

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of BEAUCLERC)	DOCKET NO. 880446-WU
UTILITIES COMPANY for rate increase)	ORDER NO. 21270
in Duval County.)	ISSUED: 5-22-89
_____)		

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER SETTING FINAL RATES AND
 ESTABLISHING MISCELLANEOUS SERVICE CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein 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

Beauclerc Utilities Company (Beauclerc or the utility) is a water and sewer utility located within the City of Jacksonville, in Duval County. The utility serves approximately 1300 water and sewer customers. On November 1, 1988, Beauclerc filed an application for increased water rates in Duval County. However, the information did not meet the minimum filing requirements for a general rate increase and the utility was advised of the application's deficiencies. On November 21, 1988, the utility completed its minimum filing requirements (MFRs) for a rate increase and this date was set as the official filing date. This application did not request any sewer rate increase. Beauclerc's last rate case before this Commission was processed in Docket No. 750310-WS, culminating in the issuance of Order No. 7105, on February 3, 1976.

The utility requested interim rates which would increase its annual revenues by \$48,135 (57.29%). By Order No. 20640, issued on January 20, 1989, we granted Beauclerc interim rates which would increase its annual revenues by \$45,097 (42.76%). The test year for final rate determination is the projected year ending December 31, 1989. The utility has requested final rates which are designed to generate annual revenues of \$295,948. This represents an increase of \$180,410 (156.15%) over adjusted test year revenues.

QUALITY OF SERVICE

Our determination of the overall quality of service provided by the utility is derived from our evaluation of three

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separate components of the utility's operation: 1) the quality of the utility's product, 2) the operational conditions of the utility's facilities, and 3) the level of customer satisfaction. The utility's treatment of raw water, from three wells in the service area, includes aeration and chlorination.

At this time, the utility has no outstanding citations or violations on file with the Department of Environmental Regulation's Northeast District. During the most recent sanitary survey, conducted June 10, 1986, no deficiencies were found. This Commission received one billing complaint for the year 1988, and no complaints have been filed thus far in 1989. The Department of Environmental Regulation has no complaints on file for Beauclerc Utilities.

Staff held a customer meeting on March 27, 1989, at which two complaints concerning water taste and hardness were received. However, the most recent water analysis indicates that the water is within the limits of both State and Federal guidelines for potable water. Based on the foregoing, we find that the quality of water service provided by Beauclerc is satisfactory.

RATE BASE

Used and Useful Plant

Beauclerc's Baymeadows Road Water Treatment Plant went into operation in January of 1989. This treatment plant, interconnected with the original Briarwood Water Treatment Plant, is designed to meet all of the planned future requirements of the utility.

When calculating margin reserve, we generally use the growth pattern established over the most recent five years. Based on the most recent five year period, an annual growth of 115 ERCs per year is expected. The utility is requesting a margin reserve of 385 ERCs for its distribution system. We do not have sufficient justification to depart from our general practice and, therefore, we find that a margin reserve of 115 ERCs is appropriate for the distribution system.

The utility determined that the water treatment plants are 100% used and useful by adding the maximum daily flow, the required fire flow, and the margin reserve and dividing by the plant capacity. Because we find the water treatment plants to be 100% used and useful, after applying our standard calculations, we do not find it appropriate to allow a margin reserve.

In preparing its MFRs, the utility mistakenly calculated the capacity of the distribution system as the plant capacity. The present capacity of the distribution system is approximately 1955 ERCs. Based on the last 5 years the average yearly customer growth is 115 ERCs. Applying this growth trend to the water distribution system, and allowing a margin reserve equal to the average annual growth, we find that the distribution system is 93.39% used and useful.

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Guideline Depreciation Rates

Rule 25-30.140, Florida Administrative Code, requires that the average service life depreciation rates based on the guideline lives shall be used in rate proceedings before this Commission. In order to implement the guideline rates, we require that a pro forma adjustment to test year depreciation expense be made during each utility's first rate case since the effective date of the above-cited Rule (March, 1984). Since this is Beauclerc's first rate proceeding since 1975, the guideline depreciation rates have not been implemented nor did the utility make an adjustment to implement these rates in its application.

It is our policy to adjust the reserve account to reflect the increase in test year depreciation expense and amortization of contributions-in-aid-of-construction (CIAC). This adjustment is not intended to restate the historical balances, but only to restate the accumulated balance as if the new rates had been in effect at the beginning of the test year.

Therefore, we believe that it is appropriate to increase depreciation expense by \$14,057 and amortization of CIAC by \$9,184. This results in a net increase to operating expenses of \$4,873. Accumulated depreciation and accumulated amortization of CIAC should also be increased by \$7,029 and \$4,592, respectively, on a 13-month average basis.

Although the utility has filed a water-only case, we believe that it is appropriate to implement the guideline depreciation rates consistently on a total company basis. We hereby acknowledge the utility's agreement, in the form of a written stipulation submitted to this Commission, to implement the guideline depreciation rates effective January 1, 1989, for the sewer system.

Working Capital

In our review of the projection methodologies employed by the utility, we found that an historical 8-month period was used to determine the appropriate basis instead of a 12-month period as is normally used and accepted in projected test years. Upon further analysis, we determined that only two balance sheet accounts are materially affected by using the shorter historical time frame and we have, accordingly, made adjustments to restate these amounts in the working capital calculation.

The first adjustment relates to the projected balance of accounts receivable. The utility projected this account by taking the historical eight-month average ended August, 1988, and carried the average amount forward to the end of 1988. It then increased this average by \$20 to reflect an index application which occurred in December, 1988, and then escalated 1989 based on the increased revenues which would be received from the interim and final rate requests.

We have recalculated the historical 13-month average balance for the year ended August, 1988, and escalated that balance by the projected increase in test year revenues ended December, 1989, over the actual year ended August, 1988. This

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method takes into consideration the effects of seasonality which would have been eliminated if only eight months were used in the projection. In addition, we believe that it is inappropriate to escalate the historical balance by the requested interim and final increases in revenues, because this is an inconsistent and incorrect application of the projected test year concept. Had this test year been based on a historical period instead of a projected period, no adjustment would have been made to increase accounts receivable for the effects of the revenue increase. Based on the above, we believe that it is appropriate to reduce the balance of accounts receivable by \$1,240 for the projected test year.

We have also made an adjustment to the balance of accounts payable for the test year. As stated above, the utility projected this account by taking the historical eight-month average ended August, 1988 and carried the average amount forward to the end of 1988. It then increased this balance by the assumed rate of inflation of 2.89%, which is the Commission approved price index for 1988. We do not disagree with the escalation factor used, but we have adjusted the historical base to reflect the 13-month average balance ended August, 1988. This is consistent with the methodology described above and results in an increase to the balance of accounts payable of \$6,261.

Our final adjustment to working capital relates to deferred rate case expense. The utility included \$109,856 for deferred rate case expense in its working capital calculation, which reflects the total request for rate case expense of \$145,132, less one year of amortization of \$36,283. We have reduced the requested amount of rate case expense by \$50,046 to reflect the amount incurred and estimated for the proposed agency action process. The original estimate reflected that the case would go to a formal hearing.

We have also reduced the balance of deferred rate case expense to reflect the average unamortized balance over four years, the expected time that the final rates will be in effect. This adjustment, which is consistent with our policy, recognizes that if the full unamortized balance was allowed in the test year, the utility would possibly overearn on this balance in years 2, 3 and 4. By using the average unamortized balance, the utility effectively earns on an even basis throughout the period the final rates are expected to remain in effect. This adjustment reduces the balance of deferred rate case expense by \$62,313, to reflect the appropriate balance of \$47,543.

An additional adjustment will be necessary to reallocate the deferred rate case expense. Although this case deals with the water system only, the utility allocated 44% of the total working capital allowance, including the deferred rate case expense, to the water system and 56% to the sewer system. We believe that the rate case expense associated with a water-only case should be allocated to that system, not to the total company.

Based on all of our adjustments, we believe that it is

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appropriate to reduce the utility's working capital allowance by \$4,094, to reflect a total allowance of \$24,088 for the water system. Schedule No. 4-B reflects our adjustments to working capital.

Using a 13-month average for the projected test year ended December 31, 1989 and incorporating our adjustments, the utility's rate base is \$503,450 for the water system. Schedule No. 1-A reflects Beauclerc's water rate base, with our adjustments to that rate base reflected on Schedule No. 1-B.

COST OF CAPITAL

In January, 1989, the utility obtained an additional loan of \$75,000 above the amount projected in its application. The interest cost associated with this debt issue is 1/2% in excess of the Florida National Bank prime rate. This cost rate is consistent with the rate used for the utility's other long-term debt, which was projected as 10.5% for the test year and appears reasonable. For rate-setting purposes, the 13-month average amount of this debt issue should be included in the cost of capital. Long-term debt should, therefore, be increased by \$68,961.

In its application, the utility used the current leverage graph calculation set out in Order No. 19718, issued on July 26, 1988. In applying that formula, however, the utility calculated the equity ratio incorrectly. By that Order, we required that the equity ratio be calculated using the ratio of common equity over the total of common equity, preferred equity and long and short-term debt. The utility instead took the ratio of common equity to the total of all capital sources. The correct calculation reflects a cost of equity of 12.59% instead of 12.76% as submitted by the utility.

The last authorized return on equity for the sewer system was established as 22% in Docket No. 750310-WS, by Order No. 7105, issued February 3, 1976. In comparison to the equity cost calculated for the water system using the leverage graph, the authorized return for sewer is excessive. We are reluctant to reestablish the cost of equity for the sewer system since this rate application does not address the rates of the sewer system. Therefore, we direct our staff to work toward the resolution of this concern, possibly through a stipulation with the utility.

The utility's overall rate of return of 11.88%, with a range of 11.19% to 12.57%, is shown on Schedule No. 2-A, with our adjustments reflected on Schedule No. 2-B.

NET OPERATING INCOME

Rate Case Expense

In its application, the utility requested recovery of \$145,132 in estimated rate case expense. This estimate was based on the premise that this case would go to a formal hearing, instead of being processed as proposed agency action. This matter was, in fact, originally scheduled for a hearing on

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May 18 and 19, 1989. In February, 1989, however, we decided that this application would be processed as proposed agency action. The utility submitted an analysis of actual costs incurred to date and a revised estimate to complete the proceeding, based on its application being considered as proposed agency action. The utility's revised estimate reflected that a reduction of \$50,046 would be appropriate.

We have reviewed the utility's actual costs incurred and the estimate to complete. The majority of the costs incurred relate to accounting consultant fees for the preparation of the minimum filing requirements and the compilation of a fully projected test year. In order to project the year ended December 31, 1989, the utility prepared schedules for the historical year ended December 31, 1987, and the eight-months ended August 31, 1988, in addition to the projected test year schedules. The utility used our proposed MFRs which eliminated the need for additional interrogatories and further discovery.

The utility's application was prepared in a very clear and concise manner, with few errors reflected in the audit report. Therefore, we find it appropriate to allow the total cost of preparing the MFRs as revised by the utility. Upon our review of the other documentation submitted in support of the requested rate case expense, we find those costs are reasonable and hereby allow them. Therefore, the total rate case expense allowed Beauclerc for this proceeding is \$95,086.

Income Tax Expense

Beauclerc's application contains a request for recovery of income tax expense of \$8,233 based on the projected test year. By a Notice of Amendment filed December 14, 1988, the utility informed the Commission that Beauclerc had elected Sub-Chapter S corporation status. This election would become effective January 1, 1989. Such a corporation is treated more like a partnership than a corporation for income tax purposes, in that the shareholders become the taxpayer.

It is our policy to disallow a provision for income taxes when determining the revenue requirement for Sub-Chapter S corporations. The historic balances of deferred income taxes and investment tax credits (ITCs) are, however, included in the embedded capital structure, so that the tax benefits can be passed back to the customer. In this utility's last rate case, with a test year of December, 1974, only \$37 was allowed as the income tax provision for the water system. Based on the minuscule level allowed in the last case, the utility has not actually recovered its income tax allowance through its rates. We find that it would not be appropriate to include the ITCs in the capital structure on an ongoing basis. Beauclerc has no deferred income taxes. We, therefore, remove the income tax expense of \$8,233 and amortization of ITCs of \$(1,176) from operating expenses. Accumulated deferred ITCs of \$51,764 are also hereby removed from the utility's capital structure.

Based on our adjustments above, we find the utility's test year net operating loss was \$105,398 for the water system. The utility's operating statement is attached as Schedule No.

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3-A, with our adjustments reflected on Schedule No. 3-B.

REVENUE REQUIREMENT

Based on our prior decisions, we find it appropriate to give the utility an opportunity to increase its water revenues by \$169,457, on an annual basis. This adjustment represents a 150.25% increase in water revenues. Therefore, we find Beauclerc's revenue requirement to be \$282,237 for water, on an annual basis. These revenues will allow the utility the opportunity to recover its operating expenses and earn an 11.88% return on its water rate base.

RATES AND CHARGES

The billing analysis submitted in the utility's application requires several adjustments. The utility used a consumption level of 45,000 gallons per ERC for the projected customers. We believe a more realistic level is the average consumption, which is 29,645 gallons per ERC. Therefore, we find it appropriate to reduce the projected total annual gallonge by 5,109,000 gallons.

The utility placed all projected gallons subject to the excess gallonge charge. The projected gallonge should be allocated 28.81% to the minimum gallonge allowance and 71.19% to the excess gallonge charge. This adjustment is necessary to accurately reflect the test year revenues.

The billing analysis reflects that a 6-inch master meter serves 122 units. The correct number is 112 units. This adjustment is necessary to compute the minimum gallonge allowance for the master meter. Also, a 4-inch master meter serving 100 units was changed to a 6-inch master meter in the latter part of 1988. This change must be reflected in the projected test year ending December 31, 1989. Also, miscellaneous service revenues in the amount of \$780 must be reflected.

The utility's present water rates are structured with a minimum number of gallons included within the minimum charge, and a one-step excess rate over that minimum. General service rates are structured approximately 25% higher than residential.

We believe that a rate structure that requires a customer to pay for a minimum number of gallons, whether those gallons are used or not, is generally inappropriate. We also believe that a structure that requires one classification of customers to pay a higher rate than another classification is also inappropriate, unless there is a sufficient foundation presented to justify such higher charge.

For these reasons, we find the base facility charge rate structure a more appropriate method for designing this utility's rates. The basic concept of this type of rate structure design is to determine a base charge based on the associated costs of providing service to each category of customers. This charge should cover related costs such as transmission and distribution facility expenses, depreciation,

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property taxes, property insurance, an allocated portion of billing and collecting, etc. The amount of the charge is determined by an ERC formula, using the standard 5/8-inch x 3/4-inch meter as the base. There is no factor allocated for usage in the calculation of the base charge.

The second component of this rate structure is a charge for the water delivered to the customer, that is, usage. This charge covers associated costs such as pumping expenses, treatment expenses, an allocated portion of billing and collecting, income taxes and rate of return.

The primary goal of this rate structure is to enable each customer to pay his or her pro-rata share of the related facility costs necessary to provide the service in the base facility charge and, secondly, to pay for only the gallons actually consumed under the gallonage charge. This rate structure allows those customers the opportunity to control their bills to whatever extent they wish to practice conservation. This rate structure also lends itself to solving the "fair-share" problems associated with part-time residents. We are concerned that, if these residents do not pay their pro-rata share of the costs of providing their service, the revenue deficiency created would have to be absorbed in the rates of the year-round residents. Therefore, the base facility charge rate structure enables this Commission to assure that this utility's rates are fair, just, reasonable, and non-discriminatory.

We find the water rates set out on Schedules Nos. 5-A through 5-D to be fair and reasonable. These rates are designed to allow the utility the opportunity to earn annual water revenues of \$282,237. These rates for water service are uniform for all categories of customers served by the utility, including residential, multi-family and general service customers. The 25% surcharge currently imposed on the general service customers is hereby eliminated.

These approved rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets as the company bills quarterly. The revised tariff sheets will be approved upon our verification that the tariffs are consistent with our decision, that the protest period has expired and that the proposed customer notice is appropriate.

MISCELLANEOUS SERVICE CHARGES

Rule 25-30.345, Florida Administrative Code, permits utilities to assess charges for miscellaneous services. The principal purpose of such charges is to provide a means by which the utility can recover its costs of providing miscellaneous services from those customers who require the services. Thus, costs are borne by the cost causer rather than the general body of ratepayers. Second Revised Staff Advisory Bulletin (SAB) No. 13 encourages utilities to establish charges for the following miscellaneous services:

Initial Connection - This charge would be levied for

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service initiation at a location where service did not exist previously.

Normal Reconnection - This charge would be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection - This charge would be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

Premises Visit Charge (in lieu of disconnection) - This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The following is a comparison of the utility's current charges and the charges that we hereby find appropriate:

WATER

	<u>Current</u>	<u>Commission Approved</u>
Initial Connection	\$ -0-	\$15.00
Normal Reconnection	\$ -0-	\$15.00
Violation Reconnection	\$ 6.00	\$15.00
Premises Visit	\$ -0-	\$10.00

SEWER

	<u>Current</u>	<u>Commission Approved</u>
Initial Connection	\$ -0-	\$15.00
Normal Reconnection	\$ -0-	\$15.00
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit	\$ -0-	\$10.00

When both water and sewer service are provided, only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. If a utility must disconnect service to a sewer-only customer, actual costs incurred may be recovered from the customer before service is restored.

The new miscellaneous service charges shall be effective for service provided on or after the stamped approval date on the tariff sheets. The tariff sheets will be approved upon our verification that the tariffs are consistent with our decision and the protest period has expired.

The new miscellaneous service charges will produce additional revenues in the amount of \$1,970. The additional revenues have been included in the calculation of the final rates.

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SERVICE AVAILABILITY CHARGES

The contribution level for water will be 66.02% at the end of the test year (December 31, 1989). The contribution level for sewer was 72.44% as of August 31, 1988. These levels are within our guidelines as set forth in Rule 25-30.580, Florida Administrative Code, and therefore, we will not change the existing service availability charges.

New customers or developers are required to donate all on-site and off-site water and sewer lines, pay plant capacity charges based on anticipated usage and pay meter installation charges based on the actual cost. Because of territorial constraints, the utility will only be able to add an estimated 400 ERCs before build-out. The contribution levels will remain fairly static during the final build-out period because of the water plant capacity charge of \$140 per ERC and sewer plant capacity charge of \$245 per ERC.

CLOSING DOCKET

If a protest is not received within 21 days of issuance of this proposed agency action Order, this Order will become final. This docket shall then be closed upon the utility's filing of revised tariff sheets, subject to our approval. The utility's corporate undertaking may be released at that time.

Based on the foregoing, it is therefore,

ORDERED by the Florida Public Service Commission that the application of Beauclerc Utilities Company for a general water rate increase is granted, to the extent set forth in the body of this Order. It is further

ORDERED that each of the specific findings herein is approved in every respect. It is further

ORDERED that all matters contained herein and/or attached hereto, whether in the form of discourse or schedules, are by this reference, specifically made integral parts of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on June 12, 1989. It is further

ORDERED that the utility shall implement new rates which are designed to increase water revenues by \$169,457 for total annual water revenues of \$282,237. It is further

ORDERED that the rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

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ORDERED that the miscellaneous service charges 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 in the event this Order becomes final, the utility shall notify each customer of the rates and charges authorized herein and explain the reasons for these rate changes. The form of such notice and explanation shall be submitted to the Commission for its prior approval. It is further

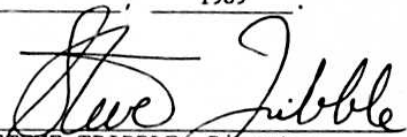
ORDERED that, if this Order becomes final, the rates and charges approved herein shall not become effective until revised tariff sheets have been filed with and approved by this Commission. It is further

ORDERED that after June 12, 1989, this Commission shall issue either a notice of further proceedings or an order acknowledging that the provisions of this Order have become final if all conditions have been satisfied. It is further

ORDERED that, in the event this Order becomes final, the utility may release its corporate undertaking. It is further

ORDERED that, in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission
this 22nd day of MAY 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SFS

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.

The action proposed herein 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

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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 June 12, 1989. In the absence of such a petition, this Order shall become effective June 13, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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 June 13, 1989, 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 sewer 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.

BEAULIERC UTILITIES COMPANY
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 1-A
 DOCKET NO. 880446-WU

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,618,327	\$ 7,379	\$ 1,625,706	0	\$ 1,625,706
2 LAND	45,288	0	45,288	0	45,288
3 NON-USED & USEFUL PLANT & DEPR	(46,771)	0	(46,771)	0	(46,771)
4 C.I.A.C.	(1,103,110)	0	(1,103,110)	0	(1,103,110)
5 NON-USED & USEFUL CIAC	40,174	0	40,174	0	40,174
6 ACCUMULATED DEPRECIATION	(301,645)	(332)	(301,977)	(7,029)(1)	(309,006)
7 AMORTIZATION OF C.I.A.C.	222,411	0	222,411	4,592 (2)	227,003
8 WORKING CAPITAL ALLOWANCE	28,260	0	28,260	(4,094)(3)	24,166
9 RATE BASE	\$ 502,934	\$ 7,047	\$ 509,981	(6,531)	\$ 503,450

BEAULERC UTILITIES COMPANY
CAPITAL STRUCTURE
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 2-A
DOCKET NO. 880446-WU

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION ADJUSTMENTS TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	COMMISSION WEIGHTED COST
1 LONG-TERM DEBT	\$ 213,203	21.89%	10.50%	2.30%	\$ 68,961	\$ 282,164	28.46%	10.50%	2.99%
2 SHORT-TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
3 CUSTOMER DEPOSITS	24,355	2.50%	8.00%	0.20%	0	24,355	2.46%	8.00%	0.20%
4 COMMON EQUITY	684,855	70.30%	12.76%	8.97%	0	684,855	69.08%	12.59%	8.70%
5 INVESTMENT TAX CREDITS	51,764	5.31%	0.00%	0.00%	(51,764)	0	0.00%	0.00%	0.00%
6 DEFERRED TAXES	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
7 TOTAL CAPITAL	\$ 974,177	100.00%		11.47%	\$ 17,197	\$ 991,374	100.00%		11.88%

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RANGE OF REASONABLENESS	EQUITY	ORR
HIGH	11.59%	11.19%
LOW	13.59%	12.57%

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BEAULIERC UTILITIES COMPANY
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 3-A
DOCKET NO. 880446-WU

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 115,538	\$ 180,410	\$ 295,948	(183,168)(1)	\$ 112,780	169,457 (7)	\$ 282,237
OPERATING EXPENSES		156.15%				150.25%	
2 OPERATION AND MAINTENANCE	\$ 169,359	\$ 22,328	\$ 191,687	(12,512)(2)	\$ 179,176		\$ 179,176
3 DEPRECIATION	13,407	(405)	13,002	4,873 (3)	17,875		17,875
4 AMORTIZATION (INCOME)	(1,176)	0	(1,176)	1,176 (4)	0		0
5 TAXES OTHER THAN INCOME	21,591	4,116	25,707	(4,579)(5)	21,128	4,236 (8)	25,364
6 INCOME TAXES	0	8,233	8,233	(8,233)(6)	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 203,181	\$ 34,272	\$ 237,453	(19,275)	\$ 218,178	4,236	\$ 222,415
8 OPERATING INCOME	\$ (87,643)	146,138	58,495	(163,893)	\$ (105,398)	165,220	\$ 59,822
9 RATE BASE	\$ 502,934		\$ 509,981		\$ 503,450		\$ 503,450
10	-17.43%		11.47%		-20.94%		11.88%

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BEAULIERC UTILITIES COMPANY
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 1-B
 PAGE 1 OF 1
 DOCKET NO. 880446-WU

EXPLANATION -----	WATER -----
(1) ACCUMULATED DEPRECIATION -----	
To reflect the guideline depreciation rates as stated in Rule 25-30.140, F.A.C. (13-Mo. Avg.)	\$ (7,029) -----
(2) ACCUMULATED AMORTIZATION OF CIAC -----	
To reflect the composite amortization rate on the guideline depreciation rates. (13-Mo. Avg.)	\$ 4,592 -----
(3) WORKING CAPITAL ALLOWANCE -----	
To reflect the appropriate amount of projected working capital.	\$ (4,094) -----

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BEAULIERC UTILITIES COMPANY
 ADJUSTMENTS TO CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 2-B
 DOCKET NO. 880446-WU

	DESCRIPTION	REMOVE ITCS	INCLUDE ADDITIONAL DEBT	NET ADJUSTMENT
1	LONG TERM DEBT	\$ 0	\$ 68,961	\$ 68,961
2	PRO FORMA DEBT	0		0
3	CUSTOMER DEPOSITS	0	0	0
4	TOTAL EQUITY	0		0
5	INVESTMENT TAX CREDITS	(51,764)		(51,764)
6	DEFERRED TAXES	0		0
7	TOTAL CAPITAL	\$ (51,764)	\$ 68,961	\$ 17,197

8

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BEAUCLEUC UTILITIES COMPANY
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 3-B
PAGE 1 OF 2
DOCKET NO. 880446-WU

EXPLANATION	WATER

(1) OPERATING REVENUES	

A) To adjust billing analysis per rate analyst.	\$ (2,758)
B) To remove the requested revenue increase.	(180,410)
Total	----- (183,168) -----
(2) OPERATION AND MAINTENANCE EXPENSE	

To adjust rate case expense to the amount for PAA purposes.	(12,512)

(3) DEPRECIATION EXPENSE	

A) To reflect the guideline depreciation rates as stated in Rule 25-30.140, F.A.C.	14,057
B) To reflect the composite amortization rate on the guideline depreciation rates.	(9,184)
Total	----- 4,873 -----
(4) AMORTIZATION EXPENSE	

To remove the amortization of ITCs since the utility is now a Sub-chapter S corporation.	1,176

(5) TAXES OTHER THAN INCOME	

A) To adjust RAFs on billing analysis adjustment.	(69)
B) To remove regulatory assessment fees on requested revenue increase.	(4,510)
Total	----- (4,579) -----

BEAULIERC UTILITIES COMPANY
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED DECEMBER 31, 1989

SCHEDULE NO. 3-B
PAGE 2 of 2
DOCKET NO. 880446-WU

EXPLANATION -----	WATER -----
(6) INCOME TAXES -----	
To remove income taxes since the utility is now a Sub- chapter S corporation.	(8,233) -----
(7) OPERATING REVENUES -----	
To reflect the revenue requirement recommended.	\$ 169,457 -----
(8) TAXES OTHER THAN INCOME -----	
To reflect RAFs on the recommended revenue increase.	\$ 4,236 -----

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BEAULIERC UTILITIES COMPANY
 TEST YEAR ENDED DECEMBER 31, 1989
 WORKING CAPITAL ALLOWANCE CALCULATION WORKSHEET
 13-MONTH AVERAGE BALANCE

SCHEDULE NO. 4-B
 DOCKET NO. 880446-WU
 PAGE 1 OF 1

LINE NO.	ACCOUNT TITLE	TEST YEAR PER UTILITY	ADJUST.	ADJUSTED COMMISSION BALANCE
1	ASSETS			
2				
3	CASH	5,000	0	5,000
4	ACCOUNTS RECEIVABLE	5,895	(1,240)	4,655
5	PREPAID EXPENSES	10,635	0	10,635
6	DEFERRED RATE CASE EXPENSE	109,856	(62,313)	47,543
7				
8	TOTAL ASSETS	131,386	(63,553)	67,833
9				
10				
11	LIABILITIES			
12				
13	ACCOUNTS PAYABLE	14,055	6,261	20,316
14	ACCRUED TAXES	11,492		11,492
15	ACCRUED INTEREST	1,865		1,865
16	ADVANCED BILLINGS	39,924	0	39,924
17				
18	TOTAL LIABILITIES	67,336	6,261	73,597
19				
20				
21	NET WORKING CAPITAL	64,050	(69,814)	(5,764)
22		=====	=====	
23	REMOVE DEF RATE CASE EXPENSE			(47,543)
24				
25				(53,307)
26				=====
27				
28	ALLOCATED TO W&S BASED ON O&M EXPENSES EXCEPT DEF. RATE CASE EXPENSE			
29				
30	WATER 44%			(23,455)
31	SEWER 56%			(29,852)
32				
33	WATER ADJUSTMENT TO WORKING CAPITAL			
34				
35	AMOUNT ALLOCATED PER STAFF			(23,455)
36	ADD DEFERRED RATE CASE EXPENSE			47,543
37				-----
38	TOTAL PER STAFF			24,088
39	TOTAL PER UTILITY			28,182
40				-----
41	RECOMMENDED ADJUSTMENT			(4,094)
				=====

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SCHEDULE NO. 5-A

SCHEDULE OF RATES

WATER

RESIDENTIAL
(Quarterly Billing)

<u>Meter Size</u>	<u>Minimum Gallage Allowance</u>	<u>Utility Present Rates</u>	<u>Commission</u>		<u>---BFC---</u>	
			<u>Approved Interim Rates</u>	<u>Approved Final Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
5/8" x 3/4"	9,000	\$6.93	\$9.89	-	-	-
5/8" x 3/4"	-	-	-	\$22.33	\$14.90	-
1"	-	-	-	55.83	37.25	-
1 1/2"	-	-	-	111.65	74.50	-
2"	-	-	-	178.64	119.20	-
Gallage Charge (Excess)		\$.38	\$.54	-	-	-
Gallage Charge (BFC)		-	-	\$.64	\$.80	-

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SCHEDULE NO. 5-B

GENERAL SERVICE
(Quarterly Billing)

<u>Meter Size</u>	<u>Minimum Gallage Allowance</u>	<u>Utility Present Rates</u>	<u>Commission Approved Interim Rates</u>	<u>---BFC---</u>	
				<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
5/8" x 3/4"	9,000	\$ 6.93	\$ 9.89	-	-
1"	15,000	14.48	20.67	-	-
1 1/2"	30,000	28.96	41.34	-	-
2"	48,000	46.34	66.16	-	-
3"	90,000	86.87	124.02	-	-
4"	150,000	144.77	206.67	-	-
6"	300,000	289.55	413.36	-	-
5/8" x 3/4"	-	-	-	\$ 22.33	\$ 14.90
1"	-	-	-	55.83	37.25
1 1/2"	-	-	-	111.65	74.50
2"	-	-	-	178.64	119.20
3"	-	-	-	357.28	238.40
4"	-	-	-	558.25	372.50
6"	-	-	-	1116.50	745.00
<u>Gallage Charge (Excess):</u>					
5/8" x 3/4" Meters		\$.38	\$.54	-	-
1" & Over		\$.47	\$.67	-	-
Gallage Charge (BFC)		-	-	\$.64	\$.80

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SCHEDULE NO. 5-C

MULTI-FAMILY SERVICE
(Quarterly Billing)

<u>Meter Size</u>	<u>Minimum Gallonage Allowance</u>	<u>Utility Present Rates</u>	<u>Commission Approved Interim Rates</u>	---BFC---	
				<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
Per Unit	9,000(1)	\$ 4.62	\$ 6.60	-	-
3"	-	-	-	\$357.28	\$238.40
4"	-	-	-	558.25	372.50
6"	-	-	-	1116.50	745.00
Gallonage Charge (Excess)		\$.38	\$.54	-	-
Gallonage Charge (BFC)		-	-	\$.64	\$.80

(1) Minimum gallonage allowance is determined by multiplying the number of units served by the master meter times 9,000 gallons.

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SCHEDULE NO. 5-D

SEWER

Commercial Service

Quarterly Billing

The commercial sewer service rate for this utility is based on a percentage of the water bill. The percent rate is 415% of the water bill, or \$55.53 per quarter, whichever is greater.

With the water rate increase, it will be necessary to adjust the percentage factor to 185.2% of the water bill, or \$55.53 per quarter, whichever is greater. By correcting the percentage factor, the utility will receive the same sewer revenues after the increase as it did before the increase.

INFORMATIONAL NOTE: The utility did not request a rate adjustment for sewer. However, a percentage adjustment is necessary for commercial service as stated above.

Residential customers presently have a flat sewer rate of \$44.42 per quarter; multi-family presently has a flat sewer rate of \$29.61 per unit per quarter.