

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

OCTOBER 17, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO) *lb*
FROM: DIVISION OF WATER & WASTEWATER (GROOM, CLARK, B. DAVIS) *JD*
WALDEN, STARLING) *BC*
DIVISION OF LEGAL SERVICES (CAPELESS, REYES) *AG*
DIVISION OF AUDITING & FINANCIAL ANALYSIS (MAUREY, *PWM*
CAUSSEUX) *ALM*
RE: DOCKET NO. 960451-WS - UNITED WATER FLORIDA - APPLICATION
FOR AN INCREASE IN WATER AND WASTEWATER RATES.
COUNTIES: DUVAL, NASSAU, ST. JOHNS
AGENDA: 10/29/96 - REGULAR AGENDA - DECISION ON INTERIM RATES -
PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF
CRITICAL DATES: 60-DAY SUSPENSION DATE: NOVEMBER 1, 1996
SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\960451WS.RCM

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

CASE BACKGROUND

United Water Florida Inc., (UWF or utility) is a Class A utility providing water and wastewater service to approximately 25,000 customers in Duval, Nassau and St. Johns Counties. UWF is located in a critical use area as designated by the St. Johns River Water Management District (SJRWMD). Prior to May 1995, UWF was known as Jacksonville Suburban Utilities Corporation, a wholly owned subsidiary of General Waterworks Corporation (GWC), now known as United Waterworks Inc. In April 1994, United Water Resources Inc. merged with GWC and General Waterworks subsidiaries. Subsequently, the names of GWC and General Waterworks Management and Service Company were changed to United Waterworks Inc. and United Water Management and Services Inc. and the companies continue to provide services to UWF. Prior to April 1994, services were provided to UWF by General Waterworks Management and Service Company.

On July 30, 1996, the utility filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081, 367.0816 and 367.082, Florida Statutes. The utility satisfied the minimum filing requirements (MFRs) for a rate increase on September 3, 1996. The utility has requested that this case be scheduled for a formal hearing and not processed pursuant to the proposed agency action procedure as provided for in Section 367.081(8), Florida Statutes. This case has been scheduled for hearing in Duval County on January 27 - 31, 1996.

The utility's last rate proceeding was processed in Docket No. 810071-WS, and finalized on January 20, 1982, by Order No. 10531. The utility's current rates were established in connection with its pass-through and price index adjustments effective June 21, 1996. The utility has implemented price indices and pass-throughs every year since 1981.

The utility's interim and final application for increased rates is based on a projected test year ended December 31, 1997, utilizing an intermediate test year ended December 31, 1996, and a base year ended December 31, 1995. The utility has requested interim rates be based on the base year ended December 31, 1995. UWF has requested rate relief designed to increase annual water revenues in the amount of \$3.3 million and annual wastewater revenues in the amount of \$5.1 million. The request is projected to increase the utility's annual water and wastewater revenues by approximately 46% and 33%, respectively. The utility has indicated in its filing that the requested rate increases are being primarily driven by capital investments that are required to meet more

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stringent environmental regulations, for rehabilitation of its distribution and collection systems and major enhancements to its water and wastewater treatment processes and for information technology initiatives. UWF is requesting to place into effect on an interim basis \$1.1 million of the proposed water increase and \$1.1 million of the proposed wastewater increase. In addition, in order to ameliorate the effect of the final rate increases on the customers, UWF would be agreeable to a time schedule which would provide for the remaining part of the rate increases to be implemented in increments over a reasonable period of time. This would allow for the verification of the plant additions and retirements through the end of 1997.

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DISCUSSION OF ISSUES

ISSUE 1: Should the utility's proposed rates be suspended?

RECOMMENDATION: Yes. UWF's proposed water and wastewater rates should be suspended. (CLARK)

STAFF ANALYSIS: Section 367.081(6), Florida Statutes, provides that the rate schedules proposed by the utility shall become effective within sixty (60) days after filing unless the Commission votes to withhold consent to implementation of the requested rates. Further, the above referenced statute permits the proposed rates to go into effect, under bond, eight (8) months after filing unless final action has been taken by the Commission.

Staff has reviewed the filing and has considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We believe it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination by staff will include on-site investigations by staff accountants, engineers and rate analysts. Based on the above, staff recommends that the utility's requested final rate increase be suspended.

ISSUE 2: Should an interim revenue increase be approved?

RECOMMENDATION: Yes. On an interim basis, the utility should be authorized to collect annual water and wastewater revenues as indicated below: (CLARK, B. DAVIS, GROOM, MAUREY, CAUSSEUX)

	<u>Revenues</u>	<u>\$ Increase</u>	<u>% Increase</u>
Water	\$7,648,249	\$725,015	10.47%
Wastewater	\$14,282,680	\$238,030	1.69%

STAFF ANALYSIS: As reflected in its MFRs, UWF requests interim rates designed to generate annual revenues of \$8,001,481 for water and \$14,713,655 for wastewater. This represents revenue increases of \$1,148,966 (16.77%) for water and \$1,073,950 (7.87%) for wastewater. The requested test year for interim is the historical year ended December 31, 1995. The utility filed rate base, cost of capital, and operating statements to support its requested water and wastewater increase.

Staff has reviewed the utility's interim request, as well as the prior rate proceeding orders, and we have made adjustments as discussed below. We have attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The rate base schedules are numbered 1-A, 1-B, and 1-C for water, wastewater, and adjustments, respectively. The capital structure is Schedule No. 2. The operating income schedules are numbered 3-A, 3-B, and 3-C for water, wastewater, and adjustments, respectively.

YEAR-END VS. AVERAGE TEST YEAR

In the MFRs, the utility has filed a year-end rate base for both interim and final rates. However, staff does not believe that the utility has provided the information necessary to warrant year-end treatment. In the case of Citizens of Fla. v. Hawkins, 356 So. 2d 254, 256-257 (Fla. 1978), the Court found that in the absence of the most extraordinary of conditions, the Commission should apply average investment during the test year in determining rate base. In its filing, the utility has not provided such extraordinary circumstances which would form a basis for approval of a year-end rate base on which interim rates should be set. Further, staff believes that a more in-depth comparative analysis of the utility's rate base is an important factor in determining whether a certain dollar amount of plant investment is extraordinary. We believe this is especially true in the instant case, based on our preliminary analysis. Based on the utility's total rate base amounts in the MFRs, we calculated an approximate 6% increase going

from 13-month average to year-end treatment. Staff does not believe that this difference represents extraordinary conditions. The MFRs and the prefiled testimony show nominal growth in ERCs in 1995. Based on our analysis, we accordingly recommend that the Commission approve 13-month average treatment for the utility's rate base and capital structure for interim purposes. As such, staff has reflected the utility's rate base and capital structure on a 13-month average basis.

Moreover, UWF proposes the use of a year-end rate base without the annualizing revenues, expenses, and customers. Staff notes that by Order No. PSC-96-0125-FOF-WS, issued January 25, 1996, in Docket No. 950495-WS, the Commission rejected a projected rate base for interim purposes for Southern States Utilities, Inc., finding, among other things, that the use of a projected rate base with historical revenues, expenses, customers and capital structure presents a mismatch. Although not as severe of a mismatch as the use a projected rate base with historical revenues and expenses, the use of a year end rate base without the annualizing revenues, expenses and customers, similarly presents a mismatch of rate base components in the test year. Staff recommends that the Commission use an average historic rate base with the historic revenues, expenses and customers to avoid such a mismatch.

RATE BASE

Acquisition Adjustments

The utility has included acquisition adjustments in its historical interim test year rate base which have not been approved by this Commission. Staff has removed these acquisition adjustments from the interim rate base, resulting in a decrease of \$33,927 for water and an increase of \$11,264 for wastewater. The remaining acquisition adjustments are not shown net of accumulated amortization in the filed interim rate base. Staff has calculated the accumulated amortization and included this amount in rate base. As such, we have decreased rate base by \$73,848 and \$154,136 for water and wastewater, respectively. Corresponding adjustments were also made to decrease water amortization expense by \$515 and to increase wastewater amortization expense by \$6,475.

Construction Work In Progress (CWIP)

As indicated in the MFRs, the utility has included CWIP in its rate base determination for the interim test year ended December 31, 1995. Section 367.082(5)(b)(1), Florida Statutes, requires that the achieved rate of return be calculated by applying appropriate adjustments consistent with those used in the utility's most recent rate proceeding. By Order No. 10531, the order on the utility's last rate case proceeding, the Commission included the average balance of CWIP in the rate base determination. To be consistent with the interim statute, staff has included CWIP in the test year rate base in the amount of \$1,563,000 for water and \$991,000 for wastewater, reflecting the 13-month average balances.

Working Capital

The utility used the balance sheet method to calculate its requested allowance for working capital for both water and wastewater. In the utility's last rate proceeding, the balance sheet method was used. To comply with the interim statute, it is appropriate to use the balance sheet method for both water and wastewater. As discussed above, staff has adjusted the utility's requested rate base from year-end to 13-month average. With respect to the working capital allowance, the utility did not provide a separate calculation based on the 13-month average balances. In order to calculate working capital on an average basis, the balances were extracted from the utility's 1995 balance sheet. This was achieved for each account included in the working capital calculation, with the exception of the component titled "Tank Painting." This particular component of working capital appears to be a portion of the account titled "Other Miscellaneous Deferred Debits." Since the Miscellaneous Deferred Debit account is not broken down by type, for interim purposes, it is not possible to calculate the actual 13-month average balance for Tank Painting. As such, staff has included this particular component at the year-end balance in the calculation of the 13-month average working capital allowance. Based on our adjustments, staff has increased the utility's working capital allowance by \$486,213 and \$943,825 for water and wastewater, respectively.

COST OF CAPITAL

Based upon the proper components, amounts, and cost rates associated with the capital structure for the interim test year ended December 31, 1995, staff recommends that the weighted average cost of capital is 9.82%. Schedule No. 2 details staff's recommendation.

In arriving at its recommended overall rate of return with respect to UWF's request for interim rate relief, staff has made three distinct adjustments to the utility's filing. Specifically, staff substitutes a 13-month average capital structure for the year-end capital structure requested in the utility's filing; reverses the adjustments UWF made to the balances of investment tax credits, deferred income taxes, and customer deposits in its reconciliation of the capital structure to rate base; and corrects a minor error made in the utility's application of the Commission leverage formula in the determination of the appropriate return on equity (ROE).

First, although the utility requested interim rate relief based upon a year-end rate base and capital structure, staff has recommended that it is more appropriate to use a 13-month average rate base and capital structure in this proceeding. This adjustment is discussed above. The 13-month average per book amounts are taken from UWF's MFR filing. (Schedule No. D-2)

The next area of concern involves the reconciliation of the utility's capital structure and rate base. When UWF reconciled its capital structure and rate base for interim purposes, it increased the unamortized balance of its investment tax credits (ITCs). The ITC provision of the Internal Revenue Code was repealed retroactively by the Tax Reform Act of 1986. Therefore, unless there are transitional credits or unused credits that were carried forward at that time, there can be no increase in the existing balance of unamortized investment tax credits. An examination of the MFRs and testimony in this docket does not indicate the existence of transitional or carry forward credits. Thus, it is not appropriate to increase the balance of unamortized ITCs. An adjustment is made to remove the pro rata increase in unamortized ITCs from the capital structure and to remove the related amortization. The utility also made an error in its calculation of the 13-month average balance of ITCs. Staff has also corrected this for interim purposes.

Similarly, UWF increased the unamortized credit balance of its deferred income taxes in the reconciliation of its capital structure and rate base. The major cause of credit balance deferred taxes in the utility industry is the difference between the level of depreciation taken on the books of the utility and the level taken on the tax return. There are no changes to either book or tax depreciation in an historical period. Thus, there are no new book-tax differences related to depreciation which could cause an increase in the level of unamortized credit balance deferred income taxes. An examination of the MFRs and testimony in this docket does not indicate that there were corrections to the

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existing balance of deferred income taxes in the historical period. For these reasons, an adjustment is made to remove the pro rata increase to deferred income taxes from the capital structure and to remove the portion that is in the income statement.

Further, when UWF reconciled its capital structure and rate base for interim purposes, it increased the balance of customer deposits. Since the request for an interim increase is based upon an historical test year, there can be no increase to the existing balance of customer deposits which directly relates to the existing body of customers. An examination of the MFRs and testimony in this docket does not indicate that there were corrections to the existing balance of customer deposits for the historical period. An adjustment is made to remove the pro rata increase in the balance of customer deposits from the capital structure.

The final adjustment concerns the cost rates filed by the utility. (Schedule No. D-1) Staff agrees with and uses the respective cost rates provided by UWF in its MFR filing with one exception. In its MFR filing, the utility requested an ROE of 11.7% based upon its application of the Commission leverage formula rather than the minimum of the range of return approved in the last rate case of 15.0%. However, the utility used the equity ratio as a percentage of total capital of 42.7% instead of the ratio as a percentage of investor capital of 44.9% as specified in the Commission Order approving the leverage formula. Based upon the proper application of the Commission leverage formula approved in Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, in Docket No. 960006-WS, the appropriate ROE is 11.57%. Because of this change, the cost rate on ITCs will also change, by operation of math, from 10.04% to 9.98%.

The net effect of these changes is a slight reduction in the overall cost of capital from the 9.89% return requested by the utility to the return of 9.82% recommended by staff. Schedule No. 2 shows the components, amounts, cost rates, and weighted average cost of capital associated with the interim test year capital structure.

NET OPERATING INCOME

Test Year Operating Revenues

Section 367.082(5)(b)(1), Florida Statutes, states that the achieved rate of return is calculated by applying appropriate adjustments and annualizing any rate changes occurring during the interim test year. For purposes of the interim application, UWF chose the base year ending December 31, 1995. On July 9, 1995, the utility received a price index. Based on staff's review of the MFRs, it appears that UWF did not annualize revenues associated with this price index. Furthermore, it appears that the utility's wastewater revenue schedules have mathematical errors related to the exclusion of the 5/8" meter customers for Commercial, Public and Apartment Sectors from the total revenue calculation. Therefore, staff recommends an increase in test year revenues of \$70,719 for water and \$404,945 for wastewater.

Bad Debt Expense

For interim purposes, the utility has requested test year expenses for bad debts in the amount of .5% of revenues for both water and wastewater. By Order No. 10531, the Commission denied the utility's requested increase for uncollectible accounts, and as indicated on pages 133 and 135 of the MFRs, the utility's bad debt expense was reduced from .4% of revenues to .3%. Therefore, to be consistent with the interim statute, staff has reduced UWF's Operation and Maintenance (O&M) expenses by \$12,861 for water and \$38,941 for wastewater to reflect bad debt expenses as .3% of the utility's historical test year revenues. In addition, the utility has requested bad debt expenses reflecting an uncollectible rate of .64% on the requested interim revenue increase. By Order No. 10531, the Commission denied the utility's request to include a provision for uncollectible accounts in the expansion factor used to calculate the annual revenue requirement. Therefore, staff has removed this requested increase in bad debt expense, resulting in a decrease of O&M expenses of \$7,301 and \$6,825 for water and wastewater, respectively.

Test Year Net Operating Income

Based on the adjustments recommended above, staff has determined that test year operating income is \$1,745,777 for water and \$3,439,272 for wastewater.

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REVENUE REQUIREMENT

Staff has calculated the interim revenue requirements using the actual operating expenses for the year ended December 31, 1995, and a 9.82% overall rate of return for water and wastewater, on a 13-month average rate base. As a result, staff's recommended revenue requirements are \$7,648,249 for water and \$14,282,680 for wastewater. This represents an interim increase in annual water revenues of \$725,015 or 10.47%. For wastewater, the annual increase for interim is \$238,030 or 1.69%. Issue 4 addresses the appropriate security to protect these amounts held subject to refund.

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ISSUE 3: Should the utility's newly proposed late payment charge be approved on an interim basis, subject to refund?

RECOMMENDATION: No, the Commission should deny the utility's request to implement the proposed late payment charge on an interim basis. (GROOM, CAPELESS)

STAFF ANALYSIS: Because the proposed \$3.00 late payment charge appears on UWF's proposed interim and proposed final water and wastewater tariff sheets, staff assumes that the utility proposes to implement the late payment charge on both an interim and a final basis. In his prefiled direct testimony, witness Philip Heil states that the utility proposes to implement this late charge because approximately forty percent of UWF customer payments are delinquent on the twenty-first day after the bill has been mailed and that a late payment charge will create an incentive for customers to pay on time and cause those customers who do not pay on time to incur the additional costs of collecting their payments.

Upon review of the interim statute, Section 367.082, Florida Statutes, and the Commission's past decisions interpreting it, it is staff's opinion that the Commission lacks the legal authority to grant the utility's request to implement a late payment charge for interim purposes. The utility's request does not fall within the purpose of the interim statute, which is to allow the utility the opportunity to earn a fair rate of return during the pendency of the rate proceeding through higher interim rates subject to refund. Moreover, adjustments made to compute the amount of interim increase are intentionally limited by the statute and must be consistent with the utility's last rate proceeding. This proposal does not constitute an adjustment as contemplated by the interim statute. This utility does not have a late payment charge in its current tariff. This is a proposed new charge.

Staff notes that the utility may submit a tariff filing pursuant to Section 367.091, Florida Statutes, in order to appropriately pursue this request. Alternatively, the utility has the option to simply wait for the Commission to render its final decision on whether to approve this charge in this proceeding.

In consideration of the foregoing, Staff recommends that the utility's request to implement the proposed late payment charge on an interim basis should be denied.

ISSUE 4: What are the appropriate interim water and wastewater rates?

RECOMMENDATION: The interim rates for UWF should be designed to allow the utility the opportunity to generate annual operating revenues of \$7,558,175 and \$14,282,680 for its water and wastewater systems, respectively, excluding miscellaneous revenues. The utility's proposal to reduce its private fire protection rates for interim in accordance with Rule 25-30.465, Florida Administrative Code, should be denied. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice. (GROOM)

STAFF ANALYSIS: Staff recommends that interim service rates for UWF be designed to allow the utility the opportunity to generate additional annual operating revenues of \$725,015 and \$238,030 for its water and wastewater systems, respectively. This results in increases of 10.61% and 1.69%, excluding miscellaneous revenues, in its water and wastewater rates as of December 31, 1995, when applied as an across the board increase to total revenues.

Staff applied the increase to the rates in place during the interim test year which was prior to the implementation of the 1996 price index. The test year ended December 31, 1995, and the price index was effective for service rendered on or after June 21, 1996. To apply the interim increase to the existing rates which include the 1996 price index would allow the utility to collect revenues higher than previously approved.

Staff notes that on October 24, 1994, several customers of UWF filed separate, but identical, petitions for limited proceeding under Section 367.0822(1), Florida Statutes, to set the private fire protection rate charged by the utility in accordance with current Commission rules. By Order No. PSC-95-0479-FOF-WU, issued April 13, 1995, in Docket No. 941130-WU, the Commission proposed to deny the petitions. On May 3, 1995, two of the several customers who had filed requests for the limited proceeding timely filed a protest to the order. On May 30, 1996, the protesting customers, through the Office of Public Counsel, filed a withdrawal of protest of the proposed agency action order. In the withdrawal of protest, the protesting customers stated that UWF has adequately assured them that it will not oppose the identification of the utility's private fire protection rates as an issue in the utility's next rate case.

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Upon staff's review of the MFRs, it appears the utility has proposed to reduce its private fire protection rates for interim in accordance with Rule 25-30.465, Florida Administrative Code. However, at the time of the utility's last rate proceeding, Rule 25-30.465, Florida Administrative Code, did not exist. The rule requires the rates for private fire protection service to be one-twelfth the current base facility charge of the utility's meter sizes, unless otherwise supported by the utility. Since that time, Rule 25-30.465, Florida Administrative Code, was adopted. Based on revised capacity factors supplied in the utility's filing, UWF estimates that approximately \$29,000 in annual revenue would be lost by reducing the private fire protection rates to one-twelfth the base facility charge. If the interim rates are altered, then there would need to be a corresponding adjustment in one or more of the other rates to allow recovery of the overall revenue requirement. It appears that UWF has proposed to increase general service water customers by a higher interim percentage than other customers to recover this lost revenue. Therefore, UWF is essentially proposing to change its rate structure for interim.

Staff believes the private fire protection rates should not be reduced for interim since the proposal would alter UWF's current rate structure. Instead, staff recommends that the overall interim percentage increase should be applied across the board to the private fire protection rates that were in effect as of December 31, 1995, as well as all other rates, as shown on Schedule No. 4. Staff believes that this would be consistent with Section 367.082(5), Florida Statutes, which requires the computation of the amount of the interim increase to be consistent with the utility's last rate proceeding. The utility has indicated in its filing that the proposed final private fire protection rates will also comply with Rule 25-30.465, Florida Administrative Code. For these reasons, staff believes the appropriate time for the Commission to determine UWF's private fire protection rates and rate structure should be when it makes its decision on final rates. Staff recommends that for interim purposes the utility's private fire protection rates should be adjusted consistent with the methodology applied in the last rate proceeding, using interim test year amounts. Staff recognizes, and the customers should be aware, that if the current private fire protection rule is implemented for final rates, this will cause those rates to drop to one-twelfth of the base facility charge of the utility's meter sizes, unless otherwise supported by the utility. It is important to note that, consistent with Section 367.082(4), Florida Statutes, the implementation of the rule for final rates would not necessarily result in a refund of the interim revenues collected under the current rate structure. Accordingly, UWF's proposal to reduce its

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private fire protection rates for interim in accordance with Rule 25-465, Florida Administrative Code, should be denied.

The interim rates should be implemented for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice. The revised tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the proposed notice to the customers of the approved increase is adequate, and that the required security discussed under Issue 5 has been filed. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice.

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

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ISSUE 5: What is the appropriate security to guarantee the interim increase?

RECOMMENDATION: The utility should be required to file a bond to guarantee any potential refunds of water and wastewater revenues collected under interim conditions. The bond should be in the amount of \$832,000, as discussed in the Staff Analysis. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. (GROOM)

STAFF ANALYSIS: Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over previously authorized rates shall be collected under guarantee subject to refund with interest. The utility has indicated in its filing that it will place \$2.2 million under bond, subject to refund with interest, within sixty (60) days of its filing. Staff has calculated the potential refunds of water and wastewater revenues collected under interim conditions to be \$832,000. This amount is based on an estimated ten months of revenue being collected from staff's recommended interim rates over the previously authorized rates, as shown on Schedule 4. Therefore, the amount of a potential refund in this case has been calculated to be \$832,000.

The bond should state that it will be released or terminated upon subsequent order of the Commission addressing overearning or requiring a refund. Also, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.

UNITED WATER FLORIDA INC.
SCHEDULE OF WATER RATE BASE
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 1-A
DOCKET NO. 960451-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 45,337,309	\$ 0	\$ 45,337,309	\$ (1,754,670)	\$ 43,582,639
2 LAND	592,766	0	592,766	0	592,766
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 CONSTRUCTION WORK IN PROGRESS	2,790,000	0	2,790,000	(1,227,000)	1,563,000
5 ACCUMULATED DEPRECIATION	(8,272,767)	0	(8,272,767)	275,522	(7,997,245)
6 CIAC	(21,843,510)	0	(21,843,510)	508,289	(21,335,221)
7 AMORTIZATION OF CIAC	4,824,971	0	4,824,971	(195,950)	4,629,021
8 ACQUISITION ADJUSTMENTS - NET	594,326	0	594,326	(107,775)	486,551
9 ADVANCES FOR CONSTRUCTION	(152,370)	0	(152,370)	0	(152,370)
10 WORKING CAPITAL ALLOWANCE	322,467	0	322,467	486,213	808,680
RATE BASE	\$ 24,193,192	\$ 0	\$ 24,193,192	\$ (2,015,371)	\$ 22,177,821
	*****	*****	*****	*****	*****

UNITED WATER FLORIDA INC.
SCHEDULE OF WASTEWATER RATE BASE
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 1-B
DOCKET NO. 960451-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 73,864,399	\$	\$ 73,864,399		
2 LAND	1,018,304	0	1,018,304	(3,487,740)	70,376,659
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	1,018,304
4 CONSTRUCTION WORK IN PROGRESS	1,768,000	0	1,768,000	0	0
5 ACCUMULATED DEPRECIATION	(16,909,582)	0	(16,909,582)	(777,000)	991,000
6 CIAC	(32,452,129)	0	(32,452,129)	829,764	(16,079,818)
7 AMORTIZATION OF CIAC	9,872,688	0	9,872,688	866,470	(31,585,659)
8 ACQUISITION ADJUSTMENTS - NET	867,966	0	867,966	(417,119)	9,455,569
9 ADVANCES FOR CONSTRUCTION	0	0	0	(142,872)	725,114
10 WORKING CAPITAL ALLOWANCE	625,965	0	625,965	0	0
RATE BASE	\$ 38,655,631	\$	\$ 38,655,631	943,625	1,569,790
	=====	=====	=====	(2,184,672)	36,470,989

UNITED WATER FLORIDA INC.
ADJUSTMENTS TO RATE BASE
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 1-C
DOCKET NO. 960451-WS
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EXPLANATION	WATER	WASTEWATER
(1) UTILITY PLANT IN SERVICE To adjust from year-end to 13-month average	\$ (1,754,670)	\$ (3,487,740)
(2) CONSTRUCTION WORK IN PROGRESS To adjust from year-end to 13-month average	\$ (1,227,000)	\$ (777,000)
(3) ACCUMULATED DEPRECIATION To adjust from year-end to 13-month average	\$ 275,522	\$ 829,764
(4) CIAC To adjust from year-end to 13-month average	\$ 508,289	\$ 866,470
(5) ACCUMULATED AMORTIZATION To adjust from year-end to 13-month average	\$ (195,950)	\$ (417,119)
(6) ACQUISITION ADJUSTMENTS - NET a) To remove acquisition adjustments not approved by this Commission b) To record accumulated amortization of acquisition adjustments Total Adjustment	\$ (33,927) (73,848) \$ (107,775)	\$ 11,264 (154,136) \$ (142,872)
(7) WORKING CAPITAL ALLOWANCE To adjust from year-end to 13-month average	\$ 486,213	\$ 943,825

UNITED WATER FLORIDA INC.
CAPITAL STRUCTURE
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 2
DOCKET NO. 960451-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY							
1 LONG TERM DEBT	\$ 32,429,993	\$ 0	\$ 0	32,429,993	51.60%	8.72%	4.50%
2 SHORT-TERM DEBT	389,663	0	0	389,663	0.62%	6.55%	0.04%
3 PREFERRED STOCK	119,413	0	0	119,413	0.19%	5.00%	0.01%
4 COMMON EQUITY	26,836,447	0	0	26,836,447	42.70%	11.70%	5.00%
5 CUSTOMER DEPOSITS	6,285	0	0	6,285	0.01%	6.00%	0.00%
6 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-WTD COST	2,130,575	0	0	2,130,575	3.39%	10.04%	0.34%
8 DEFERRED INCOME TAXES	936,447	0	0	936,447	1.49%	0.00%	0.00%
9 TOTAL CAPITAL	\$ 62,848,823	\$ 0	\$ 0	62,848,823	100.00%		9.89%
PER STAFF							
10 LONG TERM DEBT	\$ 32,429,993	(214,176)	(1,592,186)	30,623,631	52.22%	8.72%	4.55%
11 SHORT-TERM DEBT	389,663	(1,517)	(19,183)	368,963	0.63%	6.55%	0.04%
12 PREFERRED STOCK	119,413	1,287	(5,965)	114,735	0.20%	5.00%	0.01%
13 COMMON EQUITY	26,836,447	(178,648)	(1,317,495)	25,340,304	43.21%	11.57%	5.00%
14 CUSTOMER DEPOSITS	6,285	2,848	0	9,133	0.02%	6.00%	0.00%
15 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
16 DEFERRED ITC'S-WTD COST	2,130,575	(866,537)	0	1,264,038	2.16%	9.98%	0.22%
17 DEFERRED INCOME TAXES	936,447	(8,471)	0	927,976	1.58%	0.00%	0.00%
17 TOTAL CAPITAL	\$ 62,848,823	(1,265,214)	(2,934,829)	58,648,780	100.00%		9.82%

RANGE OF REASONABLENESS

LAST AUTHORIZED RETURN ON EQUITY

OVERALL RATE OF RETURN

LOW	HIGH
14.00%	16.00%
10.87%	11.73%

UNITED WATER FLORIDA INC.
STATEMENT OF WATER OPERATIONS
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 3-A
DOCKET NO. 960451-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 6,852,515	\$ 1,148,966	\$ 8,001,481	\$ (1,078,247)	\$ 6,923,234	\$ 725,015	\$ 7,648,249
OPERATING EXPENSES:						10.47%	
2 OPERATION AND MAINTENANCE	\$ 3,488,046	\$ 7,301	\$ 3,495,347	\$ (20,162)	\$ 3,475,185		\$ 3,475,185
3 DEPRECIATION	517,733	0	517,733	0	517,733		517,733
4 AMORTIZATION	12,752	0	12,752	(515)	12,237		12,237
5 TAXES OTHER THAN INCOME	761,334	51,703	813,037	(48,521)	764,516	32,626	797,142
6 INCOME TAXES	460,128	309,776	769,904	(362,118)	407,786	260,546	668,332
7 TOTAL OPERATING EXPENSES	\$ 5,239,993	\$ 368,780	\$ 5,608,773	\$ (431,316)	\$ 5,177,457	\$ 293,172	\$ 5,470,628
8 OPERATING INCOME	\$ 1,612,522	\$ 780,186	\$ 2,392,708	\$ (646,931)	\$ 1,745,777	\$ 431,843	\$ 2,177,620
9 RATE BASE	\$ 24,193,192		\$ 24,193,192		\$ 22,177,821		\$ 22,177,821
RATE OF RETURN	6.67%		9.89%		7.87%		9.82%

UNITED WATER FLORIDA INC.
STATEMENT OF WASTEWATER OPERATIONS
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 3-B
DOCKET NO. 960451-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 13,639,705	\$ 1,073,950	\$ 14,713,655	\$ (669,005)	\$ 14,044,650	\$ 238,030	\$ 14,282,680
OPERATING EXPENSES						1.69%	
2 OPERATION AND MAINTENANCE	\$ 6,917,139	\$ 6,825	\$ 6,923,964	\$ (45,766)	\$ 6,878,198		\$ 6,878,198
3 DEPRECIATION	1,020,645	0	1,020,645	6,475	1,027,120		1,027,120
4 AMORTIZATION	13,408	0	13,408	0	13,408		13,408
5 TAXES OTHER THAN INCOME	1,666,525	48,328	1,714,853	(30,105)	1,684,748	10,711	1,695,459
6 INCOME TAXES	791,976	425,767	1,217,743	(215,839)	1,001,904	85,540	1,087,444
7 TOTAL OPERATING EXPENSES	\$ 10,409,693	\$ 480,920	\$ 10,890,613	\$ (285,235)	\$ 10,605,378	\$ 96,251	\$ 10,701,629
8 OPERATING INCOME	\$ 3,230,012	\$ 593,030	\$ 3,823,042	\$ (383,770)	\$ 3,439,272	\$ 141,778	\$ 3,581,051
9 RATE BASE	\$ 38,655,631		\$ 38,655,631		\$ 36,470,959		\$ 36,470,959
RATE OF RETURN	8.36%		9.89%		9.43%		9.82%

UNITED WATER FLORIDA INC.
ADJUSTMENTS TO OPERATING STATEMENTS
INTERIM TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 3-C
DOCKET NO. 960451-WS
PAGE 1 OF 1

EXPLANATION	WATER	WASTEWATER
(1) OPERATING REVENUES	\$ (1,148,966)	\$ (1,073,950)
a) Reverse utility's proposed revenue increase	70,719	404,945
b) Annualization of revenues and correction of errors	\$ (1,078,247)	\$ (669,005)
Total Adjustment		
(2) OPERATION & MAINTENANCE EXPENSES	\$ (12,861)	\$ (38,941)
a) Adjustment to reduce the uncollectible rate on interim test year revenues	(7,301)	(6,825)
b) Remove additional uncollectible expense on requested revenue increase	\$ (20,162)	\$ (45,766)
Total Adjustment		
(3) AMORTIZATION EXPENSE	\$ (515)	\$ 6,475
Amortization associated with adjusted acquisition adjustments		
(4) TAXES OTHER THAN INCOME TAXES	\$ (48,521)	\$ (30,105)
Regulatory assessment fees related to revenue adjustment		
(5) INCOME TAXES	\$ (362,118)	\$ (215,839)
Income taxes associated with adjusted test year income		
(6) OPERATING REVENUES	\$ 725,015	\$ 238,030
Adjustment to reflect revenue requirement		
(7) TAXES OTHER THAN INCOME TAXES	\$ 32,626	\$ 10,711
Regulatory assessment taxes on additional revenues		
(8) INCOME TAXES	\$ 260,546	\$ 85,540
Income taxes related to additional revenues		

UNITED WATER FLORIDA, INC.
COUNTIES: DUVAL, NASSAU AND ST. JOHNS
DOCKET NO. 960451-WS
TEST YEAR ENDED: DECEMBER 31, 1995

Rate Schedule

Water Rates

	Test Year Rates as of December 31, 1995	Current	Utility Requested Interim	Utility Requested Final	Staff Recommended Interim
Residential Service - Billed Quarterly					
Base Facility Charge:					\$15.93
Meter Size:					\$22.33
5/8"	\$14.40	\$14.62	\$15.90	\$20.52	\$35.10
3/4"	\$20.19	\$20.50	\$22.30	\$28.78	\$79.81
1"	\$31.73	\$32.22	\$35.04	\$45.23	\$156.51
1-1/2"	\$72.15	\$73.26	\$79.68	\$102.85	
2"	\$141.50	\$143.68	\$156.27	\$201.71	
Gallage Charge, per 1,000 Gallons			\$1.12	\$1.45	\$1.11
Gallage Charge, per 100 cubic feet	\$1.00	\$1.03	\$0.84	\$1.08	\$0.83
	\$0.75	\$0.77			
General Service - Billed Monthly					
Base Facility Charge:					\$7.40
Meter Size:					\$9.53
5/8"x3/4"	\$6.69	\$6.79	\$7.38	\$9.53	\$13.78
3/4"	\$8.62	\$8.75	\$10.68	\$13.79	\$28.71
1"	\$12.46	\$12.65	\$18.95	\$24.46	\$54.27
1-1/2"	\$25.96	\$26.36	\$42.63	\$55.03	\$143.72
2"	\$49.06	\$49.82	\$75.83	\$97.88	\$369.55
3"	\$129.93	\$131.93	\$170.58	\$220.19	\$416.40
4"	\$334.10	\$339.26	\$303.18	\$391.35	\$4,638.54
6"	\$376.46	\$382.27	\$682.32	\$880.75	
8"	\$4,193.60	\$4,258.31	\$1,212.72	\$1,565.40	
Gallage Charge, per 1,000 Gallons			\$1.12	\$1.45	\$1.11
Gallage Charge, per 100 cubic feet	\$1.00	\$1.03	\$0.84	\$1.08	\$0.83
	\$0.75	\$0.77			
Private Fire Protection - Billed Monthly					
Base Facility Charge:					\$14.50
Meter Size:					\$25.86
2"	\$13.11	\$13.31	\$6.32	\$6.87	\$38.58
3"	\$23.38	\$23.74	\$14.21	\$15.45	\$74.06
4"	\$34.88	\$35.42	\$25.26	\$27.47	\$116.65
6"	\$66.96	\$67.99	\$56.86	\$61.84	\$166.27
8"	\$105.46	\$107.99	\$101.06	\$109.91	\$236.99
10"	\$150.32	\$152.64	\$157.95	\$171.79	
12"	\$214.26	\$217.57	\$227.43	\$247.35	
Typical Residential Pools - Billed Quarterly					
5/8" x 3/4" meter					\$26.99
10,000 Gallons	\$24.40	\$24.92	\$27.10	\$35.02	\$38.05
20,000 Gallons	\$34.40	\$35.22	\$38.30	\$49.52	\$49.11
30,000 Gallons	\$44.40	\$45.52	\$49.50	\$64.02	

UNITED WATER FLORIDA, INC.
COUNTIES: DUVAL, NASSAU AND ST. JOHNS
DOCKET NO. 960451-WS
TEST YEAR ENDED: DECEMBER 31, 1995

Rate Schedule

Wastewater Rates

	Test Year Rates as of December 31, 1995	Current	Utility Requested Interim	Utility Requested Final	Staff Recommended Interim
Residential Service - Billed Quarterly					
Base Facility Charge:					
Meter Size:	\$27.29	\$27.57	\$28.86	\$36.62	\$27.75
Per Single Family Residential Structure	\$87.17	\$88.07	\$92.18	\$116.99	\$88.64
Unmetered Accounts					
Gallage Charge, per 1,000 Gallons	\$2.97	\$3.00	\$3.14	\$3.98	\$3.02
Gallage Charge, per 100 cubic feet	\$2.22	\$2.24	\$2.35	\$2.98	\$2.26
General Service - Billed Monthly					
Base Facility Charge:					
Meter Size:					
5/8" x 3/4"	\$10.37	\$10.48	\$10.97	\$13.92	\$10.55
3/4"	\$14.35	\$14.50	\$15.87	\$20.14	\$14.59
1"	\$23.05	\$23.29	\$28.14	\$35.72	\$23.44
1-1/2"	\$52.65	\$53.19	\$63.33	\$80.38	\$53.54
2"	\$103.39	\$104.45	\$112.59	\$142.89	\$105.14
3"	\$281.05	\$283.94	\$253.39	\$321.58	\$285.80
4"	\$729.33	\$736.83	\$450.35	\$571.54	\$741.66
6"	\$822.38	\$830.84	\$1,013.44	\$1,286.16	\$836.28
8"	\$9,204.79	\$9,299.45	\$1,801.28	\$2,286.01	\$9,360.35
Unmetered Accounts	\$30.30	\$30.61	\$31.71	\$40.25	\$30.81
Gallage Charge, per 1,000 Gallons	\$2.97	\$3.00	\$3.14	\$3.98	\$3.02
Gallage Charge, per 100 cubic feet	\$2.22	\$2.24	\$2.35	\$2.98	\$2.26
Jacksonville University - Billed Monthly					
Base Facility Charge:					
Meter Size:					
3"	\$281.05	\$283.94	\$297.19	\$377.17	\$285.80
4"	\$729.33	\$736.83	\$771.21	\$978.76	\$741.66
6"	\$822.38	\$830.84	\$869.61	\$1,103.64	\$836.28
Gallage Charge, per 1,000 Gallons	\$3.69	\$3.73	\$3.90	\$4.95	\$3.75
Gallage Charge, per 100 cubic feet	\$2.77	\$2.79	\$2.92	\$3.70	\$2.82
Typical Residential Bills - Billed Quarterly					
5/8" x 3/4" meter	\$56.99	\$57.57	\$60.26	\$76.42	\$57.95
10,000 Gallons	\$86.69	\$87.57	\$91.66	\$116.22	\$88.16
20,000 Gallons	\$116.39	\$117.57	\$123.06	\$156.02	\$118.36
30,000 Gallons (Gallage Cap)					