$23,408 for wastewater, we find that the working capital allowance is \$1,949 for water and \$2,926 for wastewater.

Rate Base Summary

Based on the foregoing, we find that the appropriate balance for test year rate base is \$4,148 for water and \$4,860 for wastewater.

Acquisition Adjustment

An acquisition adjustment shall not be included in the calculation of rate base for this utility. The utility did not have adequate records for staff to determine the costs associated with developing the systems. Therefore, the engineer performed an Original Cost Study which was used to calculate rate base for the property when it was first dedicated to public service. Further, the purchase was a related party transaction. In the absence of extraordinary circumstances, our policy is that a purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this case do not appear to be extraordinary. In consideration of the foregoing, we find that an acquisition adjustment will not be included in the calculation of rate base.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

Return on Equity

The utility's capital structure consists of \$100,000 of long-term debt with an interest rate of 9.50%, short term debt of \$34,352 with an interest rate of 6.31%, short term debt of \$2,370 with an interest rate of 6.31% and common equity of \$500. Using the current leverage formula in Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, in Docket No. 960006-WS, the rate of return on common equity is 11.88% with a range of 10.88% to 12.88%.

Applying the weighted average method to the total capital structure yields an overall rate of return of 8.65% with a range of 8.65% to 8.66%. We have made pro rata adjustments to reconcile the capital structure downward to match the rate base.

NET OPERATING INCOME

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

Test Year Operating Revenues

During the test year the utility collected revenues of \$27,730. The utility has no recorded revenue because, prior to this decision, it did not have Commission authorized rates. During the historical test year ending December 31, 1996, revenues were \$300 a month from the marina and \$23,770 from the PPOA, as ordered by the circuit court. The revenues are reflected on the utility's books as \$13,685 for water and \$13,685 for wastewater. No adjustment was made to these figures.

Test Year Operating Loss

The test year revenue is \$13,685 for water and \$13,685 for wastewater. Corresponding test year operating expenses are \$17,206 for water and \$25,554 for wastewater. This results in test year operating losses of \$3,521 for water and \$11,869 for wastewater.

Test Year Operating Expenses

The utility recorded operating expenses of \$32,667 for water and \$39,466 for wastewater. The components of these expenses include operation and maintenance expenses, depreciation expense (net of related non-used and useful depreciation on expense), amortization of CIAC (net of related non-used and useful CIAC on amortization) and taxes other than income.

The utility's test year operating expenses have been traced to invoices. Adjustments have been made to reflect unrecorded test year expenses, allowances for plant operations, and removal of unsupported and non-utility expenses. Accordingly, the appropriate amount of operating expenses are \$17,389 for water and \$26,133 for wastewater.

Operation and Maintenance Expenses (O & M)

The utility charged \$29,183 to water O & M and \$35,404 to wastewater O & M during the test year. A summary of adjustments that were made to the utility's recorded expenses follows:

Salaries & Wages

The utility recorded test year salaries and wages expense of \$5,810 each for water and wastewater. The utility provided a letter to support a part time officer and manager for 12.5 hours per week. The utility has costs included in contractual services to support an operator, who also performs the majority of the repairs for the utility, and an accountant. We find 12.5 hours to be excessive and therefore decrease this amount to 4 hours per week at \$25 per hour for a part time officer and manager. Accordingly, we find it appropriate to reduce salaries and wages by \$3,210 each for water and wastewater to reflect an annual salary of \$2,600 for each system.

Employee Pensions & Benefits

The utility did not record anything for test year employee pensions and benefits. However, a request to include annual health care insurance of \$864 was submitted. Consistent with the finding of 4 hours per week for a part time employee, which constitutes 10% of hours worked by a full time employee, we have made adjustments to reflect health care coverage on a pro rata basis. An adjustment of \$43 each for water and wastewater was made to include 10% of the annual costs for employee pensions and benefits.

Sludge Removal Expense

The utility recorded a sludge removal expense of \$400. We find that the utility shall have its sludge hauled twice a year. Accordingly, we increased the sludge removal expense by \$600 for the test year. We find that the appropriate sludge removal expense is \$1,000 for the wastewater system.

Chemicals

The utility recorded test year chemicals expenses of \$599 for water and \$2,740 for wastewater. No adjustment was made to water, however, we increased chemicals for wastewater by \$61 to reflect annualized expenses. We find that water and wastewater chemicals expenses are \$599 and \$2,801, respectively.

Contractual Services

The utility recorded contractual services expenses of \$9,621 for water and \$12,000 for wastewater during the test year. We have made several adjustments for the water system to reflect an annual allowance of \$583 for maintenance and repairs for an increase of \$122; a 30% allocation of costs for the contract operator for a decrease of \$1,320; and an increase of \$750 to reflect annualized accounting fees. We have also amortized legal fees incurred from dispute against PPOA for nonpayment over 5 years for a decrease of \$3,226. The appropriate annual amount for DEP water testing is \$2,066. Therefore, we included an increase of \$1,131 in contractual services for water to reflect annual DEP testing.

We have made adjustments for the wastewater system to reflect: an annual expense for grounds keeping for an increase of \$80; removal of unsupported expenses for repairs for a decrease of \$140; an annual allowance of \$925 for maintenance and repairs for an increase of \$353; a 70% allocation of costs for the contract operator for an increase of \$1,320; and an increase of \$750 to reflect annualized accounting fees. We have also amortized legal fees incurred from dispute against PPOA for nonpayment over 5 years for a decrease of \$3,226. The appropriate annual amount for DEP wastewater testing is \$2,202. Therefore, we included a decrease of \$861 in contractual services for wastewater to reflect annual DEP testing.

Total adjustments to decrease contractual services were \$2,543 and \$1,724 for water and wastewater respectively. Accordingly, the contractual service expense account totals \$7,078 for water and \$10,276 for wastewater.

Rents Expense

The utility proposes to rent an office for \$300 per month. Because the utility only has two customers we find that having an office for the sole purpose of keeping records is not prudent. Instead, the utility shall be given an allowance to cover phone, storage, and access to copier and facsimile machines. Therefore, we find that a monthly rent expense of \$100 per month, \$50 for water and \$50 for wastewater, is appropriate. Accordingly, annual rent expense is \$600 for water and \$600 for wastewater.

Transportation Expense

The utility did not record anything for transportation expenses. We find that 100 miles per month is a reasonable travel allowance to be split evenly between water and wastewater.

Therefore, we made an adjustment to increase transportation expense by \$186 for water and \$186 for wastewater.

Insurance Expense

The utility did not record anything for insurance expense but the utility submitted an insurance bid with an annual premium of \$13,571 for general liability, property damage, and environmental pollution. Because the utility discharges effluent into the St. Johns River, the risk of environmental contamination is ever present. The utility was able to obtain a lower quote for general liability, property damage and pollution control coverage with an annual premium of \$4,606 for water and wastewater. We find the second quote to be a reasonable amount and therefore made an adjustment to increase water and wastewater by \$2,303 each.

Regulatory Commission Expense

The utility recorded test year regulatory commission expense of \$4,020 each for the water and wastewater systems. These amounts reflect staff assisted rate case legal fees incurred during the test year. We made adjustments to reflect legal fees incurred during the staff assisted rate case amortized over four years for a decrease of \$3,297 for water and \$2,754 for wastewater. We believe that the legal fees in this case were high, although we recognize that this is the utility's first staff assisted rate case. Therefore, the utility is hereby put on notice that it must be prudent in its use of legal counsel in the future when and if it expects to recover those costs in rates. We made further adjustments to reflect the staff assisted rate case application fee amortized over four years for an increase of \$50 each for water and wastewater, and accounting fees of \$6,400 incurred during the staff assisted rate case amortized over four years for an increase of \$800 each for water and wastewater. Accordingly, we find that regulatory commission expense is \$1,573 for water and \$2,116 for wastewater.

Miscellaneous Expense

The utility recorded miscellaneous expenses of \$7,025 for water and \$8,325 for wastewater. We have made adjustments to remove interest expense for a decrease of \$6,275 each for water and wastewater; reflect an annual allowance of \$250 each for miscellaneous expenses for an increase of \$250 for water and wastewater; reflect annualized bank charges for increases of \$60 each for water and wastewater; reflect reclassification of application fees for certification for decreases of \$750 each for water and wastewater; reflect the DEP permit fee amortized over

five years for a decrease of \$800 for wastewater; include an engineering fee related to the DEP permit amortized over five years for an increase of \$370; and a monthly expense of \$20 for a pager or answering service so that the customers will be able to contact a representative of the utility in case of emergency, for an increase of \$120 each for water and wastewater. Therefore, we find that miscellaneous expenses are \$430 for water and \$1,300 for wastewater.

Operation and Maintenance Expenses Summary

We have made O&M adjustments of \$13,589 for water and \$11,996 for wastewater. Based on these adjustments, we find that the test year O&M expenses are \$15,594 for water and \$23,408 for wastewater.

Depreciation Expense (Net of non-used and useful)

The utility recorded \$2,500 each for water and wastewater in depreciation expense during the test year. We have calculated test year depreciation expense using the prescribed rates described in Rule 25-30.140, Florida Administrative Code. We made depreciation expense adjustments to reduce water by \$1,186 and increase wastewater by \$2,111. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances, we decreased water by \$480 and wastewater by \$844. Also, an adjustment was made to increase water by \$35 to reflect depreciation on the pro forma meters. Accordingly, net test year depreciation expense is \$869 for water and \$3,767 for wastewater.

CIAC Amortization Expense (Net of non-used and useful)

The utility did not record any amortization expense. Applying the prescribed depreciation rate to the plant balances in which CIAC was imputed, we made adjustments of \$1,125 and \$4,512 for water and wastewater respectively. We also made an adjustment to reduce amortization by \$480 for water and \$844 for wastewater to reflect non-used and useful on these accounts. We find a negative amortization balance of \$735 for water and \$3,668 for wastewater.

Taxes Other Than Income Taxes

The utility recorded test year taxes other than income of \$984 for water and \$1,562 for wastewater. We made adjustments of \$494 for water and \$485 for wastewater in order to reflect annual payroll taxes.

Increase in Operating Revenues and Expenses Summary

Operating Revenues

Revenue has been increased by \$4,063 for water and \$12,868 for wastewater to reflect the increase in revenue required to allow the utility to recover its expenses and earn a margin return on O & M.

Taxes Other Than Income

Taxes other than income has been increased by \$183 for water and \$579 for wastewater to reflect the regulatory assessment fee at 4.5% on the required revenue increase.

Summary

The application of our adjustments to the utility's recorded operating expenses results in approved operating expenses of \$17,389 for water and \$26,133 for wastewater.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that the appropriate annual revenue requirement for this utility is \$17,748 for water and \$26,553 for wastewater. This revenue requirement represents an annual increase in revenue of \$4,063 or 29.69% for water and \$12,868 or 94.03% for wastewater. This revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 8.65% return on its investment.

RATES AND RATE STRUCTURE

As mentioned earlier, PWS does not currently hold a certificate of authorization from the Commission; however, a certification docket is currently pending before the Commission. Despite the lack of certification, we find that we have the statutory authority to establish rates for this utility in this staff assisted rate case. Section 367.011(2), Florida Statutes, grants the Commission exclusive authority over each utility with respect to its authority, service, and rates. The statute does not specifically require that the utility, over which the Commission has jurisdiction, be a certificated utility, it only requires that the utility be subject to the Commission's jurisdiction. This utility has been subject to the Commission's jurisdiction since its inception in 1980. In addition, Section 367.081, Florida Statutes, grants the Commission the authority to fix rates for utilities

within its exclusive jurisdiction. We find that these statutory provisions along with Section 367.011(3), Florida Statutes, which specifically permits liberal construction of the statute in the Commission's exercise of its police power for the protection of the public health, safety and welfare, form a sound and sufficient statutory basis on which to base Commission authority to establish final rates in a staff assisted rate case proceeding before a certificate is issued.

As indicated in the case background, it is imperative that rates for PWS are established immediately. Prior to our establishment of rates, the utility and the PPOA were operating under a court order which mandates the PPOA to pay 83% of all utility invoices for operating and maintenance costs within 20 days of receipt. The marina is not subject to the court order and pays the utility \$300 per month for water and wastewater services. We do not believe that it is appropriate to allow this payment process to continue for any length of time for several reasons. First, the 83% of operating and maintenance expenses mandated by the court does not consider that some costs such as insurance and permits are amortized over the life of the expense nor does it provide incentive for the utility to be financially prudent when incurring these expenses. An example of our concern is an invoice for annual plant insurance sent to the PPOA in the amount of \$11,264.14, due 20 days from receipt. In this example, the utility had neglected to obtain bids from other insurance providers. Furthermore, the utility asked the PPOA to pay the invoice before it finalized the insurance policy or made any premium payments. In essence, 83% of the bill was passed directly on to the PPOA for payment. In addition to the insurance invoice, the PPOA has paid over \$6,000 in invoices since the December, 1996 court order. Second, there is a risk that the utility will have collected more than it should by the time rates are established. Before establishment of rates by the Commission, the customers did not enjoy some of the protections provided by the Commission such as revenues held subject to refund, which protects customers if in fact the utility has collected excess revenues. Furthermore, it is likely that the PPOA was paying more than its share of costs to the utility under the court's allocation of 83% of costs. On the other hand, the 83% of O & M expenses paid by the PPOA and \$300 a month paid by the marina does not ensure that the utility is earning enough to cover its monthly expenses. Thus, the rates set out by the court order, plus the \$300 a month paid by the marina, exposed both the customers and the utility to unnecessary risk.

As a regulating body, it is our duty to ensure that the customers receive quality service at a fair cost. We believe it almost impossible for a utility to provide quality service without

adequate funds to cover the day-to-day operating expenses. This allowance is critical if the utility is to provide safe and reliable service. Should the expenses such as testing, chemicals, or operator services, among other things, go unpaid, the ratepayers could be placed at risk. The pending certification docket is scheduled to go to hearing on August 1, 1997, and to the agenda conference for a Commission decision on November 18, 1997. If we wait to establish rates post-certification, the utility would not receive compensatory rates until sometime after November 18, 1997. Requiring the utility to wait until the certification decision is final in order to establish a rate may hamper the utility's ability to perform and maintain minimum levels of service. Therefore, we find that our setting of final rates in this staff assisted rate case proceeding is the most equitable solution and is in the best interests of all parties involved.

During the test year, PWS provided service on a flat rate basis to two general service water and wastewater customers (the marina and the PPOA). The utility currently has a meter for the marina, but not for the PPOA. We hereby order the utility to install a 2-inch meter for the service extending to the PPOA.

The cost for a meter has been included in rate base. We hereby direct the utility to complete the installation of the meter within 90 days of issuance of this order. Consequently, we have calculated rates in two Phases. Phase I consists of water and wastewater flat rates for both customers. These rates will remain in effect until the utility has installed the meter and has filed new tariff sheets with the Commission reflecting metered water rates and flat wastewater rates for both customers. The marina has 3 restrooms and two showers, that are connected to the wastewater system. Whereas wastewater metered rates usually are based on water consumption, we find that this would not fairly represent wastewater treated for the marina. Due to these uncertainties, we have calculated flat rates for the wastewater system.

We have calculated rates based on test year expenses and estimated average consumption for water and ERCs for wastewater. The flat rates and metered rates have been calculated to generate the revenue requirement. The utility's current rates and preliminary rates are as follows.

MONTHLY GENERAL SERVICE WATER RATES

<u>Flat Rate</u>	<u>Existing Rates</u>
Marina	\$ 150.00
PPOA	\$1,500.00

(PHASE I)

<u>Flat Rate</u>	<u>Preliminary Rates</u>
Marina	\$ 682.97
PPOA	\$ 796.99

(PHASE II)

<u>Metered Rates</u>	<u>Preliminary Rates</u>
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Base Facility Charge
Meter Size:

5/8" x 3/4"	\$ 60.94
3/4"	\$ 91.41
1"	\$ 152.35
1-1/2"	\$ 304.70
2"	\$ 487.52
3"	\$ 975.05
4"	\$1,523.51
6"	\$3,047.02

<u>Gallonage Charge</u>	
Per 1,000 gallons	\$ 1.53
(all metered connections)	

MONTHLY GENERAL SERVICE WASTEWATER RATES

<u>Flat Rate</u>	<u>Existing Rates</u>
Marina	\$ 150.00
PPOA	\$1,500.00

<u>Flat Rate</u>	<u>Preliminary Rates</u>
Marina	\$ 553.19
PPOA	\$1,659.58

The rates are designed to produce revenues of \$17,748 for water and \$26,553 for wastewater. These rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. In no event shall the rates be effective for service rendered prior to the stamped approval date. The tariff sheets shall be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the customer notice is adequate, and that any required security has been provided. 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.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate will be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge will be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included 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 \$1,647.12 annually for water and \$2,215.71 for wastewater. The reduction in revenues will result in the rates as shown on Schedules Nos. 4 and 4A.

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

If the utility files this reduction in conjunction with a price index or 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.

TEMPORARY RATES IN THE EVENT OF PROTEST

This action proposes the establishment of water and wastewater rates. 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 timely protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein as temporary rates. The rates approved herein shall be collected by the utility subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon Commission staff's approval of the security for the potential refund and the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of \$13,954. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds 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 Cosentino 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 shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall 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 shall 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 shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no

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later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

BOOKS AND RECORDS

Rule 25-30.115(1), Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities," states:

Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

During the test year, the utility's books were not maintained in conformity with the Uniform System of Accounts. Rule 25-30.115 (1), Florida Administrative Code, requires jurisdictional utilities to maintain their books and records in conformity with NARUC Uniform System of Accounts. We have made an allowance in contractual services for the utility to pay its certified public account to reconcile its books and records as well as maintain them in conformity with the 1984 NARUC Uniform System of Accounts. Allowing this expense for accounting service provides the utility with the expertise to convert and maintain its books and records in conformity with NARUC Uniform System of Accounts. Therefore, the utility shall reconcile its books and records to the Commission Order as well as maintain them in conformity with the 1984 NARUC Uniform System of Accounts.

CLOSING THE DOCKET

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this docket shall remain open for an additional 90 days from the issuance date of the Order to allow the utility time to complete pro forma installation of the 2-inch meter. After the utility has complied with the Order in all respects, and has submitted and has had approved revised tariff sheets reflecting the Phase II rates, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Point Water and Sewer, Inc.'s application for establishment of water and wastewater rates and charges is hereby approved as set forth in the body of this Order. It is further

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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 attached hereto are incorporated herein by reference. It is further

ORDERED that Point Water and Sewer, Inc. is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Point Water and Sewer, Inc.'s rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received proper notice. It is further

ORDERED that Point Water and Sewer, Inc. shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Point Water and Sewer, Inc. is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Point Water and Sewer, Inc. first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Point Water and Sewer, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our staff's verification that the pages are consistent with our decision herein, that the customer notice is adequate, and that any required security has been provided. 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. The utility 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 prior to its implementation of the rates and charges approved herein, Point Water and Sewer, Inc. shall submit and have approved a bond or letter of credit in the amount of

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\$13,954 as a guarantee of any potential refund of revenues collected on a temporary basis. Alternatively, the utility may establish an escrow account with an independent financial institution. It is further

ORDERED that Point Water and Sewer, Inc. shall submit monthly reports no later than 20 days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that the provisions of this Order regarding our establishment of rates and charges are issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that Point Water and Sewer, Inc. shall maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts. It is further

ORDERED that upon expiration of the protest period this docket shall remain open for an additional 90 days from the issuance date of the Order to allow Point Water and Sewer, Inc. to complete pro forma installation of the 2-inch meter ordered herein. It is further

ORDERED that once Point Water and Sewer, Inc. has fully complied with this Order and has had approved revised tariff sheets reflecting the Phase II rates, this docket shall be closed administratively.

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By ORDER of the Florida Public Service Commission, this 23rd
day of May, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting



Kay Flynn, Chief
Bureau of Records

(S E A L)

KMJ

NOTICE OF FURTHER PROCEEDINGS OR 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.

As identified in the body of this order, except our granting temporary rates in the event of a protest, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 13, 1997. If

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such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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

POINT WATER & SEWER, INC.
 TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 1
 DOCKET NO. 961434-WS

SCHEDULE OF WATER RATE BASE

COMPONENT	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$ 42,768	\$ (11,507)	\$ 31,262
2. LAND/NON-DEPRECIABLE ASSETS	7,231	(7,231)	0
4. NON-USED AND USEFUL PLANT	0	(4,267)	(4,267)
5. ACQUISITION ADJUSTMENT			0
6. CONTRIBUTIONS IN AID OF CONSTRUCTION	0	(17,948)	(17,948)
7. ACCUMULATED DEPRECIATION	(2,917)	(14,383)	(17,300)
8. AMORTIZATION OF ACQUISITION ADJUSTMENT		0	0
9. AMORTIZATION OF CIAC	0	10,452	10,452
10. WORKING CAPITAL ALLOWANCE	0	1,949	1,949
WATER RATE BASE	\$ 47,083	\$ (42,935)	\$ 4,148

POINT WATER & SEWER, INC.
 TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 1A
 DOCKET NO. 961434-WS

SCHEDULE OF WASTEWATER RATE BASE

	COMPONENT	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
1	UTILITY PLANT IN SERVICE	\$ 36,549	\$ 44,819	\$ 81,368
2	LAND/NON-DEPRECIABLE ASSETS	13,451	(13,451)	0
4	NON-USED AND USEFUL PLANT	0	(3,525)	(3,525)
5	ACQUISITION ADJUSTMENT	0	0	0
6	CONTRIBUTIONS IN AID OF CONSTRUCTION	0	(64,519)	(64,519)
7	ACCUMULATED DEPRECIATION	(2,917)	(57,770)	(60,687)
8	AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
9	AMORTIZATION OF CIAC		49,297	49,297
10	WORKING CAPITAL ALLOWANCE	0	2,926	2,926
	WASTEWATER RATE BASE	\$ 47,083	\$ (42,223)	\$ 4,860

POINT WATER & SEWER, INC.
 TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 1B
 DOCKET NO. 961434-WS

ADJUSTMENTS TO RATE BASE

EXPLANATION	WATER	WASTEWATER
A. UTILITY PLANT IN SERVICE		
1. To reflect plant per the Original Cost Study	(13,791)	42,835
2. To record pro forma plant - meter	600	
3. To record averaging adjustment on pro form plant	(2,284)	(1,984)
4. To reflect certification costs in org costs	3,968	3,968
	<u>\$ (11,507)</u>	<u>\$ 44,819</u>
B. LAND		
1. To remove land	<u>\$ (7,231)</u>	<u>\$ (13,451)</u>
C. NON-USED AND USEFUL PLANT		
1. To reflect non-used & useful on plant	(11,030)	(14,865)
2. To reflect non-used & useful on average accumulated depreciation	6,763	11,340
	<u>\$ (4,267)</u>	<u>\$ (3,525)</u>
D. CIAC		
1. To reflect 100% of plant contributed	(28,978)	(79,384)
2. To reflect avg. non-used & useful on CIAC	11,030	14,865
	<u>\$ (17,948)</u>	<u>\$ (64,519)</u>
E. ACCUMULATED DEPRECIATION		
1. To concile the utility's balance to reflect the calculation of accumulated depreciaiton as set in Rule 25-30.140 (4) (b)	(14,973)	(60,026)
2. To reflect accumulated depreciation of pro forma plant	(35)	
3. To reflect averaging adjustment	625	2,256
	<u>\$ (14,383)</u>	<u>\$ (57,770)</u>
H. AMORTIZATION OF CIAC		
1. To reflect amortization of CIAC imputed on plant	17,840	62,893
2. To reflect avg. non-used & useful on amortized CIAC	(6,763)	(11,340)
3. To reflect averaging adjustment	(625)	(2,256)
	<u>\$ 10,452</u>	<u>\$ 49,297</u>
I. WORKING CAPITAL ALLOWANCE		
1. To reflect 1/8 of test year O & M expenses	<u>\$ 1,949</u>	<u>\$ 2,926</u>

POINT WATER & SEWER, INC.
 TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 2
 DOCKET NO. 961434-WS

SCHEDULE OF CAPITAL STRUCTURE

DESCRIPTION	PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION	% OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	\$ 100,000	\$ (93,435)	\$ 6,565	72.88%	9.50%	6.92%
SHORT TERM DEBT-IGR	34,352	(32,097)	2,255	25.03%	6.31%	1.58%
SHORT TERM DEBT-JEY	2,370	(2,214)	156	1.73%	6.31%	0.11%
EQUITY	500	(467)	33	0.36%	11.88%	0.04%
PREFERRED STOCK	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	6.00%	0.00%
TOTAL	\$ 137,222	\$ (128,214)	\$ 9,008	100.00%		8.65%
RANGE OF REASONABLENESS		<u>LOW</u>	<u>HIGH</u>			
RETURN ON EQUITY		10.88%	12.88%			
OVERALL RATE OF RETURN		8.65%	8.66%			

POINT WATER & SEWER, INC.
 TEST YEAR ENDING 12/31/96

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	\$ 13,685	\$ 0	13,685	\$ 4,063	\$ 17,748
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 29,183	(13,589)	15,594	0	15,594
DEPRECIATION (NET)	2,500	(1,631)	869	0	869
AMORTIZATION	0	(735)	(735)	0	(735)
TAXES OTHER THAN INCOME	984	494	1,478	183	1,661
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 32,667	\$ (15,461)	\$ 17,206	\$ 183	\$ 17,389
OPERATING INCOME/(LOSS)	\$ (18,982)		\$ (3,521)		\$ 359
WATER RATE BASE	\$ 17,083		\$ 4,148		\$ 4,148
RATE OF RETURN	<u>-40.32%</u>		<u>-84.88%</u>		<u>8.65%</u>

POINT WATER & SEWER, INC.
 TEST YEAR ENDING 12/31/98

SCHEDULE NO. - 3A
 DOCKET NO. 961434-WS

SCHEDULE OF WASTEWATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	\$ 13,685	\$ 0	13,685	\$ 12,868	\$ 26,553
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 35,404	(11,996)	23,408	0	23,408
DEPRECIATION (NET)	2,500	1,267	3,767	0	3,767
AMORTIZATION	0	(3,668)	(3,668)	0	(3,668)
TAXES OTHER THAN INCOME	1,562	485	2,047	579	2,626
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 39,466	\$ (13,912)	\$ 25,554	\$ 579	\$ 26,133
OPERATING INCOME/(LOSS)	\$ (25,781)		\$ (11,869)		\$ 420
WASTEWATER RATE BASE	\$ 47,083		\$ 4,860		\$ 4,860
RATE OF RETURN	<u>-54.76%</u>		<u>-244.21%</u>		<u>8.65%</u>

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3B (Sheet 1 of 3)
DOCKET NO. 961434-WS

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER	WASTEWATER
A. OPERATION AND MAINTENANCE EXPENSES		
1. Salaries & Wages -Employee		
a. To reflect annual salary for a part time employee	\$ <u>(3,210)</u>	\$ <u>(3,210)</u>
2. Employee Pensions & Benefits		
a. To reflect annualized health insurance on employee	\$ <u>43</u>	\$ <u>43</u>
3. Sludge Removal		
a. To reflect annual sludge removal expense		\$ <u>600</u>
4. Chemicals		
a. To reflect annual chemicals expense		\$ <u>61</u>
5. Contractual Services		
a. To reflect annual expense for groundskeeping per engineer	0	80
b. To remove unsupported expenses for repairs		(140)
c. To reflect annual allowance for maintenance & repairs of \$583 for water and \$925 for wastewater	122	353
d. To reflect proper allocation of contract operator cost	(1,320)	1,320
e. To reflect total legal fees against PPOA for nonpayment amortized over 5 years	(3,226)	(3,226)
f. To reflect annualized accounting fees	750	750
g. To reflect annual expenses for DEP required testing per engineer	1,131	(861)
	\$ <u>(2,543)</u>	\$ <u>(1,724)</u>
6. Rent Expense		
a. To reflect annualized monthly rent expense of \$100	\$ <u>(1,326)</u>	\$ <u>(1,326)</u>
7. Transportation Expense		
a. To reflect annual transportation expense per engineer	\$ <u>186</u>	\$ <u>186</u>

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3B (Sheet 2 of 3)
DOCKET NO. 961434-WS

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER	WASTEWATER
8. Insurance Expense		
a. To reflect annual insurance expense	\$ <u>2,303</u>	\$ <u>2,303</u>
9. Regulatory Commission Expense		
a. To reflect legal fees amortized over 4 years	(3,297)	(2,754)
b. To reflect SARC application fee amortized over 4 years	50	50
c. To include accounting fees related to the SARC amortized over 4 years	<u>800</u>	<u>800</u>
	\$ <u>(2,447)</u>	\$ <u>(1,904)</u>
10 Miscellaneous Expenses		
a. To remove interest expense	(6,275)	(6,275)
b. To reflect allowance of \$275 for misc. expenses	250	250
c. To reflect annualized bank charges	60	60
d. To reflect reclassify application fees for Certification	(750)	(750)
e. To reflect DEP permit application fee amortized over 5 years		(800)
f. To reflect engineering fees for DEP permit amortized over 5 yrs.		370
g. To reflect a monthly expense for a pager or emergency service.	<u>120</u>	<u>120</u>
	\$ <u>(6,595)</u>	\$ <u>(7,025)</u>
TOTAL O & M ADJUSTMENTS	\$ <u>(13,689)</u>	\$ <u>(11,996)</u>

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3B (Sheet 3 of 3)
 DOCKET NO. 961434-WS

ADJUSTMENTS TO OPERATING INCOME

EXPLANATION	WATER	WASTEWATER
B. DEPRECIATION EXPENSE (NET)		
1. To reflect test year depreciation expense	(1,186)	2,111
2. To reflect non-used & useful on depreciation expense	(480)	(844)
3. To reflect depreciation expense on pro forma meters	35	
	<u>\$ (1,631)</u>	<u>\$ 1,267</u>
C. AMORTIZATION EXPENSE (CIAC)		
1. To reflect amortization expense for CIAC	(1,215)	(4,512)
2. To reflect non-used & useful on amortization of CIAC	480	844
	<u>\$ (735)</u>	<u>\$ (3,668)</u>
D. TAXES OTHER THAN INCOME		
1. To reflect annual payroll taxes	<u>\$ 494</u>	<u>\$ 485</u>
E. OPERATING REVENUES		
1. To reflect revenue increase	<u>\$ 4,063</u>	<u>\$ 12,868</u>
F. TAXES OTHER THAN INCOME		
1. To reflect TOTI per revenue requirement	<u>\$ 183</u>	<u>\$ 579</u>

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 3C
DOCKET NO. 961434-WS

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER UTILITY	COMMISSION ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$ 5,810	\$ (3,210)	\$ 2,600
(603) SALARIES AND WAGES - OFFICERS	0		0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	43	43
(610) PURCHASED WATER	0		
(615) PURCHASED POWER	0		0
(616) FUEL FOR POWER PRODUCTION			
(618) CHEMICALS	599	0	599
(620) MATERIALS AND SUPPLIES	182	0	182
(630) CONTRACTUAL SERVICES	8,687	(3,675)	5,012
DEP REQUIRED TESTING	934	1,132	2,066
(640) RENTS	1,926	(1,326)	600
(650) TRANSPORTATION EXPENSE	0	186	186
(655) INSURANCE EXPENSE	0	2,303	2,303
(655) REGULATORY COMMISSION EXPENSE	4,020	(2,447)	1,573
(670) BAD DEBT EXPENSE			
(675) MISCELLANEOUS EXPENSES	7,025	(6,595)	430
UNCLASSIFIED DISBURSEMENTS			
TOTAL O & M EXPENSES	\$ 29,183	\$ (13,589)	\$ 15,594

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 8D
DOCKET NO. 961434-WS

ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER UTILITY	COMMISSION ADJUST.	TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	5,810	\$ (3,210)	\$ 2,600
(703) SALARIES AND WAGES - OFFICERS	0		0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	43	43
(710) PURCHASED SEWAGE TREATMENT			
(711) SLUDGE REMOVAL EXPENSE	400	600	1,000
(715) PURCHASED POWER	0		0
(716) FUEL FOR POWER PRODUCTION			
(718) CHEMICALS	2,740	61	2,801
(720) MATERIALS AND SUPPLIES	183	0	183
(730) CONTRACTUAL SERVICES	8,937	(863)	8,074
DEP REQUIRED TESTING	3,063	(861)	2,202
(740) RENTS	1,926	(1,326)	600
(750) TRANSPORTATION EXPENSE	0	186	186
(755) INSURANCE EXPENSE	0	2,303	2,303
(765) REGULATORY COMMISSION EXPENSES	4,020	(1,904)	2,116
(770) BAD DEBT EXPENSE			
(775) MISCELLANEOUS EXPENSES	8,325	(7,025)	1,300
UNCLASSIFIED DISBURSEMENTS			
	\$ 36,404	\$ (11,996)	\$ 23,408

RATE REDUCTION SCHEDULE

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 4
DOCKET NO. 961434-WS

MONTHLY WATER RATES

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

RESIDENTIAL & GENERAL SERVICE	MONTHLY RATES	MONTHLY RATE REDUCTION
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 60.94	\$ 5.66
3/4"	91.41	8.48
1"	152.35	14.14
1-1/2"	304.70	28.28
2"	487.52	45.25
3"	975.05	90.49
4"	1,523.51	141.39
6"	3,047.02	282.78
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.53	\$ 0.14

RATE REDUCTION SCHEDULE

POINT WATER & SEWER, INC.
TEST YEAR ENDING 12/31/96

SCHEDULE NO. - 4A
DOCKET NO. 961434-WS

MONTHLY WASTEWATER RATES:

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

RESIDENTIAL & GENERAL SERVICE	MONTHLY RATES	MONTHLY RATE REDUCTION
Marina	553.19	46.16
PPOA	1,659.58	138.48