

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-)	DOCKET NO. 900654-WS
assisted rate case in Martin)	ORDER NO. 24284
County by Fisherman's Cove of)	ISSUED: 3/25/91
Stuart, Inc.)	
)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

FINAL ORDER GRANTING TEMPORARY
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER APPROVING INCREASED RATES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature, and as such, 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.

CASE BACKGROUND

Fisherman's Cove of Stuart, Inc., (FCS or utility) is a class "C" water and wastewater utility located in northeast Martin County, Florida. Its service area is near the Atlantic coast, approximately three miles south of the city of Stuart along State Road 76 between I-95 and US Highway 1. The development served by the utility consists of 262 duplex units, for a total of 524 connections.

On July 24, 1990, the utility filed the instant application for a staff-assisted rate case. It paid the appropriate filing fee on September 21, 1990, so that date is the official date of filing. In processing this case, we audited the utility's records, performed an engineering field investigation, and conducted a customer meeting. For the purpose of setting rates, we have

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selected a test year ending June 30, 1990. Our findings are set forth below.

QUALITY OF SERVICE

On the evening of January 10, 1991, our staff conducted a customer meeting in the utility's service area in order to allow the customers the opportunity to express their opinions on the quality of the utility's service and to ask questions. Approximately 20 of the utility's 524 water and wastewater customers attended the meeting. Of the twenty, six testified that they had quality of service problems.

One customer remarked that the water "stinks" and that it "tastes horrible." Two customers went as far as to say that the discolored water looked like tea; another noted a problem with sediment in the water, but did not think that it caused discoloration. Two other customers complained of high/low surges of chlorine, and a third stated he experienced high/low chlorine readings on a swimming pool test kit at his kitchen sink. That same customer also expressed serious concern that the utility did not have a readily-available emergency phone number. Our staff engineer visited the homes of five out of the six customers who voiced quality of service complaints. On the day of his visits, none of the water problems mentioned above were apparent.

We suspect that the high/low surges of chlorine are due, at least in part, to retention time at the plant and to the interaction of the chlorine with the hydrogen sulfide in the raw water. The utility uses gas chlorine for disinfection, which normally produces uniform results. Nonetheless, chlorine levels can vary depending upon peak periods of daily use, the network configuration of secondary mains, the point of testing, and the type of test kit used. We have notified the Department of Environmental Regulation (DER), which establishes a maximum level of free chlorine residuals for water systems like this one, of the customer complaints and is in the process of investigating the problem. In the meantime, the utility has instituted a more vigorous line flushing program for the secondary mains that are not on a "loop" in the system.

The customer complaint regarding sediment in the water probably stems from the chemical makeup of the raw water. We also informed DER about the sediment problem. The utility is up-to-date

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with all of its chemical analyses, and the results are satisfactory. The results of the secondary analysis indicated the presence of iron, but the amount of iron does not exceed the maximum contaminant level (MCL). The secondary analysis also indicated the presence of hydrogen sulfide, which the utility attempts to reduce by aeration. Although hydrogen sulfide emits a strong odor, it does not present a health threat. Customers who are more sensitive to the hydrogen sulfide could install a personal filtration unit, like those found at the local department store, at a very reasonable cost. A personal filtration unit would also improve the taste and hardness of the water for those who think it unsatisfactory.

As noted above, one of the customers expressed concern about the accessibility of the utility's emergency phone number primarily because it was listed only on the utility's office door. The utility has informed us that an additional after-hours emergency phone number will be posted on its office door and that both after-hours numbers will be printed on its monthly bills. We are satisfied that this course of action will cure the problem.

The utility has been cooperative in working towards a resolution of each complaint expressed at the customer meeting. In addition, all of the drinking water tests required of FCS are up-to-date, and the results are satisfactory. In consideration of the foregoing, we find that FCS's quality of service is satisfactory.

RATE BASE

Our calculation of the appropriate rate bases for the purpose of this proceeding are depicted on Schedule No. 1 for water and Schedule No. 1-A for wastewater. Our adjustments are itemized on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

To arrive at the used and useful percentage of the water pumping and treatment facilities, we divide the sum of the 190,140 gallon per day (gpd) highest five-day average daily flow and the 120,000 gpd fire flow allowance by the 360,000 capacity of the

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plant. The quotient is .9031, which would normally result in our finding that the water pumping and treatment facilities are 90.31% used and useful. However, since the service area is "built-out" and since the South Florida Water Management District is enforcing a consumptive use permit that limits the utility to withdrawing only 276,000 gpd, we find that the water pumping and treatment facilities are 100% used and useful.

We believe that the utility's network of water mains is engineered and constructed to adequately serve the existing customers and to provide sufficient fire flow. To arrive at the used and useful percentage of the water transmission and distribution system, we divide the 524 equivalent residential connections (ERCs) at the end of the test year by the 524 ERCs capacity of the system. As is evident from these numbers, the service area is built-out. In consideration of the foregoing, we find that the water transmission and distribution system is 100% used and useful.

In arriving at the used and useful percentage of the wastewater treatment plant and disposal facilities, we divide the 82,000 gpd highest average daily flow by the 100,000 gpd rated capacity of the plant. The quotient is .82, which normally would result in our finding that the treatment plant and disposal facilities are 82% used and useful. However, DER recently directed the utility to institute plant upgrades to improve the quality of the discharged effluent, which was below regulated standards. The utility's engineer proposed installing surge tanks to level out the peak flows and adding additional chlorine contact capacity. Since these improvements have been required, it appears as though the plant cannot properly operate at its rated treatment capacity. In consideration of the foregoing, we find that the wastewater treatment plant and disposal facilities are 100% used and useful.

In our judgment, each phase of the development was constructed with appropriately sized gravity lines and prudently placed lift stations. In arriving at the used and useful percentage of the wastewater collection system, we divide the 524 ERCs at the end of the test year by the 524 ERCs capacity of the collection system. Accordingly, we find that the wastewater collection system is 100% used and useful.

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Land

In the utility's most recent staff-assisted rate case, Order No. 12787, issued December 15, 1983, we found that the appropriate amount of utility plant-in-service included land at a value of \$10,000 for each system. The utility recorded a \$8,284 addition for land for each system on January 1, 1987, which it claimed was necessary to reflect land costs not previously recognized. Based upon the amount of the documentary stamps appearing on the 1976 warranty deeds which vested title to the land on which the water and wastewater plants are located to FCS, we find that the utility's recorded land value of \$18,284 for each system is appropriate.

Working Capital

We find it appropriate to use the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirements of this utility. In a later section of this Order, we find that the proper amounts of test year operating and maintenance expense are \$65,925 for water and \$87,759 for wastewater. Therefore, we have included one-eighth of those amounts, \$8,241 and \$10,970, in the water and wastewater rate bases respectively as the proper working capital allowances.

Plant-in-Service

In Order No. 12787, issued December 15, 1983, we established values for all rate base components as of December 31, 1980. In order to calculate the proper amounts of test year plant-in-service for each system, we first adjusted the utility's recorded component balances as of December 31, 1980, to reflect the balances established in Order No. 12787. After tracing plant additions which occurred from January 1, 1981, to June 30, 1990, to invoices and reconciling the invoices with the utility's general ledger, we included certain plant additions in plant-in-service. We removed certain plant retirements and then made averaging adjustments to the resulting balances. In consideration of the foregoing, we find that the appropriate amounts of test year plant-in-service are \$232,871 for the water system and \$387,875 for the wastewater system.

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Proforma Plant Additions

As noted earlier, DER has required the utility to install additional surge tanks and chlorine contact capacity at the wastewater treatment plant. The utility has submitted an estimate showing that two surge tanks, one with a 5,000 gallon capacity and another with a 3,500 gallon capacity, and a new 8,500 gallon chlorine contact chamber would cost a total of \$31,410. We think that these costs are reasonable.

It is our practice to require signed contracts for all proforma plant improvements before we will include the improvements in rate base. It takes approximately 120 days for DER to process an application for a construction permit, and the utility has to have a construction permit before it can submit a contract. The utility in this case has applied for a permit, but its application is still pending. Since the utility has already applied for the permit and the amount involved is not substantial, and since we believe that the utility can complete the improvements within six months of our vote, we shall include the amount of the proforma plant improvements in rate base. The utility shall submit signed contracts as soon as they are available, and the docket shall remain open for six months so we can verify the completion of the proforma plant improvements.

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

The utility's recorded balances of CIAC at the end of the test year were \$47,507 for each system. Although the utility's tariff has no provision for service availability charges, we authorized the utility to collect contributions in Order No. 12787 where we stated that additions to water or wastewater plant capacity should be contributed by the developer who requires it.

For the test year, the utility recorded \$34,616 in water plant additions and \$35,941 in wastewater plant additions. An affiliate of FCS constructed the plant additions as part of a new development. The only supporting documentation the utility could produce to prove that it had made the investment for these plant additions was a copy of a page from a contract billing for a portion of the cost that was recorded. We believe that these plant additions should be recognized as contributed plant and have therefore adjusted the CIAC balances accordingly.

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Accumulated Depreciation

We have updated the accumulated depreciation balances from Order No. 12787 to the end of the test year following the guidelines of Chapter 25-30.140, Florida Administrative Code.

Amortization of CIAC

We have amortized CIAC following the guidelines of Chapter 25-30.140, Florida Administrative Code.

Test Year Rate Base

In consideration of the foregoing, we find that test year rate bases are \$145,847 for water and \$270,430 for wastewater.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

Return on Equity

The utility has a negative common equity balance. As is our practice, we have adjusted the equity balance to zero. Therefore, the rate of return on equity is zero.

Overall Rate of Return

For the purpose of calculating an overall rate of return, the utility's capital structure is comprised of two components: (1) 94.40% long-term debt at a cost rate of 11.73% and (2) 5.60% customer deposits at a cost rate of 8.00%. After reconciling the capital structure with the rate bases approved herein, we have calculated that the proper overall rate of return for this utility is 11.52%.

NET OPERATING INCOME

Our calculation of net operating income for the water system is depicted on Schedule No. 3, and our calculation of net operating

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income for the wastewater system is depicted on Schedule No. 3-A. Our adjustments are itemized on Schedule No. 3-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Revenue

The utility recorded \$90,811 in test year revenue for the water system and \$109,373 in test year revenue for the wastewater system. Since part of the test year revenues were collected pursuant to rates other than the current rates, we have imputed revenues so that the amount of test year revenues reflect collection of the current rates throughout the test year. Therefore we find that the proper amount of test year revenues are \$93,562 for the water system and \$112,562 for the wastewater system.

Operating and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. We made adjustments to reclassify certain expenses, to reflect certain allowances necessary for plant operation, and to reflect certain disallowances. A summary of our adjustments follows.

1. Salaries and Wages--Employees. The utility recorded an annual test year salary for its secretary of \$5,850 for each system, but it has requested a \$7,150 per system allowance. In consideration of the secretary's duties, we believe that the request is reasonable and have therefore increased this expense by \$1,300 for each system.

2. Salaries and Wages--Officers. The utility recorded a \$3,500 management fee for each system for this expense during the test year. Since the management service for which this fee was paid is no longer provided, we have reduced this expense by \$3,500 for each system. The utility has requested an allowance of \$12,000 for each system for a full time manager's salary. Since we believe that the request is reasonable, we have increased this expense by \$12,000 for each system.

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3. Purchased Power. The utility recorded \$8,256 for this expense for each system during the test year. We have reduced purchased power for water by \$2,412 and have increased purchased power for wastewater by \$1,281 to reflect what we believe to be reasonable annual allowances for this expense.

4. Fuel for Power Production. We have reduced this expense by \$30 for each system to reflect reclassification to miscellaneous expense.

5. Chemicals. The utility recorded \$1,635 in chemical expenses for each system during the test year. We have increased this expense by \$115 for the water system and have decreased it by \$357 for the wastewater system to reflect what we believe to be reasonable annual allowances for this expense.

6. Contractual Services. According to our audit, the utility recorded some DER required wastewater tests and some repairs and maintenance for the wastewater system as contractual services expenses for the water system. We have therefore reduced this expense by \$2,231 for the water system and increased it by \$2,231 for the wastewater system. We have also increased contractual services for the wastewater system by \$277 to reflect a reasonable annual allowance for DER required tests. Finally, we have increased contractual services for the water system by \$4,002 to reflect what we believe to be a reasonable annual allowance for repairs and maintenance.

7. Rents. We have reduced this expense by \$76 for each system to remove nonutility rent expense.

8. Regulatory Commission Expense. We have increased this expense by \$225 for each system to reflect recovery of rate case expense amortized over four years.

9. Miscellaneous Expense. We have increased this expense by \$30 for each system to reflect reclassification from the Fuel for Power Production account.

Depreciation Expense Net of CIAC Amortization

We have calculated the proper amounts for test year depreciation expense net of amortization for each system using the

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rates prescribed by Chapter 25-30.140, Florida Administrative Code. We have decreased the net expense for water by \$4,191 and have increased it for wastewater by \$6,439 in order for the net totals to reflect the proper rates and the above adjustments to rate base.

Taxes Other Than Income

Items included in the taxes other than income account include regulatory assessment fees (RAFTs), real estate taxes, tangible taxes and payroll taxes. During the test year, the utility recorded \$9,047 for the water system and \$9,501 for the wastewater system in this account. We have made several adjustments to these amounts. Since the portion of this expense attributable to RAFTs is based upon recorded test year revenues, which we have adjusted above, and the old RAFT rate of 2.5%, we have increased this expense to reflect RAFTs due on our adjusted test year revenues at the new 4.5% rate. Also, since the portion of this expense attributable to real estate and tangible taxes reflects actual taxes paid in 1989, we have adjusted this expense to reflect real estate and tangible taxes from the estimated 1990 tax bill. Finally, we have increased this expense to reflect the payroll taxes resulting from our adjusted test year salaries.

Income Taxes

The utility is a Subchapter "S" corporation and, as an entity, has no income tax liability. Therefore, an allowance for income tax expense is inappropriate.

Revenue Requirement

Based upon our review of the utility's books and records and based on the adjustments discussed above, we find that the appropriate annual revenue requirements for this utility are \$101,946 for the water system and \$146,818 for the wastewater system. This revenue requirement represents an annual increase in revenue of \$8,384 (8.97%) for the water system and \$34,256 (30.44%) for the wastewater system. This revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 11.52% return on its investment.

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RATES AND CHARGES

Monthly Rates

The utility currently employs our preferred rate structure, the base facility charge (BFC) rate structure. The BFC rate structure allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the base facility charge and pays for his or her usage through the gallonage charge. We have therefore not altered the rate structure.

The new rates which we have calculated for the utility are designed to allow it to achieve the revenue requirements approved herein. We find that these new rates are fair, just, and reasonable, and are not unduly discriminatory. The utility's existing rates and the rates which we hereby approve are set forth below for comparison.

WATER

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICES

Base Facility Charge

<u>Meter Size:</u>	<u>Current</u>	<u>Approved</u>
5/8 x 3/4"	\$ 5.69	\$ 6.98
3/4"	14.24	10.47
1"	45.55	17.45
1 1/2"	N/A	34.90
2"	N/A	55.84
3"	N/A	111.68
4"	N/A	174.50
6"	N/A	349.00
<u>Gallonage Charge</u>		
Per 1,000 gallons	\$ 1.70	\$ 1.71

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WASTEWATER
MONTHLY RATES
RESIDENTIAL SERVICE

	<u>Base Facility Charge</u>	
<u>Meter Size:</u>	<u>Current</u>	<u>Approved</u>
All Meter Sizes	\$ 6.53	\$ 9.86
<u>Gallonge Charge</u> Per 1,000 gallons	\$ 2.42 ¹	\$ 2.50 ²

¹8,000 gallon maximum
²10,000 gallon maximum

GENERAL SERVICE

	<u>Base Facility Charge</u>	
<u>Meter Size</u>	<u>Current</u>	<u>Approved</u>
5/8 x 3/4"	\$ 6.53	\$ 9.86
3/4"	16.33	14.79
1"	52.22	24.65
1 1/2"	N/A	49.30
2"	N/A	78.88
3"	N/A	157.76
4"	N/A	256.50
6"	N/A	493.00
<u>Gallonge Charge</u> Per 1,000 gallons	\$ 2.42	\$ 3.00

The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed

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customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

As noted above, we have deviated from our standard practice by including proforma plant in rate base for the wastewater system prior to receipt of signed contracts for the improvements. The above rates have been calculated so that the utility will earn a return on its investment in the improvements. Therefore, the utility shall provide security for a potential refund of revenues attributable to the inclusion of the improvements in rate base. Within twenty-one (21) days of the date of this Order, the utility shall file a letter of credit in the amount of \$2,422, which represents six months' difference in rates with and without the proforma improvements, plus interest.

Amortization of Rate Case Expense

Section 367.0816, Florida Statutes, states,

The amount of rate case expense determined by the commission . . . to be recovered through . . . rate[s] shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate[s] . . . shall be reduced immediately by the amount of rate case expense previously included in rates.

The only rate case expense incurred by the utility for this case is the \$1,800 filing fee it paid. Pursuant to the above-quoted section of Chapter 367, we calculate that for \$1,800 to be recovered over four years, \$225 must be recovered annually for each system. However, since that annual amount does not reflect the RAFs the utility must pay on the revenue attributable to rate case expense recovery, we have grossed-up the annual amount to reflect the RAFs and, upon so doing, find that the appropriate annual recovery of rate case expense is \$235 for each system per year for four years.

At the end of four years, the utility's rates should be reduced to reflect the \$235 reduction to its annual revenue requirement for each system. Based on existing circumstances, the effect of this revenue reduction will be a \$.02 reduction in the water base facility charge and a \$.02 reduction in the wastewater

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base facility gallonage charge. The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or a pass-through rate adjustment, separate data shall be filed for each rate change.

Miscellaneous Service Charges

Currently, the utility's tariffs have no provision for miscellaneous service charges. The miscellaneous service charges set forth below, which we hereby approve, are designed to defray the costs associated with each of the services provided and place the responsibility of the costs on the person creating it rather than on the ratepaying body as a whole.

<u>Type Service</u>	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$ 15.00
Normal Reconnection	\$15.00	\$ 15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit	\$10.00	\$ 10.00

When both water and sewer services are provided, only a single charge is appropriate unless circumstances beyond the control of the utility require multiple action.

For clarification a description of each type of service follows:

Initial Connection - This charge would be levied for 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.

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base facility gallonage charge. The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or a pass-through rate adjustment, separate data shall be filed for each rate change.

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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.

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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 collectable bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The charges approved above shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved charges along with a proposed customer notice listing the new charges and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

Service Availability Charges

As stated earlier, the utility does not have approved service availability charges. Since the service area is built-out and there are no immediate plans for expansion, we see no reason to establish service availability charges at this time.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water and wastewater rates. A timely protest could delay what may prove to be a justified rate increase pending the completion of a formal hearing and issuance of a final order, thus resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the water and wastewater rates approved herein, on a temporary basis, subject to refund, provided that the utility furnishes adequate security for a potential refund through a bond, letter of credit, or escrow account. Such security shall be in addition to that required in a previous section of this Order.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$29,954. If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and

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Reporting. The escrow account is established by the direction of this Commission for the purpose set forth above. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

The utility must keep an accurate and detailed account of all monies received as a result of its implementing the temporary rates, specifying by whom or on whose behalf such amounts were paid. By the twentieth day of the month for each month that the temporary rates are in effect, the utility shall file a report showing the amount of revenues collected pursuant to the implementation of the temporary rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Fisherman's Cove of Stuart, Inc., for an increase in its water and wastewater rates in Martin County is approved as set forth in the body of this Order. It is further

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

ORDERED that all matters contained in the body of this Order and in the schedules attached hereto are by reference incorporated herein. 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 25-22.029, 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 date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Fisherman's Cove of Stuart, Inc., is authorized to charge the new rates and charges set forth in the body of this Order. It is further

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ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

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

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


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

ORDERED that within twenty-one (21) days of this Order Fisherman's Cove of Stuart, Inc., shall file a letter of credit in the amount of \$2,422. It is further

ORDERED that the docket shall remain open so that we may monitor completion of proforma plant improvements.

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By ORDER of the Florida Public Service Commission, this 25th
of MARCH, 1991.


STEVE TRIBBLE Director,
Division of Records and Reporting

(S E A L)
MJF

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 actions taken herein, except for the granting of temporary rates in the event of protest, are 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

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office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 15, 1991. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or 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.

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FISHERMAN'S COVE OF STUART, INC
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1
 DOCKET NO. 900654-WS

	TEST YEAR PER UTILITY	COMM. ADJUST TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 397,680 A	\$ (164,809)	\$ 232,871
LAND/NON-DEPRECIABLE ASSETS	18,284 B	0	18,284
PLANT HELD FOR FUTURE USE	0 C	0	0
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	0 E	0	0
C.I.A.C.	(47,507)F	(31,302)	(78,809)
ACCUMULATED DEPRECIATION	(143,562)G	96,537	(47,025)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	5,464 I	6,821	12,285
WORKING CAPITAL ALLOWANCE	7,063 J	1,178	8,241
	-----	-----	-----
WATER RATE BASE	\$ 237,422	\$ (91,575)	\$ 145,847
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FISHERMAN'S COVE OF STUART, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1-A
 DOCKET NO. 900654-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 304,630 A	\$ 83,245	\$ 387,875
LAND/NON-DEPRECIABLE ASSETS	18,284 B	0	18,284
PLANT HELD FOR FUTURE USE	0 C	0	0
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	0 E	0	0
C.I.A.C.	(47,507) F	(37,237)	(84,744)
ACCUMULATED DEPRECIATION	(83,861) G	7,801	(76,060)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	5,464 I	8,641	14,105
WORKING CAPITAL ALLOWANCE	9,297 J	1,673	10,970
WASTEWATER RATE BASE	\$ 206,307	\$ 64,123	\$ 270,430
	=====	=====	=====

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FISHERMAN'S COVE OF STUART, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 SCHEDULE NO. 1-B
 Page 1 of 2

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To adjust the utility's plant balances at 12/31/80 to amounts established by Order No. 12787.	\$(150,614)	\$ 77,276
2. To reflect allocation of pumps to wastewater plant.	(2,006)	2,006
3. To reflect proforma amount for tanks.		31,410
4. To reflect retirement of transportation equipment.	(11,693)	(11,693)
5. To reflect test year average adjustment.	(496)	(15,754)
	<u>\$(164,809)</u>	<u>\$ 83,245</u>
F. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>		
To reflect staff's recommended total at 6/30/90.	<u>\$ (31,302)</u>	<u>\$(37,237)</u>
G. <u>ACCUMULATED DEPRECIATION</u>		
1. To adjust utility's balance at 12/31/80 to amount established by Order No. 12787.	\$ 5,082	\$ 12,479
2. To reflect staff's imputed amounts for the period 1/81 through 6/90.	75,336	(23,952)
3. To reflect retirement of transportation equipment.	11,693	11,693
4. To reflect average adjustment.	4,426	7,581
	<u>\$ 96,537</u>	<u>\$ 7,801</u>

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FISHERMAN'S COVE OF STUART, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 SCHEDULE NO. 1-B
 Page 2 of 2

	<u>WATER</u>	<u>WASTEWATER</u>
I. <u>AMORTIZATION OF CIAC</u>		
1. To reflect staff's recommended total at 6/30/90.	\$ 7,883	\$ 9,741
2. To reflect average adjustment.	<u>(1,062)</u>	<u>(1,100)</u>
	<u>\$ 6,821</u>	<u>\$ 8,641</u>
J. <u>WORKING CAPITAL ALLOWANCE</u>		
To reflect one-eighth of operation and maintenance expense.	<u>\$ 1,178</u>	<u>\$ 1,673</u>

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FISHERMAN'S COVE OF STUART, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 2
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	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 394,083	\$ (1,118)	\$ 392,965	94.40%	11.73%	11.07%
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	23,312	0	23,312	5.60%	8.00%	0.45%
COMMON EQUITY	0	0	0	0.00%	0.00%	0.00%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 417,395	\$ (1,118)	\$ 416,277	100.00%		11.52%
RANGE OF REASONABLENESS	LOW	HIGH				
RETURN ON EQUITY	0.00%	0.00%				
OVERALL RATE OF RETURN	11.52%	11.52%				

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FISHERMAN'S COVE OF STUART INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO.3
DOCKET NO.900654-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 90,811 A	\$ 2,751	\$ 93,562 G	\$ 8,384	101,946
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	56,502 B	9,423	65,925	0	65,925
DEPRECIATION(NET)	10,829 C	(4,191)	6,638	0	6,638
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME TAXES	9,047 E	3,156	12,203 H	378	12,581
INCOME TAXES	0 F	0	0	0	0
TOTAL OPERATING EXPENSES	76,378	\$ 8,388	\$ 84,766	\$ 378	85,144
OPERATING INCOME/(LOSS)	14,433	\$ (5,637)	\$ 8,796	\$ 8,006	16,802
WATER RATE BASE	237,422	\$	145,847	\$	145,847
RATE OF RETURN	6.08%		6.03%		11.52%

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FISHERMAN'S COVE OF STUART, INC.
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 3-A
 DOCKET NO. 900654-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 109,373 A	\$ 3,189	\$ 112,562 G	\$ 34,256	\$ 146,818
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	74,378 B	13,381	87,759	0	87,759
DEPRECIATION(NET)	6,866 C	6,439	13,305	0	13,305
AMORTIZATION	0 D	0	0	0	0
TAXES OTHER THAN INCOME	9,501 E	3,557	13,058 H	1,542	14,600
INCOME TAXES	0 F	0	0	0	0
TOTAL OPERATING EXPENSES	90,745 \$	23,377 \$	114,122 \$	1,542 \$	115,664
OPERATING INCOME/(LOSS)	18,628 \$	(20,188) \$	(1,560) \$	32,714 \$	31,154
WASTEWATER RATE BASE	206,307	\$	270,430	\$	270,430
RATE OF RETURN	9.03%		-0.58%		11.52%

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FISHERMAN'S COVE OF STUART, INC.
 SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
 SCHEDULE NO. 3-B
 Page 1 of 2

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>OPERATING REVENUES</u>		
To reflect annualized test year revenue based on existing rates.	<u>\$ 2,751</u>	<u>\$ 3,189</u>
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>		
1. To reflect secretary's annualized salary.	\$ 1,300	\$ 1,300
2. To reflect manager's salary.	12,000	12,000
3. To remove non-recurring management fee.	(3,500)	(3,500)
4. To reflect purchased power allowance as determined by the staff engineer.	(2,412)	1,281
5. To reflect reclassification to Account Nos. 675 and 775.	(30)	(30)
6. To reflect chemical expense as determined by the staff engineer.	115	(357)
7. To reflect DER required wastewater testing as determined by the staff engineer.		277
8. To reflect reclassification to wastewater.	(2,231)	2,231
9. To reflect annual repairs and maintenance expense for water as determined by the staff engineer.	4,002	
10. To remove a non-utility rent expense.	(76)	(76)

FISHERMAN'S COVE OF STUART, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
SCHEDULE NO. 3-B
Page 2 of 2

	<u>WATER</u>	<u>WASTEWATER</u>
11. To reflect rate case expense amortized over four years (1,800/4 = 450/2 = 225)	\$ 225	\$ 225
12. To reflect reclassification from Account Nos. 616 and 717.	<u>30</u>	<u>30</u>
	<u>\$ 9,423</u>	<u>\$ 13,381</u>
 C. <u>DEPRECIATION EXPENSE</u>		
To reflect test year depreciation expense net of CIAC.	<u>\$ (4,191)</u>	<u>\$ 6,439</u>
 E. <u>TAXES OTHER THAN INCOME</u>		
1. To reflect regulatory assessment fee at 4.5% on test year revenue.	\$ 1,940	\$ 2,331
2. To adjust real estate taxes to estimated taxes for 1990.	(373)	(363)
3. To adjust tangible taxes to estimated taxes for 1990.	184	184
4. To adjust payroll taxes to amounts due based on staff's recommended salaries.	<u>1,405</u>	<u>1,405</u>
	<u>\$ 3,156</u>	<u>\$ 3,557</u>
 G. <u>OPERATING REVENUES</u>		
To reflect increase in revenues required to cover expenses and allow recommended rates of return on investment.	<u>\$ 8,384</u>	<u>\$31,256</u>
 H. <u>TAXES OTHER THAN INCOME</u>		
To reflect regulatory assessment fee at 4.5% on increase in revenues.	<u>\$ 378</u>	<u>\$ 1,542</u>