

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of UTILITIES, Inc.,)	DOCKET NO. 881321-WU
of Florida, (Orangewood) for staff)	ORDER NO. 21552
assisted rate case in Pasco County.)	ISSUED: 7/17/89
_____)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, CHAIRMAN
THOMAS M. BEARD
JOHN T. HERNDON

ORDER AUTHORIZING TEMPORARY RATES
IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER SETTING RATES AND CHARGES AND
DIRECTING CONVERSION TO GAS CHLORINATION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission of its intent to grant increased water rates and charges pursuant to Section 367.081, Florida Statutes, to Utilities, Inc. of Florida (Orangewood), a utility subject to this Commission's jurisdiction, providing water service to the public in Pasco County. The actions discussed herein, pertaining to approval of increased final rates, adoption of miscellaneous service charges, and conversion to gas chlorination are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a hearing pursuant to Florida Administrative Code Rule 25-22.029. By this Order, the Commission also authorizes temporary rates in the event that a person other than this utility files a protest of the Proposed Agency Action.

CASE BACKGROUND

Orangewood Water System, ("Orangewood System") a subsidiary of Utilities, Inc. of Florida, provides water service to Orangewood subdivision, a residential community of approximately 557 single family residences and 42 general

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service customers in Holiday, Florida, Pasco County. Orangewood is one of twenty-six water and sewer utilities owned by Utilities, Inc. in Florida. The Orangewood System was organized in 1963 and purchased by Utilities, Inc. in 1983. Under Docket No. 830480-WU, Order No. 13178, issued April 9, 1984, transfer of Certificate No. 107-W to Utilities, Inc. of Florida was approved by the Commission. Year end rate base was established and all existing rates and charges were approved under that docket.

On October 10, 1988, Utilities, Inc. of Florida ("utility"), applied for a staff-assisted rate case for the Orangewood System. The Orangewood System has had no prior rate cases, but its rates have been increased through the application of indices.

QUALITY OF SERVICE

Review of the compliance history with the state and local health and environmental agencies and a general plant inspection by our staff engineer found no major operating deficiencies with Orangewood's three interconnected water treatment plants, or its distribution system. On May 5, 1989, a customer meeting was held in the service area to allow the utility's customers to testify to the quality of service provided by Orangewood and to inquire about any other issues. Approximately sixty customers attended the meeting, and seventeen customers testified. Although, there were no specific service problems indicated, the following general comments were made.

One customer said that he had a problem with high chlorination and asked if the situation would change with the use of gas chlorine. It is expected that the conversion to gas chlorination will eliminate fluctuations in chlorination levels and should help reduce over chlorination in certain areas of the distribution system. The customer also stated that he would like to have fluoride included in the rate increase. No other customer expressed support for fluoridation.

Another customer inquired about excessive watering of grass at the Orangewood plant site, and wanted to know who was paying for it. Orangewood stated that, for aesthetic reasons, it recently sodded the yard area at its main plant site. Thereby, extra watering was required to get the grass established. This

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situation began after the test year and was not considered a factor in the current rate case. Although there appears to be no problem with what Orangewood is doing, it has been instructed to record all known usage of this type.

Based on the compliance history with the state and local health and environmental agencies, the lack of operating deficiencies noted by Commission staff's inspection, and the general positive response to quality of service at the customer meeting, we find quality of service to be satisfactory.

RATE BASE

Using a thirteen month average test year ending June 30, 1988, we find that the appropriate rate base is \$112,740. Our calculation is displayed on Schedule No. 1 and adjustments are shown on Schedule No. 1-A. Further detail is given below.

Used and useful

Although the plant capacity exceeds demand, the service area is essentially built-out, with little chance for growth. In addition, most plant is almost fully depreciated. Further, the area is prone to saltwater intrusion and a slow draw from the utility's three wells probably helps slow down the rate of such intrusion. Based upon the discussion above, we find that the water treatment plant and distribution system are 100 percent used and useful.

Proforma plant

During the test year, the Orangewood System used approximately 8,507 pounds of liquid chlorine for disinfection at a cost of \$3,403. Based on the reported dosage rate for this system, approximately 1,049 pounds of gas chlorine would be required to properly disinfect the same volume of water produced during the test year, for an annual cost of \$472. If gas chlorine is used in lieu of liquid chlorine, the utility would realize a cost saving of approximately \$2,931 (\$3,403-\$472) per year.

Costs for equipment and other related expenses to convert to gas chlorination are approximately \$10,000. The equipment needed to provide gas chlorination includes dual chlorinators, injection pumps and scales. Expenditures for engineering work

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to obtain permits from the Department of Environmental Regulation will also be required. The \$10,000 estimated cost is not excessive when the pay back period in reduced chemical cost is considered. At \$2,931 per year, the equipment would be paid for in approximately 3-1/2 years.

Therefore, we find it appropriate to require the utility to convert the Orangewood System to gas chlorination within ninety days from the effective date of this order. The appropriate proforma plant amount for the conversion is \$10,000. This docket should remain open for 105 days from the effective date of this order to allow monitoring by the staff engineer of the utility's conversion to gas chlorination. Upon staff's verification of completion of this conversion, this docket shall be closed. However, if the Orangewood System is not converted to gas chlorination within 105 days from the effective date of this order, staff will inform us of its findings and recommendation.

Plant-in-Service

By Order No. 13178, issued April 9, 1984, year end rate base was established as \$35,979 for this utility. During the staff audit, the utility's general ledger was reviewed in order to reconcile the rate base component values to the values established in said order.

All components were booked correctly through December 1983. However in 1984 two plant accounts, 107 - Wells and Springs and 340 - Office Furniture and Equipment, in the amounts of \$5,699 and \$254 respectively, were entered in the utility's general plant account when they should have been entered in the Orangewood System plant account. The utility is aware of this error and should make the appropriate adjustments. We have adjusted the Orangewood System plant account to include these amounts.

We have traced plant additions to invoices and updated plant accounts through the test year ending June 30, 1988. Those plant accounts common to all of the utility's Florida water systems, have been allocated to the Orangewood System's general plant account based on the number of Equivalent Residential Connections (ERCs) to total Florida water system. Proforma plant of \$10,000 has also been added to allow the utility to convert the Orangewood system to gas chlorination.

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The thirteen month average is \$189,096.

The utility's books record an acquisition adjustment of \$39,021. As established in Order No. 13178, an acquisition adjustment was not allowed. We have adjusted this amount to zero.

On the basis of these adjustments, we establish plant-in-service, including proforma plant, for the purpose of setting rates to be \$189,086.

Land

The land on which the water plant is located is owned by the utility. The utility's books record land value at \$1,753. By Order No. 13178, issued April 9, 1984, under Docket No. 830480-WU, land value was established as \$1,213 to reflect the original cost of land when it was first devoted to public service. We have adjusted the utility's booked land value by (\$540) to reflect the value as established in the above referenced order.

Contributions-in-Aid-of-Construction (CIAC)

Contributed plant as booked by the utility was traced to invoices and tap in charges collected were verified with the utility's tariff. CIAC has been updated through the test year ending June 30, 1988 and the thirteen-month average is (\$36,585).

Accumulated Depreciation

The utility recorded accumulated depreciation net of amortization of CIAC and booked annual depreciation at 1.5%. Following the guidelines Rule 25-30.140(2), Florida Administrative Code, we have recalculated accumulated depreciation on plant at 2.5% through March 1984 and used the average service lives as defined by Rule 25-30.140(2), Florida Administrative Code, on plant from April 1984 through June 1988. The thirteen-month average is (\$67,729).

Amortization of CIAC

Amortization of CIAC has been updated through June 30, 1988 following the guidelines of Rule 25-30.140(2), Florida

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Administrative Code. The thirteen-month average is \$19,083.

Working capital

We prefer to use the balance sheet method of measuring a working capital allowance. That method nets current assets and deferred debits with current liabilities and deferred credits. However, as this utility is a small portion of a larger utility, we do not believe it is appropriate, from a cost benefit analysis, to allocate a balance sheet working capital allowance. Instead, a one-eighth of Operation and Maintenance Expense formula approach has been used to approximate the working capital needs of this division. This simple formula should give reliable results, with less expense than would allocation of a large company balance sheet. Using the one-eighth of Operating and Maintenance Expense formula, working capital for the Orangewood System is \$7,662.

Rate Base

Based on our previously discussed determinations and adjustments, we find the thirteen-month average test year rate base to be \$112,740.

RETURN ON EQUITY

In Order No. 19718, issued July 26, 1988, we established the leverage formula to be used in calculating returns on equity for water and sewer utilities. We have used the capital structure of Orangewood's parent company, Utilities, Inc. of Florida to determine the appropriate return on equity. Using the formula approved in Order No. 19718, the utility's allowable return on equity is 12.69%, as shown on Schedule No. 2. We find 12.69% to be the appropriate return on equity.

OVERALL RATE OF RETURN

The utility's capital structure includes 24.41% of long term debt at a cost of 6.79%, 65.08% of common equity with an allowed return of 12.69%, 1.93% of customer deposits at a cost of 8.00%, and 6.65% of investment tax credits at a cost of 10.79%. Based on these four components, the weighted cost of capital is 10.79%. We have reconciled the utility's capital structure with the utility's rate base and find 10.79% to be the appropriate rate of return. Our calculation is stated on Schedule No. 2.

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NET OPERATING INCOME

Operating Revenues

Based on the utility's billing analysis, the Orangewood System provided water to 598 customers. The utility's booked test year revenue agrees with our revenue check based on the billing analysis. Therefore, we find Orangewood's test year revenue to be \$36,212. Test year revenue is shown on Schedule No. 3. Adjustments are shown on Schedule No. 3-A.

Operating Expenses

We find that the appropriate amount for operation and maintenance expense is \$61,297. Utilities, Inc. of Florida owns and operates many systems in Florida. Utility, Inc.'s operation and maintenance expenses are booked to include expenses for all its Florida systems, except the Miles Grant System. Actual expenses could not be identified for the Orangewood System, except the purchased power expense. We have allocated operation and maintenance expense for the Orangewood System based on its percentage of ERCs to Utility, Inc.'s total Florida system. Each expense account was reviewed to determine those expenses that are common to a water system. All allocations have been reviewed for reasonableness and proper account.

Salaries

The Orangewood System employs a full-time operator-maintenance person. Employees of Utility, Inc. in the Florida and Chicago offices handle the billing and collection process for the Orangewood System. We find that an annual employee salary expense of \$22,447 is reasonable for the operator and the Orangewood System's share of other utility employees. Accordingly, we have allocated \$22,447 for this expense.

Chemical Expenses

During the test year, the Orangewood System used liquid chlorine for disinfection purposes at an estimated cost of \$3,403. We have directed that the utility convert the Orangewood System to gas chlorination at an annual cost of \$472. Chemical expense has been decreased by \$2,931 to reflect the use of gas chlorination.

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Rate Case Expense

The \$900 filing fee for this rate case has been amortized over four years, allowing \$225 each year and decreasing this account by \$675 to remove the unamortized portion.

We find that all other allocated expenses are reasonable and no adjustments have been made.

Operation and maintenance expenses are shown on Schedule No. 3-B.

REVENUE REQUIREMENT

In order to allow the utility the opportunity to earn a 10.79% overall rate of return, we find the proper revenue requirement to be \$91,048. Our calculation of the revenue requirement is as follows:

	Water
Adjusted Rate Base	\$112,740
Rate of Return	x .1079
Return on Investment	\$ 12,165
Adjusted Operating Expense	61,297
Depreciation Expense	6,874
Taxes Other Than Income	5,641
Income Tax	5,071
Revenue Requirement	<u>\$ 91,048</u>

Since the revenue requirement is \$91,048, and test year revenue is \$36,212, we find the appropriate amount of revenue increase, on an annual basis, to be \$54,836. The revenue requirement is shown on Schedule No. 3.

RATES AND TARIFF CHARGES

The Orangewood System's current rate structure includes a minimum number of gallons within the frame of a minimum bi-monthly charge. We prefer the base facility/gallorage charge rate structure to allow a fixed charge to each customer served computed on the customer's share of fixed operating costs, and to allow the cost of water actually used.

Rates have been calculated based on test year ERCs and gallorage consumption as determined by the utility's billing analysis, using the base facility/gallorage charge rate design. We find the following rates, designed to allow the

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utility the opportunity to recover its expenses of \$78,883 and earn a 10.79% return on its Orangewood System investment, to be fair and reasonable. Schedules of the Orangewood System's present rates and rate structure, and the rates and rate structure approved herein are as follows:

Water
Bi-monthly Rates
Residential and General Service

	<u>Present</u>
First 8,000 gallons	\$8.53
All over 8,000 gallons (per 1,000 gallons)	.26

Approved Rates
Bi-monthly Rates
Residential and General Service

<u>Base Facility Charge</u>	<u>Approved</u>
<u>Meter Sized</u>	
5/8 x 3/4"	\$ 13.58
1"	33.95
1 1/2"	67.90
2"	108.64
3"	217.28
4"	339.50
6"	679.00
<u>Gallonage charge</u> (per 1,000 gallons)	.79

The approved rates and rate structure shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon our Staff's verification that the tariffs are consistent with our decision and that the proposed customer notice is adequate.

SERVICE AVAILABILITY CHARGES

The Orangewood System is totally built out and has no current plans for expansion. Current service availability charges are as follows:

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	<u>Tapping Fees</u>
5/8 x 3/4"	\$ 65
1"	125

We find it appropriate that the existing charges remain in effect.

MISCELLANEOUS SERVICE CHARGES

Presently, the Orangewood System does not have miscellaneous service charges. Based on our analysis of the labor and materials required for these services, the following miscellaneous service charges have been determined to be reasonable and consistent with Commission policy as stated in Rule 25-30.345, Florida Administrative Code. Accordingly, we find it appropriate to authorize miscellaneous service charges as follows:

	<u>Approved Charge</u>
Initial Connection	\$15.00
Normal Connection Charge	\$15.00
Violation Reconnection Charge	\$15.00
Premises Visit Charge	\$10.00

A definition of each charge is provided for clarification:

Initial Connection - This charge would be levied for service initiation at a location where service did not exist previously.

Normal Connection - 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

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representative or otherwise makes satisfactory arrangements to pay the bill.

These miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon our staff's verification that the tariffs are consistent with our decision and that the proposed customer notice is adequate.

TEMPORARY RATES

Utilities, Inc. of Florida, is hereby authorized to collect the approved rates for its Orangewood System subject to refund, should a protest be filed by anyone other than the utility, with the requirement that the utility post a bond, or secure a letter of credit in the amount of \$64,552, or enter an escrow agreement prior to the implementation of the rates. This order will propose a prospective increase in water rates. A timely protest could delay what may otherwise be a justifiable rate increase, resulting in a loss of revenue. The utility is authorized to implement these rates only after providing the security for a refund and after Staff's approval of the revised tariff sheets. Should a refund be required, the refund will be with interest pursuant to Rule 25-30.360, Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Utilities, Inc. of Florida (Orangewood), for a staff-assisted rate case is granted as set out in the body 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 prescribed by Florida Administrative Code Rule 25-22.036, is received by the Director, Division of Records and Reporting at his office, located at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 7, 1989. It is further

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

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ORDERED that all matters contained herein or attached hereto, whether in the form of discourse or schedules are, by this reference, specifically incorporated herein. It is further

ORDERED that Utilities, Inc. of Florida (Orangewood), shall make appropriate adjustments to its plant accounts numbers 107 and 340 to accurately reflect entries into to Orangewood plant account. It is further

ORDERED that Utilities, Inc. of Florida shall convert its Orangewood system to gas chlorination within 90 days of the effective date of this Order. It is further

ORDERED that, in the event that gas chlorination is not provided within 105 days of the effective date of this Order, Commission staff will inform us of its findings and recommendations. 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, in the event this order becomes final, the utility shall implement the rates and charges set forth and approved herein after the effective date of this order, and that such rates and charges shall be effective for service rendered taken on or after the stamped approval date of the new tariff sheets. It is further

ORDERED that, in the event this order becomes final, the utility shall notify each affected customer of the increased rates and approved charges and explain the reasons for such increased rates and approved charges. The form of this notice shall be submitted to this Commission for prior approval. It is further

ORDERED that after August 8, 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 a substantially affected person, other than the utility, protests this proposed agency action, the utility may implement the rates herein approved under the

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terms and conditions set forth in the body of this order. This portion of this order is not issued as proposed agency action. It is further

ORDERED that in the event that this order becomes final, and all other obligations hereunder have been performed, Docket No. 881321-WU shall be closed.

By ORDER of the Florida Public Service Commission, this 17th day of July, 1989.

STEVE TRIBBLE, Director
Division of Records & Reporting

(S E A L)

by: Kay Flynn
Chief, Bureau of Records

DAS

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 setting rates and charges and directing conversion to gas chlorination 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

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August 7, 1989. In the absence of such a petition, this order shall become effective August 8, 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 the relevant portion of this order becomes final and effective on August 8, 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.

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

ORANGWOOD WATER SYSTEM
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1988

SCHEDULE NO. 1
 DOCKET NO. 881321-WU

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 118,755 A	\$ 70,341	\$ 189,096
LAND/NON-DEPRECIABLE ASSETS	1,753 B	(540)	1,213
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	39,021 C	(39,021)	0
C.W.I.P.	0	0	0
C.I.A.C.	(36,645)D	60	(36,585)
ACCUMULATED DEPRECIATION	(29,888)E	(37,841)	(67,729)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	0 F	19,083	19,083
WORKING CAPITAL ALLOWANCE	0 G	7,662	7,662
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WATER RATE BASE	\$ 92,996	\$ 19,744	\$ 112,740
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UTILITIES INC OF FLORIDA (ORANGWOOD)
SCHEDULE OF ADJUSTMENTS TO RATE BASE
SCHEDULE NO. 1-A

A. <u>UTILITY PLANT IN SERVICE</u>		Water
1.	To reflect balance per Order No. 13178 under Docket No. 830480-WU	\$5,953
2.	To reflect 13-month average general plant	55,303
3.	To reflect proforma plant for gas chlorination	10,000
4.	To reflect 13-month average adjustment	<u>(915)</u>
		<u>\$70,341</u>
B. <u>LAND</u>		
	To reflect balance per Order No. 13178 under Docket No. 830480-WU	<u>(\$540)</u>
C. <u>ACQUISITION ADJUSTMENT</u>		
	To reflect balance per Order No. 13178 under Docket No. 830480-WU	<u>(\$39,021)</u>
D. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>		
	To reflect 13-month average adjustment	<u>\$ 60</u>
E. <u>ACCUMULATED DEPRECIATION</u>		
1.	To reflect balance per Order NO. 13178 under Docket No. 830480-WU and staffs calculated accumulated depreciation through June 30, 1988	(29,428)
2.	To reflect 13-month average for general plant	(10,453)
3.	To reflect 13-month average	2,040
		<u>(\$37,841)</u>

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F. AMORTIZATION OF CIAC

To reflect balance per Order No. 13178
under Docket No. 830480-WU and staffs updated
calculated 13-month average amortization
of CIAC

\$ 19,083

G. WORKING CAPITAL ALLOWANCE

To reflect staff's recommended
working capital allowance of
one-eighth of O & M expense

\$ 7,662

ORANGEWOOD WATER SYSTEM
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED JUNE 30, 1988

SCHEDULE NO.2
 DOCKET NO.871065-WU

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	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 496,668	\$ (469,143)	\$ 27,525	24.41%	6.79%	1.66%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	2,180	0	2,180	1.93%	8.00%	0.15%
COMMON EQUITY	1,323,865	(1,250,493)	73,372	65.08%	12.69%	8.26%
INVESTMENT TAX CREDITS	146,469	(138,968)	7,501	6.65%	10.79%	0.72%
DEFERRED TAXES	42,219	(40,057)	2,162	1.92%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 2,011,401	\$ (1,898,661)	\$ 112,740	100.00%		10.79%

RANGE OF REASONABLENESS

	LOW	HIGH
RETURN ON EQUITY	11.69%	13.69%
OVERALL RATE OF RETURN	10.14%	11.44%

ORANGEWOOD WATER SYSTEM
 SCHEDULE OF WATER OPERATING INCOME
 TEST YEAR ENDED JUNE 30, 1988

SCHEDULE NO. 3
 DOCKET NO. 881321-WU

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	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 36,212 A	\$ 0	\$ 36,212 F	\$ 54,836	\$ 91,048
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	64,903 B	(3,606)	61,297	0	61,297
DEPRECIATION	0 C	6,874	6,874	0	6,874
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	5,997 D	(1,727)	4,270 G	1,371	5,641
INCOME TAXES	5,739 E	(668)	5,071	0	5,071
TOTAL OPERATING EXPENSES	\$ 76,639	\$ 873	\$ 77,512	\$ 1,371	\$ 78,883
OPERATING INCOME/(LOSS)	\$ (40,427)	\$ (873)	\$ (41,300)	\$ 53,465	\$ 12,165
WATER RATE BASE	\$ 92,996		\$ 112,740		\$ 112,740
RATE OF RETURN	-43.47%		-36.63%		10.79%

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UTILITIES INC OF FLORIDA (ORANGEWOOD)
SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
SCHEDULE NO. 3-A

	<u>Water</u>
<u>OPERATION AND MAINTENANCE EXPENSE</u>	
1. To adjust chemical expense to recommend annual expense for conversion to gas chlorination	(\$2,931)
2. To remove unamortized portion of rate case filing fee	<u>(675)</u>
	<u>(\$3,606)</u>
 <u>DEPRECIATION</u>	
To reflect test year depreciation expense net of amortization of CIAC	<u>\$6,784</u>
 <u>TAXES OTHER THAN INCOME</u>	
To adjust regulatory assessment fee to 2.5% of test year revenue	<u>(\$1,727)</u>
 <u>INCOME TAX</u>	
To reflect staff's calculated Income tax	<u>(668)</u>
 <u>OPERATING REVENUES</u>	
To reflect increase in revenues required to meet expenses an allow recommended rate of return on investment	<u>\$54,836</u>
 <u>TAXES OTHER THAN INCOME</u>	
To reflect additional regulatory assessment fee on increase revenue	<u>\$1,371</u>

SCHEDULE NO.3-B
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ORANGEWOOD WATER SYSTEM
 ANALYSIS OF WATER O & M EXPENSES
 TEST YEAR ENDED JUNE 30, 1988

ACCOUNT TITLE	BALANCE PER UTIL.	COMM. ADJUST.	COMM. BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 22,447	\$ 0	\$ 22,447
SALARIES AND WAGES - OFFICERS	0	0	0
PENSIONS AND BENEFITS	3,507	0	3,507
PURCHASED WATER	0	0	0
PURCHASED POWER	4,474	0	4,474
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	3,403	(2,931)	472
MATERIALS AND SUPPLIES	4,773	0	4,773
CONTRACTUAL SERVICES	8,700	0	8,700
RENTS	1,456	0	1,456
TRANSPORTATION EXPENSES	1,955	0	1,955
INSURANCE EXPENSE	4,454	0	4,454
REGULATORY COMMISSION EXPENSES	900	(675)	225
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	8,834	0	8,834
TOTAL	\$ 64,903	\$ (3,606)	\$ 61,297

ORDER NO. 21552
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