

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of HYDRATECH)
 UTILITIES, INC. for increase in)
 water rates in Martin County)
 _____)

DOCKET NO. 880882-WS
 ORDER NO. 21168
 ISSUES: 5-5-89

The following Commissioners participated in the disposition of this matter:

THOMAS BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER SUSPENDING PROPOSED RATES AND
 GRANTING INTERIM RATES SUBJECT TO REFUND

BY THE COMMISSION:

CASE BACKGROUND

Hydratech Utilities, Inc. (Hydratech) is a utility which provides water and sewer service to the public in Martin County. On March 8, 1989, Hydratech completed the minimum filing requirements (MFRs) for a rate increase and that date was established as the official date of filing. The approved test year for this proceeding is the projected twelve-month period ending December 31, 1989. For interim purposes, however, the appropriate test period is the twelve-month period ended June 30, 1988.

Hydratech has requested final rates designed to generate annual water revenues of \$667,565, which exceed annualized test year revenues by \$310,806 (87.12 percent). Hydratech has also requested interim rates designed to generate water revenues of \$528,691, which exceed annualized test year revenues by \$171,932 (48.19 percent).

SUSPENSION OF PROPOSED RATES

Pursuant to Section 367.081(6), Florida Statutes, Hydratech's proposed rates shall become effective sixty days after filing unless this Commission issues an order withholding consent to the proposed rates. Further, the above-referenced statute permits Hydratech to implement the proposed rates subject to refund, eight months after filing, unless final action has been taken by the Commission.

We have reviewed Hydratech's application and find that it has made substantial additions to plant since the last Commission audit. In addition, Hydratech has proposed a number of pro forma adjustments to its rate base and operating statements. Considering the proposed rates, the amount of additional revenues sought and the supporting data that has been submitted, we believe that further explanation and substantiation of the plant additions and adjustments to the rate base and operating statements may be required. Further, we believe that a formal hearing on this matter, in Hydratech's service area, may be indicated. We, therefore, find it appropriate to suspend Hydratech's proposed rates.

DOCUMENT NUMBER-DATE

04515 MAY-5 1989

FPSC-RECORDS/REPORTING

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INTERIM RATES

Rate Base

Our calculation of Hydratech's rate base, solely for the purpose of establishing interim rates, is attached as Schedule No. 1-A. Our adjustments to its interim rate base are itemized on Schedule No. 1-B. Those adjustments which are mechanical in nature, or which are essentially self-explanatory, are depicted on those schedules without further discussion in the body of this Order.

Initially, we have adjusted utility plant-in-service to reflect the balance established in Hydratech's last rate proceeding. Additionally, in its application, Hydratech included a number of pro forma adjustments to rate base, depreciation and contributions-in-and-of-construction (CIAC). It is this Commission's practice to base interim rates on historical data only. We have, therefore, removed these pro forma adjustments for the purpose of establishing interim rates.

Based upon Hydratech's MFRs and the adjustments discussed above, we find that the appropriate rate base, solely for interim purposes, is (\$39,784), as of June 30, 1988.

Net Operating Income (NOI)

Our calculation of Hydratech's interim NOI is attached as Schedule No. 2-A, with our adjustments itemized on Schedule No. 2-B. Those adjustments which are mechanical in nature, or which are essentially self-explanatory, are depicted on those schedules without further discussion in the body of this Order.

As discussed above, Hydratech included in its application a number of pro forma adjustments, including depreciation on pro forma plant. Since our practice is to base interim rates solely on historical data, we have removed this pro forma adjustment.

Based upon Hydratech's MFRs and our adjustments discussed above, we find that Hydratech suffered a net operating loss, for interim rate purposes only, of \$11,949.

Revenue Requirement

Based upon our discussion above, we find that the appropriate interim revenue requirement is \$367,014. This represents a \$12,255 (3.44 percent) increase over annualized test year revenues.

INTERIM RATES

In order to allow Hydratech the opportunity to earn \$367,014 in annual water revenues, we hereby approve the rates set forth below, for interim purposes only. The following is a comparison of Hydratech's current rates, its requested interim rates and the interim rates approved herein:

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MONTHLY WATER RATES

Residential and General Service

	<u>Current</u>	<u>Requested Interim</u>	<u>Approved Interim</u>
<u>Base Facility Charge</u>			
<u>Meter Size:</u>			
5/8" x 3/4"	\$ 2.61	\$ 3.96	\$ 2.71
1"	\$ 6.53	\$ 9.90	\$ 6.77
1-1/2"	\$ 13.04	\$ 19.80	\$ 13.53
2"	\$ 20.87	\$ 31.68	\$ 21.65
3"	\$ 41.74	\$ 63.36	\$ 43.31
4"	\$ 65.21	\$ 99.00	\$ 67.66
6"	\$130.43	\$ 198.00	\$135.32
 <u>Gallage Charge, per 1,000 Gallons</u>	 1.03	 1.59	 1.07

Prior to its implementation of the rates approved herein, Hydratech shall submit revised tariff pages and a proposed notice to its customers of the increased rates and the reasons therefor. The revised tariff pages shall be approved upon staff's verification that they accurately reflect this Commission's decision, that the proposed customer notice is adequate and that Hydratech has provided adequate security, as discussed below, in the event a refund may be required. The rates approved herein will be effective for meter readings taken on or after thirty days from the stamped approval date on the revised tariff pages

REFUND SECURITY

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over the previously authorized rates shall be collected under guarantee, subject to refund with interest. Accordingly, we find that, in order to guarantee any potential refund, Hydratech should deposit the excess amounts into a Commission approved escrow account. Pursuant to Rule 25-30.360(5), Florida Administrative Code, Hydratech shall provide a report by the twentieth day of each month indicating the monthly and total revenues collected subject to refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the final rate schedules proposed by Hydratech Utilities, Inc. are hereby suspended, pursuant to Section 367.081(6), Florida Statutes. It is further

ORDERED that the request by Hydratech Utilities, Inc. for an interim rate increase is hereby granted, in part, as set forth in the body of this Order. It is further

ORDERED that the increase over the last authorized rates shall be collected subject to refund with interest pursuant to Rule 25-30.360, Florida Administrative Code. It is further

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ORDERED that, prior to its implementation of the rates approved herein, Hydratech Utilities, Inc. shall submit a proposed notice to its customers of the increased rates and the reasons therefor. It is further

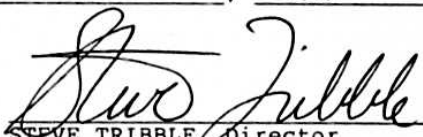
ORDERED that, prior to its implementation of the rates approved herein, Hydratech Utilities, Inc. shall submit an escrow agreement for our approval. It is further

ORDERED that, prior to its implementation of the rates approved herein, Hydratech Utilities, Inc. shall submit revised tariff pages, which will be approved upon staff's verification that they accurately reflect this Commission's decision, that the proposed customer notice is adequate and that adequate security has been provided. It is further

ORDERED that Hydratech Utilities, Inc. shall deposit the excess of interim rates over the previously authorized rates into its approved escrow account to be held subject to refund. It is further

ORDERED that Hydratech Utilities, Inc. shall file a report no later than the twentieth (20th) day of each month that the interim increase is in effect, showing the amount of revenues collected as a result of the interim increase and the amount that would have been collected under the prior rates.

By ORDER of the Florida Public Service Commission
this 5th day of MAY, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may

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request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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HYDRATECH UTILITIES, INC. (INTERIM)
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED JUNE 30, 1988

SCHEDULE NO. 1-A
DOCKET NO. 880882-VU

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,236,608	\$ 1,467,477	\$ 2,704,085	\$ (1,485,016)	\$ 1,219,069
2					
3 LAND	23,000	0	23,000	0	23,000
4					
5 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
6					
7 C.W.I.P.	0	0	0	0	0
8					
9 C.I.A.C.	(1,216,618)	(331,284)	(1,547,902)	331,284	(1,216,618)
10					
11 ACCUMULATED DEPRECIATION	(248,341)	(95,988)	(344,329)	95,988	(248,341)
12					
13 AMORTIZATION OF C.I.A.C.	137,212	52,571	189,783	(52,571)	137,212
14					
15 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
16					
17 WORKING CAPITAL ALLOWANCE	0	45,894	45,894	0	45,894
18					
19 RATE BASE	\$ (68,139)	\$ 1,138,670	\$ 1,070,531	\$ (1,110,315)	\$ (39,784)
20					

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HYDRATECH UTILITIES, INC. (INTERIM)
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED JUNE 30, 1988

SCHEDULE NO. 1-B
 PAGE 1 OF 1
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EXPLANATION	WATER ADJUSTMENTS
-----	-----
1 UTILITY PLANT IN SERVICE	
2 A. To reflect UPIS balance as established in	
3 prior rate case which was not adjusted on	
4 utility books.	\$ (17,539)
5	
6 B. To remove plant additions made December 1988.	(1,467,477)
7	-----
8 NET ADJUSTMENT	(1,485,016)
9	=====
10	
11 C.I.A.C.	
12 A. To remove pro forma adjustments.	\$ 331,284
13	=====
14	
15 ACCUMULATED DEPRECIATION	
16 A. To remove pro forma depreciation related to	
17 December 1988 plant additions.	\$ 95,988
18	=====
19	
20 AMORTIZATION OF C.I.A.C.	
21 A. To remove pro forma adjustments.	\$ (52,571)
	=====

HYDRATECH UTILITIES, INC. (INTERIM)
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED JUNE 30, 1988

SCHEDULE NO. 2-A
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 340,355	\$ 16,404	\$ 356,759	\$ 0	\$ 356,759	\$ 12,255	\$ 369,014
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 338,196	\$ (3,004)	\$ 335,192	\$ 0	\$ 335,192	\$	\$ 335,192
6							
7 DEPRECIATION	456	37,604	38,060	(37,604)	456		456
8							
9 AMORTIZATION	0	0	0	0	0		0
10							
11 TAXES OTHER THAN INCOME	33,020	40	33,060	0	33,060	306	33,366
12							
13 INCOME TAXES	0	0	0	0	0	0	0
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 371,672	\$ 34,640	\$ 406,312	\$ (37,604)	\$ 368,708	\$ 306	\$ 369,014
17							
18							
19 OPERATING INCOME	\$ (31,317)	\$ (18,236)	\$ (49,553)	\$ 37,604	\$ (11,949)	\$ 11,949	\$ 0
20							
21							
22 RATE BASE	\$ (68,139)	\$	\$ 1,070,531	\$	\$ (39,784)	\$	\$ (39,784)
23							
24							
25 RATE OF RETURN							0.00%
26							

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HYDRATECH UTILITIES, INC. (INTERIM)
 ADJUSTMENTS TO OPERATING STATEMENT
 TEST YEAR ENDED JUNE 30, 1988

SCHEDULE NO. 2-B
 PAGE 1 OF 1
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EXPLANATION -----	WATER ADJUSTMENTS -----
1 DEPRECIATION EXPENSE	
2 A. To remove depreciation expense related to	\$ (37,604)
3 December 1988 plant additions.	=====
4	
5	
6 TAXES OTHER THAN INCOME	
7 A. To reflect regulatory assessment fees	\$ 306
8 related to staff adjustment to revenues.	=====