

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for Staff-) DOCKET NO. 920767-WS
Assisted Rate Case by INDIAN) ORDER NO. PSC-93-1823-FOF-WS
SPRINGS UTILITIES, INC. in) ISSUED: 12/23/93
Citrus County.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES IN
EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RATES AND CHARGES
AND REQUIRING THE UTILITY TO OBTAIN AN
ALTERNATIVE WATER SOURCE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the granting of 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

Indian Springs Utilities, Inc. (Indian Springs or utility) is a Class C water and wastewater facility located in Crystal River, Florida. The utility provides water service to 87 single family residences and wastewater service to 44 single family residences, 39 condominiums, a 37-unit apartment complex and a 106-room motel.

On August 2, 1983, Indian Springs filed its application for a certificate to operate a water utility in Citrus County. The Eyster family purchased the Indian Springs Water System in November 1977, and has operated the system since that time. By Order No.

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13385, issued June 6, 1984, Indian Springs was granted Certificate No. 429-W. On July 24, 1987, NASI, Inc., and Indian Springs filed a joint application for a transfer of NASI's wastewater certificate. By Order No. 18907, issued February 22, 1988, the transfer of Certificate No. 136-S from NASI, Inc., to Indian Springs was approved.

On June 29, 1990, Indian Springs filed an application for a staff-assisted rate case. At that time, it was recognized that the water provided by the utility did occasionally have salt water intrusion due to the well's close proximity to the Gulf of Mexico. A permanent solution proposed in the rate case involved the utility interconnecting with the City of Crystal River (City) or installing additional treatment facilities such as reverse osmosis. However, corrections were not required because of the expense involved and the effect it would have had on the rates. By Order No. 24211, issued March 11, 1991, the utility was granted an increase in its water and wastewater rates.

Subsequent to the last staff-assisted rate case, the Citrus County Health Department (Health Department) determined that unacceptable levels of bacteria exist in the utility's water. The Health Department has recommended that the utility find another water source. The owner of the utility was negotiating with the City to interconnect to the City's water supply. Recognizing the increases in expenses that would result from the interconnection, the utility applied for the instant staff-assisted rate case.

By Order No. PSC-93-0198-FOF-WS, issued February 9, 1993, this docket was placed in monitor status for the period ended May 19, 1993, to allow the utility sufficient time to negotiate a contract with the City. The Order further provided that if the utility had not obtained a signed contract with the City to purchase water by the end of the monitor period, the current staff-assisted rate case application would be deemed withdrawn, and the docket would be closed administratively. By letter dated May 12, 1993, we were informed that the utility would not be purchasing water from the City. In addition, the utility's letter requested that the instant staff-assisted rate case continue, rather than have the docket closed administratively. By Order No. PSC-93-0958-FOF-WS, issued June 28, 1993, we reinstated the utility's staff-assisted case. However, to date, the utility has not obtained an alternative source of water.

We have used a 12-month test year ended June 30, 1992, for this proceeding. During that period, the utility recorded operating revenues of \$9,449 for the water system and \$17,903 for the wastewater system. The utility recorded operating expenses of \$9,482 for the water system and \$19,098 for the wastewater system, resulting in net operating losses of \$33 and \$1,195, respectively.

Water in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District. The Commission has a memorandum of understanding with the Florida Water Management Districts. We have recognized that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy. This will be discussed in greater detail in a subsequent section of this Order.

QUALITY OF SERVICE

A customer meeting was held on September 30, 1993, in the Crystal River City Hall. Twenty-nine customers attended the customer meeting. Of that number, four customers testified about poor water quality. None of the customers testified about the quality of service with respect to the wastewater system. One customer testified about some erosion and a cave-in of the pavement at one of the manholes. Some customers testified about rusty and black water coming from the faucets and white, cottony film accumulations in the toilet.

Water System

The utility's source of water, which is a well, has a history of unsatisfactory bacterial content, that of coliform, a type normally associated with animal or human waste. Normally, after treatment by a disinfectant, the water samples would test satisfactory. However, the Citrus County Public Health Unit has expressed concerns that, should something at the treatment plant fail, the bacteria-laden water would reach the customers through the distribution system.

According to information received from the Citrus County Public Health Unit, unsatisfactory samples have been taken from various points in the distribution system on a number of occasions. The latest date of occurrence that we have documented is June 22, 1993. The Citrus County Public Health Unit, in a letter to the utility dated May 1, 1992, announced the unsatisfactory test results. In the letter, the utility was informed that the

situation must be resolved, and an alternate supply of potable water must be found. The situation has not been resolved, nor do we have knowledge of any pending engineering or construction contracts.

The Citrus County Public Health Unit provided our engineer with a letter outlining some of the dates when unsatisfactory samples were obtained. From March 15 through June 22, 1993, at least 22 samples from the well show positive for coliform bacteria. One sample taken on March 15, two on March 31, two on April 7, and four on June 22, all in 1993, show positive for coliform bacteria at various points within the distribution system.

At the customer meeting, one customer offered a number of proposed solutions to this problem. These included viewing the inside of the encasement with a video camera, removing the well head and scrubbing the encasement, the well, and the pump with a brush and a viable cleansing solution, replacing the casing if necessary, and finally, drilling a new well. The customer had discussed his concerns and ideas with DEP, the Citrus County Public Health Unit, the Southwest Florida Water Management District, and an established well specialist in the area.

We have studied these suggestions in depth and have had technical discussions with DEP, the Southwest Florida Management District, the Citrus County Public Health Unit, and the well specialist. We have found that little or nothing would be proven, at this point, by the video camera. Early on, the video and the scrubbing may have been helpful. The cost of viewing the encasement with the video camera would be approximately \$900. The scrubbing could be accomplished for \$150 to \$200 if everything went well, but the specialist has seen and noted the condition of the fittings in the treatment plant and concurs with us that breakage and replacement would likely increase the cost appreciably. He also stated that if the casement is cracked or otherwise damaged, he would not favor replacing it, but instead, a new well would be in order. A new well would cost \$7,000 to \$9,000 dollars, including the permitting.

While there may be some validity in the approach to improve the quality of water from the present well, which has been in operation since 1968, it is suspected that the casement may be damaged. Should this be the case, any cost associated in an effort to improve the existing well would be without reward, and the customers would find an increased rate with no improvement in the

water situation. Our engineer, DEP, the Southwest Florida Water Management District, the Citrus County Public Health Unit, and the well specialist all agree that even if a new well is drilled, no assurance can be given that the well will bring forth a source of water free of the bacteria found in the current well. Further, salt water intrusion remains a threat even with a new well. Given the aforementioned factors, the utility should give careful consideration to all alternative water sources.

As stated earlier, some customers testified about the rusty and black water from the faucets and white, cottony film accumulations in the toilet. The water from the well has a very high iron content. The utility installed an aqua mag unit to chemically break down the iron. If too little aqua mag is added, rust appears. The black spots may be an accumulation of broken down rust particles. Neither of these are considered a health problem. The white particles could be an accumulation or settling, in the customers' toilet storage tank, of the chlorine used in the disinfecting process. These particles could also be silica, or, perhaps, minute particles of PVC pipe, either from the utility or the customers' lines. While not desirable, this should not cause a health problem.

Wastewater System

Recent, post-test period information made available to us shows the utility did not timely file certain documents as required by DEP. A letter dated April 5, 1993, from DEP to the utility indicates that, for nine of the twelve months of 1992 and also in January 1993, violations for not reporting were recorded. While we realize that the burden of preparing the reports is that of the contract operator, the utility's management is ultimately responsible for the timely, correct filing of these reports. We believe the reporting will be improved with the recent hiring of a new contract operator.

On November 8, 1993, we received a copy of correspondence from DEP to the utility regarding the utility's wastewater treatment plant. This correspondence, in the form of a warning letter, contains post-test period information that we believe is relevant and should be considered in this case.

DEP's November 8, 1993, letter to the utility listed a number of violations in the operation of the wastewater facility. These violations include: 1) reportedly exceeding the plant design and

permitted capacity; 2) failure to submit a capacity analysis report as required since September 1992; 3) failure to calibrate flow meters at least annually; 4) failure to apply basic disinfectant resulting in excessive fecal coliform counts taken from effluent samples; 5) exceeding the limits for the monthly average of carbonized bacterial oxygen demand and total suspended solids; 6) failure to submit an agricultural use plan for facilities receiving a permit; and 7) failure to submit an annual update of domestic wastewater residuals generated at the facility.

The only customer concerns in this area included the eroded pavement and related cave-in near a manhole. The utility has advised us that fill dirt was added and local repaving was completed shortly after receiving the report of the condition. A concern was expressed about whether the expansion of the percolation ponds was due to a regulatory agency requirement or to customer growth. We have found that the pond was leaching through into nearby surface water and extensive rework of the percolation pond was required. A second pond was constructed with the DEP requirement that only one pond will be in use while the other is drying and curing.

Other Relevant Information

DEP has informed us that the aqua mag unit in operation is not properly permitted and that, during DEP inspections, it was thought to be disconnected. We have found that the unit was operational in previous cases dating back to 1985. A review of the chemicals purchased for its operation in 1991 and 1992 indicates that the aqua mag was in operation throughout this time. This finding increases our concern about the diligence and care with which this utility is being managed and operated.

Summary of Quality of Service

The aqua mag unit may be in operation without being properly permitted, the required monthly reports to DEP have not been timely filed, and there is a continued use of a source of water that has a long history of bacterial content without real movement to seek an alternate source as desired by the Citrus County Public Health Unit. The fact that no immediate or intensified action has been taken by the utility to secure an alternative water source, even after the distribution system was known to have passed along dangerous bacteria to the customers, causes us great concern.

Therefore, based upon a thorough review of the utility's operations and its many documented problems, we find that the utility's quality of service for both water and wastewater is unsatisfactory.

PENALTY AND FINE

Earlier in great detail, we discussed the poor quality of service with regard to this utility's water system. The utility is unable to meet its statutory obligation to provide adequate quality of service as long as its water source contains excessive levels of bacteria. This poses a potentially serious public health threat. We strongly agree with the Citrus County Public Health Unit that Indian Springs should find another water source. Further, in an effort to ensure that the utility pursue this matter diligently, we find that it is appropriate that the revenue increase, which we have approved in a later portion of this Order, associated with the water system shall be held in an escrow account with an independent financial institution until the utility obtains a contract for an alternative water source.

Also in an effort to prompt the utility's rapid compliance with our findings with respect to the unsatisfactory quality of service for the water system, we find that it is appropriate that the utility be fined \$2,000. However, the fine shall be suspended for a period of three months from the effective date of this Order to allow the utility time to obtain a contract for an alternative water source. If the utility successfully obtains a contract for another water source within the prescribed time period, the fine shall be permanently suspended. If the utility has not obtained an alternative water source by the end of the three-month period, the fine shall be deemed levied.

As discussed earlier, DEP has recently issued the utility a warning letter, in which numerous violations regarding the wastewater facility were listed. However, a penalty for the poor quality of the wastewater system is not appropriate at this time. Due to the recent issuance of the warning letter, the utility has not yet had a chance to respond to the letter. In addition, any further actions that may be contemplated by DEP are unknown to us at this time. However, we shall closely monitor the utility's efforts regarding improving the quality of service and the utility's compliance with regulatory agencies. If necessary, a docket may be opened to further investigate the utility's quality of service and show cause proceedings may be initiated.

RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1A. 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

Although the maximum daily flow calculation for the water treatment plant results in a used and useful percentage of only 42.5%, we find it appropriate to also consider the limiting factors involved in this case when determining the used and useful percentage. The problems with the utility's well regarding salt water intrusion and excessive levels of bacteria have been discussed earlier. The utility also does not have a backup well. In an attempt to consider all of the factors, we have found it appropriate to base the used and useful evaluation on a four-hour peak demand criterion, rather than on the usual 24-hour criterion. As a result, the used and useful percentage for the water treatment plant is 100%. Therefore, we find that the water treatment plant is 100% used and useful.

The water distribution system has a capacity of 161 connections, with an average of 86 connections during the test year. We have allowed an additional 14 equivalent residential connections (ERCs) for margin reserve considerations. Based on the approved formula, we find that the water distribution system is 55.3% used and useful.

The capacity of the wastewater treatment plant is 30,000 gallons per day (gpd). The average daily flow of the peak month is 15,968 gpd. We have made no adjustment for excessive infiltration, and we have allowed 2,320 gpd for margin reserve considerations. Based on the approved formula, the actual used and useful calculation results in a 61% used and useful percentage for the wastewater treatment plant. However, as discussed previously, we received a copy of correspondence from DEP to the utility in which numerous violations, including exceeding its permitted capacity, were cited. Based on this information, we find that the wastewater treatment plant is 100% used and useful.

The wastewater collection system has a capacity of 176 ERCs, with an average of 152.5 ERCs during the test year. We have allowed an additional 14 ERCs for margin reserve considerations. Based on the approved formula, we find that the wastewater collection system is 94.6% used and useful.

Wastewater System Improvements

As discussed earlier, the utility has been in the process of making improvements to its percolation pond area. Since the utility is located in a coastal area with a high water table, the effluent in the percolation pond was leaching through the pond's berm. As a result, DEP required the utility to increase the capacity of its pond and the percolation rate. To comply, the utility dug a new pond and provided proper fill, and also reworked and added fill to the existing pond. Based on invoices submitted by the utility, we have calculated the costs associated with these improvements to be \$27,054. Upon review of the invoices, we find the amounts to be reasonable. The work associated with these improvements is virtually complete.

While reviewing the utility's records, we discovered that the utility misclassified pro forma improvements totalling \$22,945 as construction work in progress on the wastewater system's books at the end of the test period. We have reclassified the entire amount as pro forma plant. A small portion of the cost of the improvements, \$1,454, was incurred during the test year, and was reflected as test-year additions. Therefore, the remainder of the total cost, or \$2,655 ($\$27,054 - \$22,945 - \$1,454$), was included on the wastewater system's books as additional pro forma plant.

It is Commission practice to allow plant improvements ordered or required by a governmental agency to be included in rate base. Therefore, we have included the total cost classified as pro forma plant, or \$25,600, in rate base for the wastewater system.

Depreciable Plant in Service

The utility recorded a balance of \$88,113 for the water system at the end of the test period. We made an adjustment of \$42,822 to reduce the balance to the appropriate amount pursuant to Order No. 24211. The utility also had \$51 in pre-test year additions, and \$560 in additions made during the test period, resulting in a balance at the end of the test period of \$45,902. An averaging

adjustment of \$280 reduces the appropriate rate setting balance for the water system to \$45,622.

The utility recorded a balance of \$1,426 for the wastewater system at the end of the test period. We made an adjustment of \$82,984 to increase the balance to the appropriate amount pursuant to Order No. 24211. The utility also had \$946 in pre-test year additions, and \$2,986 in additions made during the test period, resulting in a balance at the end of the test period of \$88,342. An averaging adjustment of \$1,493 reduces the appropriate balance to \$86,849.

As we stated earlier, we found it appropriate to include pro forma plant in the amount of \$25,600 in rate base for the wastewater system. Therefore, the appropriate balance for rate setting purposes is \$112,449.

Land

The utility had not recorded any values for land on its books. Adjustments of \$1,985 and \$3,000 were made to reflect the appropriate balances in the respective water and wastewater systems pursuant to Order No. 24211. There have been no changes to these accounts since the issuance of that Order.

Construction Work in Progress

As discussed previously, the utility recorded \$22,945 as construction work in progress on the wastewater system's books at the end of the test period. We have reclassified the entire amount as pro forma plant, and the resulting balance is \$0.

Plant Held for Future Use

As discussed earlier, the water treatment plant is 100% used and useful, the water distribution system is 55.3% used and useful, the wastewater treatment and disposal plant is 100% used and useful, and the wastewater collection system is 94.6% used and useful. To determine the average amount of plant held for future use, we have applied the non-used and useful percentages of 0%, 44.7%, 0% and 5.4%, respectively, to the corresponding average balances of plant in service and accumulated depreciation not offset by contributions-in-aid-of-construction. The effects of these adjustments result in average plant held for future use

balances of \$5,435 for the water system and \$294 for the wastewater system.

Contributions in Aid of Construction (CIAC)

The utility recorded no CIAC on the books of the water system at the end of the test period. We made an adjustment of \$14,710 to increase the balance to the Commission approved amount pursuant to Order No. 24211. Adjustments of \$420 and \$30 were necessary to reflect pre-test year and test year additions, respectively. An averaging adjustment of \$15 reduced the balance to \$15,145. Finally, an adjustment of \$840 to reflect CIAC associated with margin reserve increases the balance to \$15,985.

The utility recorded no CIAC on the books of the wastewater system at the end of the test period. We made an adjustment of \$69,041 to increase the balance to the Commission approved amount pursuant to Order No. 24211. Adjustments of \$1,100 and \$1,300 were necessary to reflect pre-test year and test year additions, respectively. An averaging adjustment of \$650 reduced the balance to \$70,791. Finally, an adjustment of \$1,400 to reflect CIAC associated with margin reserve increases the balance to \$72,191.

Accumulated Depreciation

The utility recorded \$16,793 on the books of the water system at the end of the test period. We made an adjustment of \$5,535 to increase the balance to the approved amount pursuant to Order No. 24211. Pre-test year additions of \$1,598 and test year depreciation expense of \$1,640 increases the balance to \$25,566. An averaging adjustment of \$820 reduces the appropriate balance to \$24,746.

The utility recorded \$0 on the books of the wastewater system at the end of the test period. We made an adjustment of \$34,497 to increase the balance to the approved amount pursuant to Order No. 24211. Pre-test year additions of \$3,268 and test year depreciation expense of \$3,389 increases the balance to \$41,154. An averaging adjustment of \$1,695 reduces the appropriate balance to \$39,460.

As discussed previously, we have included \$25,600 in rate base as pro forma plant. As this pro forma addition is required to serve current customers, we have added a full year of depreciation

expense, or \$1,707, to the accumulated depreciation balance for the wastewater system.

Accumulated Amortization of CIAC

The utility recorded \$0 on the books of the water system at the end of the test period. We made an adjustment of \$2,759 to increase the balance of the approved amount pursuant to Order No. 24211. Pre-test year additions of \$526 and test year amortization of \$544 increase the balance to \$3,829. An averaging adjustment of \$272 reduces the appropriate balance to \$3,558. Finally, an adjustment of \$30, that reflects the amortization of CIAC associated with margin reserve, increases the appropriate balance to \$3,588.

The utility recorded \$0 on the books of the wastewater system at the end of the test period. We made an adjustment of \$24,848 to increase the balance to the approved amount pursuant to Order No. 24211. Pre-test year additions of \$2,660 and test year amortization of \$2,762 increase the balance to \$30,270. An averaging adjustment of \$1,381 reduces the appropriate balance to \$28,890. Finally, an adjustment of \$63, that reflects the amortization of CIAC associated with margin reserve, increases the appropriate balance to \$28,953.

Working Capital

We find it appropriate to use the formula method, in calculating the working capital requirement of this utility, or one-eighth of operation and maintenance expenses. In a later section of this Order, we approve operation and maintenance expenses of \$12,099 for water and \$22,278 for wastewater. Therefore, we find that one-eighth of those amounts, or \$1,512 for water and \$2,785 for wastewater, represent the appropriate working capital requirements for the utility.

Test Year Rate Base

Based on the foregoing, we find the appropriate test year rate base to be \$6,541 for the water system and \$33,536 for the wastewater system.

CAPITAL STRUCTURE

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.

The utility's capital structure is comprised of equity and customer deposits. In instances when the rate base balances are less than the sum of the balances in the utility's capital structure, it has been our practice to reduce each component in the capital structure (other than customer deposits) by its weighted share of the excess capital. The pro rata adjustment is necessary in this instance. A discussion of each component of the utility's capital structure and the related pro rata adjustment follows.

Return on Equity

The utility's capital structure reflected an equity balance of \$47,105 at the end of the test period. We made adjustments to retained earnings resulting in a \$4,892 reduction to the equity balance, and increased the equity balance by \$58,924 to reflect appropriate additions to paid in capital. This resulted in an end of the period balance of \$111,138. An averaging adjustment of \$32,016 reduced the balance to \$79,121. Using the leverage formula approved in Docket No. 930006-WS, Order No. PSC-93-1107-FOF-WS, the utility's appropriate return on equity is 9.30%. The necessary pro rata adjustment results in a \$39,395 reduction to the equity balance. The balance in this account represents 99.13% of the utility's capital.

Cost of Customer Deposits

The utility had recorded customer deposits in the amount of \$200 as of the end of the test period. We increased this amount by \$300, and the averaging adjustment of \$150 reduced the balance to \$350. The appropriate cost rate for customer deposits, as set forth in Rule 25-30.311, Florida Administrative Code, is 8.00%. The balance represents 0.87% of the utility's capital.

Overall Rate of Return

As a result of the pro rata adjustment discussed above, the capital structure was reconciled to the average rate base balances

at the end of the test period. The 99.13% of capital represented by common equity was multiplied by the 9.30% cost rate to arrive at a weighted cost of 9.21%. The 0.87% of capital represented by customer deposits was multiplied by the 8.00% cost rate to arrive at a weighted cost of 0.07%. The resulting overall rate of return is 9.28%.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, and our adjustments are itemized on Schedule No. 3A. 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

The utility recorded water system revenue of \$9,449 and wastewater system revenue of \$17,903 during the test period. An increase adjustment of \$57 was made to properly accrue water system revenues. No adjustment was necessary for the wastewater system. Therefore, the appropriate test period operating revenue is \$9,507 for the water system and \$17,903 for the wastewater system.

Test Year Operating Expenses

The appropriate amounts of operating expenses during the test period are \$13,884 for the water system and \$26,078 for the wastewater system. The appropriate amounts of operating expenses for rate setting purposes are \$14,119 and \$26,610, respectively.

Operation and Maintenance (O&M) Expenses

The utility charged \$9,482 to water O&M and \$19,098 to wastewater O&M during the test year. Our calculations of the appropriate operation and maintenance expenses are depicted on Schedule No. 3B. Explanations of the utility's recorded expenses and our findings are discussed below.

1) Salaries and Wages - Employees - The utility recorded no salaries during the test period. We reclassified \$2,100 to the water system and \$900 to the wastewater system from the respective contractual services accounts. We find that it is appropriate to make certain allowances to reflect salaries for a manager,

bookkeeper, and meter reader. This results in additional adjustments of \$411 for the water system and \$1,930 for the wastewater system. The totals are \$2,511 and \$2,830, respectively.

2) Salaries and Wages - Officers - The utility recorded no officers' salaries during the test period. We find that a reasonable amount of salaries is \$2,004, divided equally between the water and wastewater system.

3) Sludge Removal - The utility recorded \$2,872 on the books of the wastewater system. An adjustment of \$775 was made to remove a prior period expense; the resulting balance is \$2,097.

4) Purchased Power - The utility recorded \$596 on the books of the water system and \$3,722 on the books of the wastewater system during the period. An adjustment of \$95 was made to reclassify a portion of the wastewater system's purchased power to the wastewater system's chemicals account. No other adjustments were necessary.

5) Chemicals - The utility charged \$946 to the water system and \$1,139 to the wastewater system during the period. The account for the water system was increased by \$115 to accrue the proper amount of test year expense. The account for the wastewater system was increased by \$95 to reflect a reclassification from the wastewater system's purchased power account, and by \$189 to accrue the proper amount of test year expense. The resulting balances are \$1,061 for the water system and \$1,422 for the wastewater system.

6) Materials and Supplies - The utility recorded \$566 for the water system and \$0 for the wastewater system during the test period. We reclassified \$208 to the water system account from the corresponding miscellaneous expense account, and increased the balance by \$400 to reflect an allowance for postage expense. The account for the wastewater system was increased by \$157 to reflect a reclassification from the corresponding miscellaneous expense account, and increased by \$200 to reflect an allowance for postage expense.

7) Contractual Services - The utility charged \$3,762 to the water system and \$6,428 to the wastewater system during the period. Numerous adjustments were necessary to reflect reclassifications, allowances and disallowances. The appropriate balances are \$3,219 for the water system and \$8,217 for the wastewater system.

8) Rents - The utility recorded no rents expense during the test period. Based on documentation provided by the utility, we find that the appropriate allocation of rents expense per system is \$834.

9) Transportation Expense - The utility recorded no transportation expense during the period. We find that it is appropriate to allow \$80 per system to cover the costs associated with a golf cart used by the utility, and to cover incidental mileage expenses.

10) Insurance Expense - The utility recorded no insurance expense during the test period. We find it appropriate to allocate \$350 per system for this expense.

11) Regulatory Commission Expense - The utility charged \$479 to the water system and \$100 to the wastewater system during the period. We reclassified the majority of these amounts to each system's respective taxes other than income taxes account. The utility should be recording \$37 per system as a result of the utility's last rate case. The remaining, unamortized portion of regulatory commission expense from the last rate case is \$75 per system, and the filing fee for the instant rate case is \$150 per system. The total expense of \$225 is then amortized over a four-year period, resulting in expense on a prospective basis of \$56 per system. This required an adjustment of \$19 (\$56 - \$37) per system.

12) Miscellaneous Expense - The utility charged \$3,134 to the water system and \$4,837 to the wastewater system during the test period. We made several adjustments to reflect various reclassifications. The appropriate balances are \$1,217 for the water system and \$1,405 for the wastewater system.

Depreciation Expense (Net of Amortization of CIAC)

The utility recorded no depreciation expense or amortization of CIAC on its books during the test period. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances result in depreciation expense of \$1,315 for the water system and \$5,008 for the wastewater system during the test period. Applying the composite depreciation rates to the appropriate CIAC account balances offsets depreciation expense by \$544 for the water system and \$2,693 for the wastewater system during the test period. The resulting balances are \$771 and \$2,315, respectively.

Taxes Other Than Income Taxes

The utility recorded no expense on its books during the test period. We reclassified \$441 to the water system account and \$62 to the wastewater system account from the respective regulatory commission expense accounts. Our approved balances are \$1,015 for the water system and \$1,485 for the wastewater system; therefore, additional adjustments of \$574 and \$1,423, respectively, were necessary.

Increases in Operating Expenses for Rate Setting Purposes

This expense has been increased by an additional \$235 for the water system and \$532 for the wastewater system to reflect the regulatory assessment fees of 4.5% to be paid resulting from our approved revenue increases.

Operating Expenses Summary

Based on the foregoing, the appropriate amounts of operating expenses for the test year are \$13,884 for water and \$26,078 for wastewater. The appropriate operating expenses for rate setting purposes are \$14,119 for water and \$26,610 for wastewater.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$14,726 for water and \$29,724 for wastewater. These revenue requirements will allow the utility the opportunity to recover its operating expenses and earn a 9.28% return on its investment.

RATES AND RATE STRUCTURE

The appropriate rate structure for the water system is the base facility and gallonage charge rate structure. The base facility and gallonage charge rate structure is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs of providing service through the consumption or gallonage charge and also pay their share of the fixed costs of providing service through the base facility charge.

However, the base facility and gallonage charge rate structure is not practical for Indian Spring's wastewater system. There is a large segment of the wastewater customer base who are not customers of Indian Spring's water system; these customers either have their own wells or purchase water from other providers. Therefore, consistent with the Commission's decision in Indian Springs' last rate case, we find that retaining the wastewater system's flat rate structure is appropriate.

Approximately 54% (or \$7,915) of the water revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on the annualized number of factored ERCs. The remaining 46% (or \$6,810) of the water revenue requirement represents the variable costs of providing service, which are recovered through a consumption charge based on the number of gallons sold during the test period. The flat rate for the wastewater system is derived by dividing the wastewater revenue requirement of \$29,724 by 2,076 factored ERCs.

The base facility and gallonage charge rate structure is an appropriate rate structure for conservation purposes as well. Based on consumption data, the average consumption is 4,943 gallons per month. This figure is not indicative of high consumption; therefore, no additional rate structure conservation measures are necessary.

The utility's current and approved rates are shown below:

MONTHLY RATES - WATER

Residential and General Service

	<u>Current Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter Sizes: 5/8" x 3/4"	\$ 3.88	\$ 7.58
3/4"	5.83	11.37
1"	9.71	18.95
1 1/2"	19.42	37.91
2"	31.07	60.65
3"	62.14	121.31
4"	97.09	189.54
6"	194.17	379.08

<u>Gallonge Charge</u>		
Per 1,000 Gallons	\$ 1.02	\$ 1.32

MONTHLY FLAT RATES - WASTEWATER

Residential, Multi-Residential and Motel

	<u>Current Rates</u>	<u>Commission Approved Rates</u>
Residential:	\$ 8.21	\$ 14.32
Multi-Residential:	8.21	14.32
Motel:	418.80	758.85

Service Availability Charges

The utility's current tariff contains provisions for a water system capacity charge of \$85, a meter installation charge of \$125, and a wastewater system service availability charge of \$100. In order to evaluate the utility's service availability charges, we relied on Rule 25-30.580, Florida Administrative Code, which states in part that:

- (a) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and
- (b) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution lines and sewage collection lines.

The water system is at a 59% contribution level, and the wastewater system is at a 61% contribution level. Although these levels are less than the 75% level referenced in the rule, the minimum contribution thresholds have been met. In addition, the customer growth rate is quite low. Therefore, we find it appropriate that the utility maintain its current charges.

Miscellaneous Service Charges

The utility's current tariff contains the following miscellaneous service charges:

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

These charges are designed to reflect the costs associated with each service and to place the burden of payment on the person who causes the cost to be incurred, rather than on the entire ratepaying body as a whole. In addition, these charges are consistent with those set forth in Staff Advisory Bulletin No. 13 (Second Revision) entitled "Tariff Provisions for Miscellaneous Service Charges". Therefore, the utility's miscellaneous service charges should not be revised.

TREATED EFFLUENT

Water use in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District. The district has designated the utility's area as a noncritical use area, thereby not requiring that any special water conservation methods be implemented.

Currently, the utility disposes of its effluent into one of two percolation ponds, allowing the remaining pond to dry and cure. The use of the perc pond allows the treated wastewater to return to the water table through the ground as ground flow recharge. DEP and Southwest Florida Water Management District have confirmed for us that the perc pond remains a viable method of reuse for the utility. If the utility adheres to the requirements of its operations as established by DEP, we believe that no additional action regarding effluent reuse is necessary by the utility.

BOOKS AND RECORDS

The utility is admonished for its failure to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts (USOA). By Order No. 24211, the utility was ordered to

maintain its books and records in conformity with the USOA. However, during the test year, the utility's books were not maintained in conformity with the USOA, although the utility's annual report, prepared by a certified public accountant, was in conformity with the USOA.

Rule 25-30.115, Florida Administrative Code, requires water and sewer utilities, effective January 1, 1986, to maintain its accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

The utility is relatively small, serving less than 100 customers per system. Although the utility has failed to comply with the previous Commission order regarding its compliance with the USOA, the utility has stated that it now employs a bookkeeper with the expertise necessary to convert and maintain the utility's records in conformity with the above-referenced rule. Based on the foregoing, we hereby admonish the utility for failing to comply with the previous Commission Order regarding the USDA, and we find that the utility shall maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

The statutory recovery period for rate case expense is four years. The appropriate annual rate reduction at the end of that period is \$56 for each system.

Section 367.0816, Florida Statutes, provides that:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate of public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The appropriate amount of regulatory commission expense to recover is the remaining, unamortized expense of \$75 per system as a result of Indian Springs' last rate case, plus the \$150 filing fee per system for the instant rate case. Based on the above-mentioned statute, the appropriate recovery period for this expense is four years, which allows the utility to recover \$56 per system

per year through its rates. Once the annual regulatory commission expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to \$59 per system.

At the end of four years, Indian Springs' rates should be reduced by \$59 annually per system. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction for the water system is a \$.03 reduction in the base facility charge for a 5/8" x 3/4" meter, and a \$.01 reduction in the gallonage charge. The effect of this reduction for the wastewater system is a \$.03 reduction in the residential and multi-residential rates, and a \$1.51 reduction for the motel's rate.

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 Order proposes an increase in 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 protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary rates, subject to refund provided that the utility first furnish and have approved by Commission Staff, adequate security for a potential refund, a proposed customer notice, and revised tariff sheets.

Consistent with our earlier finding, regardless of whether the order is protested by a party other than the utility or the order goes into effect with no protest, the revenue increase associated with the water system shall be held in an escrow account with an independent financial institution until the utility obtains a contract for an alternative water source. The utility may also establish an escrow account as the security for the potential wastewater system refund. Alternatively, the security for the potential wastewater system refund may be in the form of a bond or letter of credit in the amount of \$8.048.

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 a 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 a final Commission order is rendered, either approving or denying the rate increase.

The following conditions shall be part of the escrow 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 Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the rate increase 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 security provided, and the amount of revenues that are subject to refund. After the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

EFFECTIVE DATE

The metered rates shall be effective for meter readings taken thirty days on or after the stamped approval date on the revised tariff sheets. The flat rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. Tariff sheets will not be approved until Staff verifies that the tariff sheets are consistent with the Commission's decision, that the proper security for refund has been provided, and that the proposed customer notice is adequate.

This docket shall remain open so that Staff may monitor the utility's progress in obtaining an alternative water source. In addition, the Staff engineer must verify that all pro forma plant improvements have been completed, and the utility must file revised tariff sheets. After all requirements ordered by the Commission are met, this docket may be closed administratively. However, if the utility fails to complete all ordered requirements within six months of the effective date of this Order, Staff may prepare a

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follow-up recommendation and show cause proceedings may be initiated.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Indian Springs Utilities, Inc., for an increase in its water and wastewater rates in Citrus County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

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

ORDERED that the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final and effective 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, 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 Indian Springs Utilities, Inc., obtain a signed contract for an alternative water source. It is further

ORDERED that the revenue increase associated with the water system be held in an escrow account with an independent financial institution until Indian Springs Utilities, Inc., obtains a contract for an alternative water source. It is further

ORDERED that Indian Springs Utilities, Inc., be fined \$2,000 for the water system's unsatisfactory quality of service. However, if Indian Springs Utilities, Inc., obtains a signed contract for an alternative water source within three months of the effective date of this Order, the \$2,000 fine shall be permanently suspended. It is further

ORDERED that if Indian Springs Utilities, Inc., fails to obtain a signed contract for an alternative water source within three months of the effective date of this Order, the \$2,000 fine shall be deemed levied. It is further

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ORDERED that Indian Springs Utilities, Inc.. is authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED that the metered rates approved herein shall be effective for meter readings taken on or after thirty days after the stamped approval date on the revised tariff pages, and that the flat rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that prior to its implementation of the rates approved herein, Indian Springs Utilities, Inc., shall submit and have approved a proposed customer notice of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates approved herein, Indian Springs Utilities, Inc., shall submit and have approved a bond or letter of credit in the amount of \$8,048 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that prior to its implementation of the rates approved herein, Indian Springs Utilities, Inc., shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages and the customer notice are consistent with our decision herein and that the protest period has expired. It is further

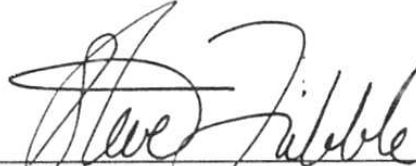
ORDERED that in the event of a protest by any substantially affected person other than the utility, Indian Springs Utilities, Inc., is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that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

ORDERED that Indian Springs Utilities, Inc., shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

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ORDERED that this docket shall remain open so that Staff may monitor the utility's progress in obtaining an alternative water source, and upon completion of all requirements found herein.

By ORDER of the Florida Public Service Commission, this 23rd day of December, 1993.

A handwritten signature in cursive script, appearing to read "Steve Tribble", written over a horizontal line.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

LAJ

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this Order, our action, except for the granting of 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 his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 13, 1994.

In the absence of such a petition, this order shall become effective on the day 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 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.

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INDIAN SPRINGS UTILITIES, INC.
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 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1
 RATE BASE
 PAGE 1 OF 2

--- WATER SYSTEM ---

Account Title =====	Balance per Utility =====	Commission Adjustments to Utility Balance =====		Balance per Commission =====
Depreciable Plant in Service	88,113	(42,491)	A	45,622
Land and Land Rights	0	1,985	B	1,985
Plant Held for Future Use	0	(5,435)	C	(5,435)
Contributions in Aid of Construction (CIAC)	0	(15,985)	E	(15,985)
Accumulated Depreciation	(16,793)	(7,953)	F	(24,746)
Accumulated Amortization of CIAC	0	3,588	G	3,588
Working Capital Allowance	0	1,512	H	1,512
	-----	-----		-----
	71,320	(64,779)		6,541
	=====	=====		=====

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INDIAN SPRINGS UTILITIES, INC.
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SCHEDULE NO. 1
 RATE BASE
 PAGE 2 OF 2

--- WASTEWATER SYSTEM ---

Account Title =====	Balance per Utility =====	Commission Adjustments to Utility Balance =====		Balance per Commission =====	Pro Forma Additions =====		Rate Setting Balance =====
Depreciable Plant in Service	1,426	85,423	A	86,849	25,600	I	112,449
Land and Land Rights	0	3,000	B	3,000			3,000
Plant Held for Future Use	0	(13,753)	C	(13,753)			(13,753)
Construction Work in Progress	22,945	(22,945)	D	0			
Contributions in Aid of Construction (CIAC)	0	(72,191)	E	(72,191)			(72,191)
Accumulated Depreciation	0	(39,460)	F	(39,460)	(1,707)	J	(41,166)
Accumulated Amortization of CIAC	0	28,953	G	28,953			28,953
Working Capital Allowance	0	2,785	H	2,785			2,785
	-----	-----		-----	-----		-----
	24,371	(28,187)		(3,816)	23,893		20,077
	=====	=====		=====	=====		=====

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INDIAN SPRINGS UTILITIES, INC.
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 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1A
 ADJUSTMENTS TO RATE BASE
 PAGE 1 OF 2

	WATER =====	WASTEWATER =====
A. DEPRECIABLE PLANT IN SERVICE: -----		
1. Adjustment that results in the Commission-approved balance per Order No. 24211	(42,822)	82,984
2. Pre-test year additions	51	946
3. Test year additions	560	2,986
4. Averaging adjustment	(280)	(1,493)
	-----	-----
Subtotal	(42,491)	85,423
B. LAND AND LAND RIGHTS: -----		
1. Adjustment that results in the Commission-approved balance per Order No. 24211	1,985	3,000
C. PLANT HELD FOR FUTURE USE: -----		
1. Average nonused and useful plant not offset by CIAC	(12,358)	(1,083)
2. Average accumulated depreciation associated with nonused and useful plant	6,923	790
	-----	-----
	(5,435)	(293)
D. CONSTRUCTION WORK IN PROGRESS: -----		
1. Reclassify to pro forma plant		(22,945)
E. CONTRIBUTIONS IN AID OF CONSTRUCTION: -----		
1. Adjustment that results in the Commission-approved balance per Order No. 24211	(14,710)	(69,041)
2. Pre-test year additions	(420)	(1,100)
3. Test year additions	(30)	(1,300)
4. Averaging adjustment	15	650
5. CIAC associated with margin reserve	(840)	(1,400)
	-----	-----
	(15,985)	(72,191)
F. ACCUMULATED DEPRECIATION: -----		
1. Adjustment that results in the Commission-approved balance per Order No. 24211	(5,535)	(34,497)
2. Pre-test year additions	(1,598)	(3,268)
3. Test year additions	(1,640)	(3,389)
4. Averaging adjustment	820	1,695
	-----	-----
	(7,953)	(39,459)

INDIAN SPRINGS UTILITIES, INC.
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 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1A
 ADJUSTMENTS TO RATE BASE
 PAGE 2 OF 2

	WATER =====	WASTEWATER =====
G. ACCUMULATED AMORTIZATION OF CIAC: -----		
1. Adjustment that results in the Commission-approved balance per Order No. 24211	2,759	24,848
2. Pre-test year additions	526	2,660
3. Test year additions	544	2,762
4. Averaging adjustment	(272)	(1,381)
5. Accumulated amortization of CIAC associated with margin reserve	30	63
	----- 3,587	----- 28,952
H. WORKING CAPITAL ALLOWANCE: -----		
1. Working capital allowance based on 1/8th of operation and maintenance expenses	1,512	2,785
I. DEPRECIABLE PLANT IN SERVICE: -----		
1. Reclassification of pro forma plant from construction work in progress		22,945
2. Additional pro forma plant associated with percolation pond expansion		2,655
		----- 25,600
J. ACCUMULATED DEPRECIATION: -----		
1. One year of additional depreciation expense associated with pro forma plant		(1,707)
TOTAL RATE BASE ADJUSTMENTS:	----- (64,780) =====	----- 9,165 =====

INDIAN SPRINGS UTILITIES, INC.
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SCHEDULE NO. 2
 COST OF CAPITAL

Component	Average Balance Per Utility	Commission Adjustments to Utility Balance	Adjusted Balance	Pro Rata Adjustments	Balance per Commission	Percent of Total	Cost	Weighted Cost
Common Equity	\$47,105	\$32,016	\$79,121	(\$39,395)	\$39,727	99.13%	9.30%	9.21%
Customer Deposits	200	150	350	0	350	0.87%	8.00%	0.07%
Long Term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$47,305	\$32,166	\$79,471	(\$39,395)	\$40,077	100.00%		9.28%

Zones of Reasonableness:

	Low	High
Equity	8.30%	10.30%
Rate of Return	8.29%	10.28%

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INDIAN SPRINGS UTILITIES, INC.
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SCHEDULE NO. 3
 OPERATING INCOME
 PAGE 1 OF 2

----- WATER SYSTEM -----

Per Utility =====	Test Year Balance per Utility =====	Commission Adjustments to Utility Balance =====	Test Year Balance per Commission =====	Commission Adjustments for Increase =====	Balance per Commission =====
Operating Revenues	\$9,449	\$58 A	\$9,507	\$5,220 E	\$14,726
Operating Expenses:					
Operation and Maintenance	9,482	2,617 B	12,099	0	12,099
Depreciation	0	771 C	771	0	771
Amortization	0	0	0	0	0
Taxes Other Than Income	0	1,015 D	1,015	235 F	1,249
Income Taxes	0	0	0	0	0
Total Operating Expenses	9,482	4,402	13,884	235	14,119
Operating Income (Loss)	(\$33)		(\$4,378)	\$4,985	\$607
RATE BASE	\$71,320		\$6,541		\$6,541
RATE OF RETURN	-0.05%		-66.92%		9.28%
	=====		=====		=====

INDIAN SPRINGS UTILITIES, INC.
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TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 3
OPERATING INCOME
PAGE 2 OF 2

----- WASTEWATER SYSTEM -----

Per Utility =====	Test Year Balance per Utility =====	Commission Adjustments to Utility Balance =====	Test Year Balance per Commission =====	Commission Adjustments for Increase =====	Balance per Commission =====
Operating Revenues	\$17,903	\$0	\$17,903	\$11,821 E	\$29,724
Operating Expenses:					
Operation and Maintenance	19,098	3,180 B	22,278	0	22,278
Depreciation	0	2,315 C	2,315	0	2,315
Amortization	0	0	0	0	0
Taxes Other Than Income	0	1,485 D	1,485	532 F	2,017
Income Taxes	0	0	0	0	0
Total Operating Expenses	19,098	6,980	26,078	532	26,610
Operating Income (Loss)	(\$1,195)		(\$8,175)	\$11,289	\$3,114
RATE BASE	\$24,371		\$33,536		\$33,536
RATE OF RETURN	-4.90%		-24.38%		9.28%
=====			=====		=====

INDIAN SPRINGS UTILITIES, INC.
DOCKET NO. 920767-WS
TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 1 OF 2

	WATER =====	WASTEWATER =====
A. OPERATING REVENUES:		
1. Accrue proper amount of test year revenues	58	
B. OPERATION AND MAINTENANCE EXPENSES:		
1. Salaries and Wages - Employees:		
1. Reclassify from contractual services to salaries and wages - employees	2,100	900
2. Additional salaries allowance	411	1,930
	-----	-----
Subtotal	2,511	2,830
2. Salaries and Wages - Officers:		
1. Approved salaries allowance	1,002	1,002
3. Sludge Removal Expense:		
1. Remove prior period expense		(775)
4. Purchased Power Expense:		
1. Reclassify from purchased power to chemicals		(95)
5. Chemicals Expense:		
1. Accrue proper amount of test year expense	115	
2. Reclassify from purchased power to chemicals		95
3. Accrue proper amount of test year expense		189
	-----	-----
Subtotal	115	284
6. Materials and Supplies Expense:		
1. Reclassify from miscellaneous to materials and supplies	208	157
2. Approved allowance for postage	400	200
	-----	-----
Subtotal	608	357
7. Contractual Services Expense:		
1. Reclassify from contractual services to salaries and wages - employees	(2,100)	(900)
2. Reclassify from wastewater to water	75	(75)
3. Reclassify from miscellaneous to contractual services	1,675	3,252
4. Approved allowance for groundskeeping	300	300
5. Remove prior period expense	(493)	(493)
6. Remove prior period expense		(164)
7. Remove unamortized portion of repairs expense		(732)
	-----	-----
Subtotal	(543)	1,788
8. Rents Expense:		
1. Approved allowance for rents	834	834
9. Transportation Expense:		
1. Approved allowance for golf cart	30	30
2. Approved allowance for incidental mileage	50	50
	-----	-----
Subtotal	80	80

INDIAN SPRINGS UTILITIES, INC.
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SCHEDULE NO. 3A
 ADJUSTMENTS TO
 OPERATING INCOME
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	WATER =====	WASTEWATER =====
10. Insurance Expense:		
1. Approved allowance for insurance	350	350
11. Regulatory Commission Expense:		
1. Reclassify from regulatory commission expense to taxes other than income	(441)	(62)
2. Adjustment that results in Commission's approved balance	19	20
	-----	-----
Subtotal	(422)	(42)
12. Miscellaneous Expense:		
1. Reclassify from miscellaneous to materials and supplies	(208)	(157)
2. Reclassify from miscellaneous to contractual services	(1,675)	(3,253)
3. Reclassify from miscellaneous to taxes other than income taxes	(34)	(23)
	-----	-----
Subtotal	(1,917)	(3,432)
	-----	-----
TOTAL O&M EXPENSE ADJUSTMENTS:	2,617	3,180
C. DEPRECIATION EXPENSE (NET OF CIAC AMORTIZATION):		
	-----	-----
1. Used and useful test year depreciation expense	1,315	5,008
2. Used and useful test year CIAC amortization	(544)	(2,693)
	-----	-----
Subtotal	771	2,315
D. TAXES OTHER THAN INCOME TAXES:		
	-----	-----
1. Reclassify from regulatory commission expense to taxes other than income taxes	441	62
2. Adjustment that results in Commission's approved balance	574	1,423
	-----	-----
Subtotal	1,015	1,485
E. OPERATING REVENUES:		
	-----	-----
1. Approved revenue increase	5,220	11,821
F. TAXES OTHER THAN INCOME TAXES:		
	-----	-----
1. Increase in regulatory assessment fees associated with Commission's approved revenue increase	235	532

INDIAN SPRINGS UTILITIES, INC.
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SCHEDULE NO. 3B
DETAIL OF OPERATION
AND MAINTENANCE
EXPENSES
PAGE 1 OF 2

---- WATER SYSTEM ----

--- Account --- No. Description ===	Balance per Utility =====	Commission Adjustments =====		Balance per Commission -----
601 Salaries and Wages -- Employees	0	2,511	1	2,511
603 Salaries and Wages -- Officers	0	1,002	2	1,002
604 Employee Pensions and Benefits	0	0		0
610 Purchased Water	0	0		0
615 Purchased Power	596	0		596
616 Fuel for Power Production	0	0		0
618 Chemicals	946	115	5	1,061
620 Materials and Supplies	566	608	6	1,173
630 Contractual Services	3,762	(543)	7	3,219
640 Rents	0	834	8	834
650 Transportation Expense	0	80	9	80
655 Insurance Expense	0	350	10	350
665 Regulatory Commission Expense	479	(422)	11	56
675 Miscellaneous Expense	3,134	(1,917)	12	1,217
	-----	-----		-----
	9,482	2,617		12,099
	=====	=====		=====

INDIAN SPRINGS UTILITIES, INC.
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SCHEDULE NO. 3B
 DETAIL OF OPERATION
 AND MAINTENANCE
 EXPENSES
 PAGE 2 OF 2

----- WASTEWATER SYSTEM -----

--- Account --- No. Description ===	Balance per Utility =====	Commission Adjustments =====		Balance per Commission =====
701 Salaries and Wages - Employees	0	2,830	1	2,830
703 Salaries and Wages - Officers	0	1,002	2	1,002
704 Employee Pensions and Benefits	0	0		0
710 Purchased Sewage Treatment	0	0		0
711 Sludge Removal Expense	2,872	(775)	3	2,097
715 Purchased Power	3,722	(95)	4	3,626
716 Fuel for Power Production	0	0		0
718 Chemicals	1,139	284	5	1,422
720 Materials and Supplies	0	357	6	357
730 Contractual Services	6,428	1,789	7	8,217
740 Rents	0	834	8	834
750 Transportation Expense	0	80	9	80
755 Insurance Expense	0	350	10	350
765 Regulatory Commission Expense	100	(43)	11	56
775 Miscellaneous Expense	4,837	(3,432)	12	1,405
	----- 19,098 =====	----- 3,180 =====		----- 22,278 =====

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SCHEDULE 4
 RATE REDUCTION AFTER
 RECOVERY OF RATE CASE EXPENSE

MONTHLY RATES - WATER

RESIDENTIAL AND GENERAL SERVICE -----	RECOMMENDED RATES -----	RATE DECREASE -----
Base Facility Charge:		
Meter Sizes: 5/8" x 3/4"	\$ 7.58	\$ 0.03
3/4"	11.37	0.04
1"	18.95	0.07
1 1/2"	37.91	0.14
2"	60.65	0.22
3"	121.31	0.45
4"	189.54	0.70
6"	379.08	1.40
Gallonge Charge:	\$ 1.32	\$ 0.01

MONTHLY RATES - WASTEWATER

RESIDENTIAL, MULTI-RESIDENTIAL AND MOTEL -----	RECOMMENDED RATES -----	RATE DECREASE -----
Residential	\$ 14.32	\$ 0.03
Multi-Residential	14.32	0.03
Motel	758.85	1.51