BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Application for a rate increase in Lee County by FFEC-Six, Ltd. | DOCKET NO. 900521-WS<br>ORDER NO. 24733<br>ISSUED: 7/1/91 |

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
GERALD L. GUNTER
MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING FINAL
RATES AND CHARGES

BY THE COMMISSION:

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

FFEC-Six, Ltd. (FFEC or utility) is a Class B utility located in North Fort Myers, Florida. The FFEC water system serves approximately 1,297 customers and the wastewater system serves approximately 1,258 customers.

On December 3, 1990, the utility filed an application for increased water and wastewater rates. The information satisfied the minimum filing requirements (MFRs) and December 3, 1990 was established as the official date of filing. In accordance with Section 367.081(8), Florida Statutes, the utility has requested that this case be processed as a Proposed Agency Action (PAA).

In its application, FFEC requested final water and wastewater rates designed to generate annual revenues of $345,568 and $413,541 respectively. These requested revenues exceed the projected test year revenues for water by $102,851 (42.4 percent) and for wastewater by $76,046 (22.5 percent). The test year for final rates is the projected twelve-month period ended December 31, 1990, based on a historical base year of December 31, 1989.

FFEC also requested an interim increase in its water and wastewater revenues. By Order No. 24128, issued February 18, 1991, we suspended the proposed water and wastewater rates and granted increased water and wastewater revenues on an interim basis. The interim water revenue increase was $84,802 (40.9 percent), and the interim wastewater revenue increase was $67,626 (23.6 percent). On March 4, 1991, A Motion for Reconsideration was filed on behalf of a customer of FFEC. This motion was denied by Order No. 24406.

## QUALITY OF SERVICE

Our analysis of the overall quality of service provided by the utility is based upon our evaluation of the utility's compliance with the rules of the Department of Environmental Regulation (DER) and other regulatory agencies, the quality of the utility's product of water or wastewater, the operational conditions of the utility's plants, and customer satisfaction. A customer meeting was conducted by our staff to gather information from the customers regarding quality of service and other matters. Their concerns are addressed below.

FFEC's service area consists of two mobile home parks: Lake Fairways Country Club (Lake Fairways) and Pine Lakes Country Club (Pine Lakes). Treatment of raw water obtained from several wells within the area includes chlorination and aeration. FFEC also purchases treated water from Lee County that it uses to serve Pine Lakes. Collected wastewater is treated by means of a 300,000 gallons per day (GPD) extended aeration plant. Effluent is disposed of by means of spray irrigation to Pine Lakes' golf course and by percolation ponds.

At this time, the utility has no outstanding citations on file with DER or with Environmental Engineers in Fort Myers. FFEC is in violation of a DER rule for not having a current operating permit for the wastewater treatment plant. However, the inspection by DER has been completed and FFEC is expected to apply for the permit shortly and should receive it within ninety days thereafter.

As mentioned above, FFEC purchases bulk treated water from Lee County for service to Pine Lakes. On several occasions, Lee County has requested that FFEC send its Pine Lakes customers a "boil water notice" because the maximum contaminant level for trihalomethanes (THMS) had been exceeded. Lee County is currently testing and evaluating alternatives for the economic treatment of THMS in the water supply. FFEC is to provide quarterly notices to its Pine Lakes customers until the THMS are reduced to or below the maximum contaminant level allowed. Therefore, we believe the quality of service problem in Pine Lakes is a result of the problems experienced by Lee County and does not reflect on the utility's quality of service.

An on-site inspection was conducted on February 8, 1991. The formal field inspection primarily included the field inspection of the water and wastewater treatment plants and the service area. Several lift stations as well as several customer meters were inspected. The interconnection between Lee County and Pine Lakes was also seen. No violations were noted at either of the treatment plants during the inspection.

The customer meeting was held in the service area on February 7, 1991, and 15 customers spoke. Over three hundred customers were in attendance. The major concern of all the speakers centered around the requested large increase in the water and wastewater rates. Most speakers indicated their belief that the increase was not justified in terms of the quality of service they were receiving. However, one speaker stated that in Lake Fairways, the quality was excellent. He had no problems with the water and was very rarely shut off. He continued that most people do not need a water softener in Lake Fairways. This caused a response from the audience and over half of the customers, when asked, indicated that they had some type of water softening system at their home. However, several of the customers who indicated that they had water softening systems reside in Pine Lakes and receive their water from Lee County.

One customer addressed the concern about whether or not the developer received free water while construction was in progress. The utility has acknowledged that this was a problem in the past, but that the problem has been corrected. As soon as construction begins, a meter is installed at the site and the developer is responsible for the water that is used. In addition, the utility made an adjustment to the 1990 projected test year billing analysis to take into account the previously unrecorded water.

Several letters regarding this rate case have been received at the Commission. All of the letters address the percentage increase sought by the utility. Many customers believe it to be excessive.

In reviewing the complaints received from the customers during the year, it appeared that the majority of the calls were for re-reads of the meters. This was also a concern addressed at the customer meeting. Some customers felt their meters were not being read because they were receiving the exact same bill each month. We are informed that the meters are read monthly and the exact amount used is recorded. However, for billing purposes, the usage is rounded down to the nearest thousand. This results in some of the customers receiving the same bill each month. Other customers did not understand how they could use 2,000 gallons one month and 4,000 gallons the next month when they had not changed their usage pattern. This is also a result of the rounding down procedure used by the utility.

With the method of rounding down, the utility records the actual usage of the customer. However, for billing purposes, the utility only considers the numbers recorded in the thousandth column. For example, if a customer used 2,900 gallons for the first month, he would be charged for a usage of 2,000 gallons. There would then be a carry over of the 900 gallons. This carry over usage would then be added to the following month. In the second month, if the customer used 2,500 gallons, the utility would read the difference between 5,000 gallons and 2,000 gallons and charge the customer for 3,000 gallons of usage. This procedure results in this customer receiving a bill for 2,000 gallons one month and a bill for 3,000 gallons the following month without the customer changing his water usage by a large amount. However, this method does not penalize the customer, because over a period of time, the actual usage will equal the actual amount billed. We are informed that this procedure was explained to all of the customers when they requested service from FFEC.

Upon consideration of the above information, we find that the quality of service provided by FFEC in treating and distributing water is satisfactory and that the quality of service provided in collecting, treating and disposing wastewater is also satisfactory.

## RATE BASE

Our calculation of the appropriate water and wastewater rate bases are attached to this Order as Schedules Nos. 1-A for water and 1-B for wastewater. Our adjustments are attached as Schedule

No. 1-C. Those adjustments which are self-explanatory or essentially mechanical in nature are set forth in those schedules without any further discussion in the body of this Order. The major adjustments are discussed below.

Margin Reserve

Margin reserve represents capacity that the utility must have available, beyond that which is demanded by the test year customers, to enable the utility to connect new customers without plant expansion during the next 12 to 18 months which is the normal expected construction time to build new plant. Commission policy is to include a margin reserve in the used and useful calculation for both treatment plants and distribution and collection systems. This policy recognizes that utilities which are experiencing growth will continue to add customers to the system and that customers will pay plant capacity fees and connection fees for the availability of water and wastewater service. The Commission recognizes these service availability charges that will be paid as contributions-in-aid-of-construction (CIAC) and includes them in the projected test year, which impacts the utility's rate base.

Our calculations for margin reserve are based upon the average growth in equivalent residential connections (ERCs) over the past five years. Margin reserve should not exceed 20 percent of the number of ERCs served at the end of the test year.

Lake Fairways' water treatment plant provides treated water to the residents of Lake Fairways. The residents of Pine Lakes receive purchased treated water from Lee County. Due to the fact that Lake Fairways is essentially built-out, FFEC is requesting that no margin reserve be included in the used and useful calculations for the water treatment plant. FFEC has requested a margin reserve of 20 percent for its wastewater treatment plant, a margin reserve of 138 ERCs for the water distribution system and a margin reserve of 142 ERCs for the wastewater collection system.

Lake Fairways' wastewater treatment plant experienced an average growth of 19 percent from 1985 to 1989. Due to the fact that margin reserve should not exceed 20 percent, we agree with the utility and will include a margin reserve of 33,000 GPD.

For the Lake Fairways water distribution system, the average growth of ERCs over the last five years is 240 ERCs. However, since the utility only has the line distribution capacity to serve 1,551 ERCs and is already serving 1,413 ERCs, the total margin reserve added in ERCs should be limited to 138 ERCs.

The wastewater collection system experienced an average growth of 247 ERCs over the last five years. However, as mentioned above, only 142 ERCs are needed until the system is at build-out. Therefore, we will include a margin reserve of 142 ERCs in the calculation of used and useful.

Used and Useful

We calculated used and useful for the water treatment plant by adding peak flow, required fire flow, margin reserve, less any excessive unaccounted for water, and then dividing by total capacity. The used and useful percentage of the wastewater treatment plant was calculated in a similar manner by adding the average flow of the peak month and the margin reserve, less any excessive infiltration, and then dividing by total capacity.

The used and useful percentages for the water distribution system and the wastewater collection system are calculated by determining the average number of connections to the system for the test year, adding a margin reserve and then dividing by the capacity of the present distribution or collection system.

Lake Fairways' water treatment plant's maximum daily flow exceeds the total capacity. Therefore, the water treatment plant is considered 100 percent used and useful.

The wastewater treatment plant was expanded from .150 MGD to .300 MGD in 1989. Before its expansion, the wastewater treatment plant was considered 100 percent used and useful. In the MFRs, the utility showed an average daily flow of .165 MGD for 1990. Since the average growth of the utility for the last five years exceeded 20 percent, we believe it appropriate to cap the margin reserve at 20 percent. This adds 33,000 GPD to the average daily flow and results in a used and useful percentage of 66 percent for the wastewater treatment system.

The utility calculated its used and useful percentage for the wastewater treatment plant using the flows approved by DER for the design capacity of the wastewater treatment plant expansion. The utility projected 1,358 mobile homes in 1990. The permitted flow per mobile home is 150 GPD. The utility also added in a margin reserve of 20 percent or 272 mobile homes. This brought the total projected flow for 1990 to 244,500 GPD. Dividing this flow by the capacity of 300,000 GPD yielded a used and useful percentage of 82 percent.

The utility stated that the DER would not allow the utility to use historical flows to determine the permitted flow per mobile home. We are informed by the DER South District Office that the DER does not mandate what the utility has to use as flow data for its customers. If the engineer for the utility can show flows based on historical data, then DER will issue a permit to the utility for that flow. The engineer hired by the utility submitted an application which requested 75 GPD per person, with two people per mobile home. This equated to 150 GPD per mobile home. Based on the 1989 wastewater flows for Lake Fairways and Pine Lakes Mobile Home Parks, we calculated an average daily flow of 95 GPD per mobile home. Also, the average daily usage of water for the single family residents in 1989 was only 115 GPD, so even with 100 percent return of water, the wastewater flows would still not be 150 GPD.

It is not clear whether or not the DER required the 150 GPD flow or the engineer for the utility requested the 150 GPD flow. The DER official that processed the application is no longer working at DER. However, we believe that since historical data is available, the used and useful percentage for the wastewater treatment plant should be calculated using that data. An example of this is in the case of a utility needing extra capacity to connect more customers. The utility could request DER to allow it to connect additional customers based on the fact that its historical flows are lower than its permitted flows. However, in the case of a utility that will never reach its permitted capacity, there is no benefit to the utility to change its permitted flows based on historical data.

The utility also argues that the wastewater treatment plant will not reach 100 percent used and useful based on flow data even when the service area is at build-out. Therefore, the utility believes the used and useful percentage should be based on the percentage of service territory that is occupied. The utility's consultant stated that the utility was approximately 82 percent built-out.

We do not believe that the used and useful percentage for a treatment plant should be based on the percentage of territory that is built-out. This method makes the assumption that the service area is at least as large as the treatment plant. This is clearly a mismatch. It also does not take into consideration the various types of customers that exist in that service territory. It is Commission practice to consider the utility 100 percent used and useful at build-out. Therefore, we believe that used and useful percentages should be based on historical flows rather than the permitted flows or the percentage of service territory that is built-out. The wastewater treatment plant should therefore, be considered 66 percent used and useful.

Since the utility only has the line distribution capacity to serve 1,551 ERCs and is already serving 1,413 ERCs, the addition of margin reserve causes the used and useful percentage to be above 100 percent. This is also the case with the wastewater collection system. Therefore, we find that the water distribution and wastewater collection systems are 100 percent used and useful.

Plant-in-Service

Our audit found several capital items that the utility recorded as expenses in 1989. The first invoice was for $3,054 for two breathing units and wall-mounted cases. These items should be considered as part of general plant. The units will provide service for more than a one-year period. In addition, the cost is substantial and should be depreciated over the useful life. Therefore, this invoice should be capitalized as utility plant-in-service. This invoice was paid in 1989, therefore no adjustment to the 1990 test year expenses is needed.

The audit also found that the utility had been recording its meters as expenses since 1988. An adjustment must be made to reflect the cost of the meters. The utility submitted several invoices reflecting the cost of the meters and the number of customers connected to the system in each of these years. The utility indicated that the meters were installed by employees who performed many functions and installed meters while out in the field. When asked about the additional labor costs to install the meters, the utility responded that the cost was minimal and should not be included in the capitalization of the meters. Based on this information, we find that utility plant-in-service should be increased by $9,622 to reflect 282 meters installed in 1988 and 1989. Accordingly, water plant-in-service should be increased by $11,149 and wastewater plant-in-service should be increased by $1,527.

The accumulated depreciation must be adjusted to reflect accumulated depreciation as if these items had been properly capitalized at the time of acquisition. This results in an increase to accumulated depreciation of $939 for the water system and $153 for the wastewater system, which we find to be appropriate. This increase in utility plant-in-service will impact the depreciation expense. Therefore, we find that depreciation expense should be increased by $583 for the water system and $102 for the wastewater system.

Plant Held for Future Use

The MFRs reflect a zero balance for water plant held for future use. Since the water facilities were found to be 100 percent used and useful, no adjustment is necessary for the water system.

The utility calculated non-used and useful wastewater treatment plant in the amount of $122,726. The utility's calculation of the non-used and useful portion of the related accumulated depreciation is $19,460.

Based on our earlier decision, the wastewater treatment plant is 66 percent used and useful. Applying this percentage to the average wastewater treatment plant-in-service results in a non-used and useful portion of plant in the amount of $231,954. Therefore, the MFRs must be adjusted by $109,228 to reflect our calculation of the non-used and useful portion of the wastewater treatment plant.

Applying the same 66 percent to the related accumulated depreciation results in a non-used and useful portion of accumulated depreciation in the amount of $36,765. Therefore, the MFRs must be adjusted by $17,305 to reflect this calculation of the non-used and useful portion of the accumulated depreciation. These adjustments result in a net adjustment of $91,923 to the wastewater plant held for future use.

The utility calculated depreciation expense related to plant held for future use as $6,555. Using our adjusted non-used and useful percentage, we find that the appropriate depreciation expense related to the plant held for future use is $10,888. Therefore, we will reduce the depreciation expense by an additional $4,333.

Land

The MFRs include a land value of $1,092 for the water system and $49,935 for the wastewater system. The prior rate case included the same amount of land for the water system and a lower amount of $26,504 for the wastewater system. In 1987, the utility purchased approximately 1.5 acres for the expansion of the wastewater system designed to include the Pine Lakes system. The land is in the name of FFEC-Six, Inc.

Commission Order No. 24240, issued March 14, 1991, acknowledged the restructuring and name change of the utility from FFEC-Six, Inc. to FFEC-Six, Ltd. The utility has not yet changed the name on the title to the land. Commission policy is that each utility should own, in its name, the land where the utility facilities are located or submit evidence of long-term access and use of the land, such as a 99-year lease.

While FFEC-Six, Inc. continues to exist as the majority ownership partner, we believe that it is reasonable to expect the utility to adjust the name on the title to FFEC-Six, Ltd. Therefore, the utility should re-title the land. However, the utility indicated that there may be certain county-imposed costs involved in transferring the title. In the alternative, the utility can provide evidence of an agreement that provides for the continued use of the land, such as a 99-year lease. Either course of action should be taken within 30 days of the date of this Order.

We have reviewed the land values shown in the MFRs. The land shown in the prior case was brought forward at the same values. FFEC purchased additional land in 1987 from a related party. We reviewed the calculation of the land cost allocated to the utility. The land cost allocated resulted in an average cost of $15,621 per acre for a total cost of $23,431. We find that this is a reasonable cost and should be added to rate base. This results in a total land value of $1,092 for the water system and $49,935 for the wastewater system.

<u>Contributions-in-Aid-of-Construction (CIAC)</u>

The MFRs reflect a December 31, 1990 balance for CIAC of $393,381 for the water system and $765,143 for the wastewater system. The utility adjusted the year-end balance to include the test year average in rate base and to impute CIAC on the ERCs included in the margin reserve. The utility imputed CIAC on 138 ERCs for the water system and 272 ERCs for the wastewater system. As previously indicated, we agree with the utility's calculation of 138 ERCs for the margin reserve for the water system. However, we calculated a margin reserve of 274 ERCs for the wastewater system. Therefore, we must adjust the utility's imputation of CIAC for the additional 2 ERCs in the margin reserve. This results in an additional $1,385 in the wastewater CIAC.

The utility filing is based on a projected test year ended December 31, 1990. Nine months of the test year are based on actual data and the last three months are based on projected data. The audit compared the 1989 and 1990 general ledger balances of

CIAC to the MFR balances. In both years, a discrepancy was found between the MFR balances and the general ledger balances. At December 31, 1989, the water CIAC in the MFRs appears to be overstated by $50,240 and the wastewater balance appears to be understated by $50,240. The December 31, 1990 balances are similarly misstated. Therefore, we find it appropriate to adjust the MFRs to the general ledger balances.

Incorporating these two adjustments results in an average test year balance for water CIAC of $471,221 and an average test year balance for wastewater CIAC of $872,793.

The MFRs reflect an average test year balance of accumulated amortization of CIAC of $56,290 for the water system and $114,889 for the wastewater system. These balances include a utility calculation of the accumulated amortization related to the imputation of CIAC on the ERCs included in the margin reserve. Based on the above, a related adjustment must be made to the accumulated amortization account for wastewater. This results in an increase of $44. Therefore, the average test year balance of accumulated amortization of CIAC is $56,290 for the water system and $114,933 for the wastewater system.

A related adjustment must also be made to depreciation expense. The additional amount of annual amortization related to the imputation of CIAC is $44. Therefore, we will reduce depreciation expense by this amount.

Prior Case Accumulated Depreciation

Order No. 14141, issued in the utility's prior rate case, included an adjustment to decrease accumulated depreciation by $212 for the water system and $1,985 for the wastewater system. The audit found that when the utility recorded the prior rate case adjustments to accumulated depreciation, the adjustment was reversed. Thus, we will make an adjustment to correct this error. This results in a decrease to accumulated depreciation of $424 for the water system and $3,980 for the wastewater system.

Working Capital

The utility calculated its working capital using the formula method, that is, one-eighth of operation and maintenance (O & M) expenses, as set forth in the MFRs. However, we have reduced the O & M expense level requested by the utility, as discussed in a subsequent portion of this Order. Accordingly, we are adjusting the working capital amounts requested by the utility. Thus, we find the appropriate amount of working capital to include in rate base to be $19,819 and $17,719 for the water and wastewater systems, respectively.

Rate Base

Based upon the utility's filing and our adjustments thereto, we find the average test year rate base to be $1,056,929 for the water system and $1,606,752 for the wastewater system.

## CAPITAL STRUCTURE

Long-term Debt

The MFRs show a test year average balance of long-term debt in the amount of $3,372,593. This actually represents the year-end balances of two types of long-term debt. The first is a set of three notes payable to an associated company, totalling $1,897,489. The second is a note payable to First Interstate Mortgage Company (FIMC) in the amount of $1,475,104.

We reviewed the notes payable to the associated company. The notes range in values and maturity terms; however, the three are all at nine percent interest. We believe that the notes are reasonable and that the average balance of $1,897,489 and the interest rate of nine percent should be included in the capital structure.

The FIMC note was at an interest rate of prime plus 1/2 percent and was due to mature on September 30, 1992. Further review of the FIMC note revealed that the utility refinanced the note with Mutual of New York (MONY) effective December 31, 1990. Because this refinancing occurred during the test year (although on the last day), we will recognize it in the capital structure. Because the MONY note is representative of the cost to the utility when rates are in effect, we believe that the MONY note should be substituted for the FIMC note. This results in an increase to long-term debt of $24,896. The stated interest rate of the MONY note is 9.875 percent. This rate is representative of the cost to the utility when rates are in effect; therefore, the annual cost of 9.875 percent should be substituted for the prime plus 1/2 percent rate for the FIMC note.

The utility also included the amortization of loan costs in determining the appropriate cost of long-term debt. This is consistent with Commission policy. Late in the processing of this case the utility provided the issue costs, $533,474.58, related to the MONY note and copies of the related invoices. Upon review of the invoices, we found that several referred to the reorganization of the utility and several others contained insufficient detail to determine the purpose of the invoice. The list below shows the costs submitted by the utility and those which we believe have been supported by invoices. The utility was sent a letter detailing which items appeared to need additional support. The utility decided it did not want to make public the details of its reorganization and therefore did not respond to several of our requests. The utility stated that it was willing to accept only those costs which were fully justified without the additional information.

The invoices that did not have sufficient detail to determine the nature of the billing are: Item 12 to Coopers and Lybrand; Item 29 to Henderson, Franklin, Stannes & Holt, P.A., and Item 35 to Lan Ron to reimburse for Price Waterhouse expenses. These invoices either stated "progress billing" or "analysis" with no further explanation. Without further explanation, these charges must be disallowed.

Several invoices referred to the reorganization of the utility and its related companies. These invoices are: Items 13, and 31-33 to Coopers and Lybrand; Item 30 to Irell and Manella; and Item 36 to Ernst and Young. These invoices referred to the reorganization and the related activities such as calculations regarding the shareholder basis in assets, the asset transfers, and the tax planning issues. We believe that these costs should not be included in the debt issue costs. They could be considered organization costs and capitalized, if the reorganization was beneficial to the customers. However, we are not capitalizing these costs at this time because additional documentation is needed to justify them.

We are also concerned with the number of accounting and engineering firms which were included in the list. It appears that some duplication could have occurred. However, several of the above adjustments removed some of the duplicated types of charges. However, there are still several charges in Items 23-25 to MONY for legal and engineering fees. Since we are uncertain what these fees covered, we must disallow these costs.

FFEC-SIX, LTD.
DEBT ISSUE COSTS
ISSUANCE OF MONY DEBT

| Schedule of Costs: | | Per Utility | Per Commission |
|---|---|---|---|
| 1) | 60 Minute Photo | 79.56 | 79.56 |
| 2) | Tri-County Title | 185.00 | 185.00 |
| 3) | Johnson Engineering | 20,135.16 | 20,135.16 |
| 4) | Johnson Engineering | 441.95 | 441.95 |
| 5) | Federal Express | 22.50 | 22.50 |
| 6) | Missimer & Assoc | 2,935.00 | 2,935.00 |
| 7) | Northland Financial | 50,000.00 | 50,000.00 |
| 8) | Department of State | 1,846.25 | 1,846.25 |
| 9) | Federal Express | 110.50 | 110.50 |
| 10) | Johnson Engineering | 13,759.57 | 13,759.57 |
| 11) | US Postal Service | 28.95 | 28.95 |
| 12) | Coopers & Lybrand | 3,000.00 | 0.00 |
| 13) | Coopers & Lybrand | 8,500.00 | 0.00 |
| 14) | Federal Express | 15.50 | 15.50 |
| 15) | Johnson Engineering | 1,899.00 | 1,899.00 |
| 16) | Federal Express | 97.50 | 97.50 |
| 17) | Johnson Engineering | 2,052.35 | 2,052.35 |
| 18) | MONY Origination Fee | 60,000.00 | 60,000.00 |
| 19) | Lee County Clerk | 63,042.55 | 63,042.55 |
| 20) | Secretary of State | 131.25 | 131.25 |
| 21) | Title Insurance | 36,600.00 | 36,600.00 |
| 22) | Title Insurance | 575.00 | 575.00 |
| 23) | MONY (Legal Fees) | 20,000.00 | 0.00 |
| 24) | MONY (Engineering Fees) | 6,000.00 | 0.00 |
| 25) | MONY (Escrow Fee) | 1,000.00 | 0.00 |
| 26) | Ms. June McNew | 250.00 | 250.00 |
| 27) | Olsten Temporary | 351.75 | 351.75 |
| 28) | Northland Financial | 70,000.00 | 70,000.00 |
| 29) | Henderson Franklin | 69,896.00 | 0.00 |
| 30) | Irell & Manella | 52,150.00 | 19,950.00 |
| 31) | Coopers & Lybrand | 9,850.00 | 4,700.00 |
| 32) | Coopers & Lybrand | 2,750.00 | 0.00 |
| 33) | Coopers & Lybrand | 600.00 | 0.00 |
| 34) | C & S Ltr of Credit Fee | 4,671.24 | 4,671.24 |
| 35) | Lan Ron Prepd Loan Costs | 31,893.00 | 720.19 |
| 36) | Ernst & Young | 18,605.00 | 0.00 |
| | | $553,474.58 | $354,600.77 |

Reducing the $553,474.58 requested by the utility by the costs which have been disallowed, results in total debt issue costs of $354,600.77. These costs should be amortized over the life of the debt. The debt matures in five years. This results in an annual amortization of $8,865.

The remaining balance of the unamortized loan costs related to the FIMC note should be included in the calculation of an effective interest rate. Because the FIMC note was refinanced prior to maturity, there is a $12,569 balance of unamortized loan costs. This remaining balance should be amortized over the life of the MONY note. This results in an annual expense of $2,514. Incorporating the two amounts of debt issue costs results in an effective interest rate of the MONY note of 10.63%.

Averaging the MONY note and the notes to the associated company, we find that the average test year balance of long-term debt is $3,397,489. The adjustments to the cost rates result in a weighted cost of long-term debt of 9.72%.

Return on Equity

In the prior rate case, Order No. 14141 established a return on equity of 15.9 percent, with a range of 14.9 percent to 16.9 percent. The utility's MFRs reflect that the utility has a negative retained earnings which offsets the utility's entire equity investment. Therefore, consistent with Commission practice, the utility has reported a zero equity investment.

However, we believe that the last authorized return on equity should be updated to a cost more reflective of the current market conditions. On March 18, 1991, the Commission issued Order No. 24246 establishing a new leverage formula for water and wastewater utilities. The Order became effective on April 9, 1991. The formula approved is as follows:

Return on Common Equity = 9.96 + 1.26 / Equity Ratio

This formula results in a minimum return on equity of 11.22 percent. The Order further states that in order to discourage imprudent financial risk, the authorized return on common equity is limited to a maximum of 13.11 percent for all water/wastewater utilities with equity ratios of less than 40 percent.

Using the new leverage formula and the utility's zero equity, we will establish a new return on equity of 13.11 percent, with a range of 12.11 percent to 14.11 percent. This return would only be applicable to future proceedings, such as overearnings, interim rates, or AFUDC, where the last authorized return on equity is required for calculation purposes.

Deferred Income Taxes

At the time of the utility's last rate case it was an 1120 Corporation for tax purposes. Order No. 14141 included deferred income taxes in the capital structure and income taxes in the operating expenses.

From its incorporation through 1986, the utility showed book income and tax losses, resulting in the deferral of income taxes due to book and tax depreciation differences. However in 1987, due to expansion of its facilities, the utility began to incur book losses. Effective January 1, 1987, the utility elected to be a Subchapter S corporation for tax purposes, in order to pass the losses through to the shareholders. The change to an S corporation was structured as a nontaxable event.

At the time of the election, the utility balance of Accumulated Deferred Income Taxes was $106,656. Upon electing S corporation status, the utility eliminated this balance by writing it off to Paid-In-Capital. The utility's accountant stated that this entry was made because, as an S corporation, the utility was not subject to income tax and the deferred tax liability was assumed by the shareholders. In 1991, the utility reorganized as a limited partnership, FFEC-Six, Ltd., with the S corporation as the majority interest partner. The reorganization was also structured as a nontaxable transaction, allowing the asset bases to be carried over to the partnership with no recapture of depreciation. Therefore, the deferred taxes have not been paid to the Internal Revenue Service.

We recognize that, as a partnership, the utility itself (FFEC-Six, Ltd.) does not have a deferred tax liability. However, the utility has been collecting customer rates that were based on a revenue requirement which included deferred income tax expense. Therefore, we believe the customers should continue to benefit from the accumulated deferred income tax balance. This can be accomplished by including the deferred tax balance in the capital structure as zero cost capital. However, we believe that the balance is more appropriately termed as "Regulatory Liability - Unamortized Deferred Taxes" because the utility has no deferred tax liability.

Deferred taxes are normally amortized to cost of service as a reduction to income tax expense. Because a partnership incurs no tax liability and is not allowed income tax expense in its rates, above-the-line amortization will produce a negative tax expense. Further, the deferred tax liability in this case has been assumed by the partners. As a result of the organizational restructuring, the utility was able to reduce its debt costs which directly benefits the customers by reducing the overall rate of return. The annual savings in interest expense exceeds the annual amortization of deferred taxes. For these reasons, we believe that amortization below-the-line is more appropriate in this case. The rate of return benefit of the deferred tax balances to the customers is not impaired by this treatment.

The deferred tax balance at January 1, 1987 was $106,656. Because the deferred taxes relate to the difference between book and tax depreciation rates, we believe that the composite depreciation rate should be used to amortize the deferred taxes. This results in an additional amortization of $14,505 and a remaining balance of $92,151 at December 31, 1990. The test year average for deferred taxes should be $93,964.

Overall Rate of Return

The utility requested an overall rate of return of 10.38 percent. Based on the adjustments discussed above and using the utility's capital structure with each item reconciled to rate base on a pro rata basis, we find that the overall cost of capital is 9.46 percent. Since the utility has zero equity, there is no range established for the overall rate of return.

NET OPERATING INCOME

Attached as Schedules Nos. 3-A and 3-B are our schedules of water and wastewater operating income. Our adjustments thereto are shown on Schedule No. 3-C. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on those schedules without further explanation in the text of this Order.

Purchased Water Expense

As previously discussed, the utility purchases water for resale from Lee County. This water is only used for the Pine Lakes water system. In October 1990, Lee County notified the utility that the rate for bulk purchased water was increased. FFEC included a pro forma adjustment to the test year expenses to include this increase. We find it appropriate to make several adjustments to the utility's calculation.

The new monthly bill is $1.41 for the total units at build-out (867) plus a $1.60 monthly administrative charge plus $2.16 per

1,000 gallons. The old rate was a flat charge of $354.94 plus $2.10 per 1,000 gallons.

The utility's calculation increases the 1989 purchased water consumption by 18 percent, based on a five year growth rate. The consumption, adjusted for growth, was then multiplied by the increase in the gallonage charge. Two adjustments must be made to this calculation. First, the actual 1990 consumption should be used to calculate the expense. The projected consumption, using the utility's calculation was 26,082,000 gallons. The actual consumption for 1990 was 27,675,000 gallons. We believe it appropriate to increase the expense by $11,701 to reflect the difference between the 1990 actual consumption and the 1989 actual consumption at the old rate of $2.10. The expense should be further increased to add the rate increase of $.06 for the additional consumption we have calculated. This results in an additional $95.

The total expense should be compared to the projected expense for 1990 and the difference should be the second adjustment. The utility's calculation uses 1989 data and growth rates and makes an assumption that the projected 1990 expense does not already include any of the growth or rate increase. However, the 1990 expenses are based on nine months of actual data, so the expenses already include some of the growth. Therefore, the total calculated expense at the new rate should be compared to the projected expense. The difference results in a decrease of $8,459.

These adjustments total a net increase to the utility's adjustment of $3,337, for a total adjustment to the purchased water expense of $15,332.

<u>O & M Expenses</u>

The audit found several capital items that the utility recorded as expenses in 1990. The first invoice was $405 for engineering services related to the construction of the wastewater treatment plant expansion. All related costs of the construction should be capitalized as part of the construction. Therefore, this invoice must be reclassified from expense to utility plant-in-service.

While reviewing the monthly balances of the expense accounts, we found a high monthly expense for July 1990 in the materials and supplies account in the wastewater system. Further review indicated that the utility had charged three invoices for laboratory equipment to this account. The utility had reversed the entry in a later month, after the MFRs were prepared. These invoices total $4,880. The correcting entry should be made. The materials and supplies expense should be reduced and utility plant-in-service should be increased to reflect this adjustment.

The audit also found that the utility had been recording its meters as expenses since 1988. An adjustment must be made to remove the meter expenses in 1990. The utility submitted several invoices reflecting the cost of the meters and the number of customers connected to the system. The utility indicated that the employees who installed the meters performed many functions while out in the field. When asked about the additional labor costs to install the meters, the utility responded that the cost was minimal and should not be included in the capitalization of the meters. Based on the information supplied by the utility, we will reduce the test year expense by $3,260 and increase utility plant-in-service by an equal amount to reflect 88 meters installed in 1990.

Further, accumulated depreciation must be adjusted to reflect accumulated depreciation as if these items had been properly capitalized at the time of acquisition. This results in an increase to accumulated depreciation of $266 for the water system and $182 for the wastewater system.

The increase in utility plant-in-service will also impact the depreciation expense, causing it to increase by $163 for the water system and $338 for the wastewater system.

Rate Case Expense

The MFRs include estimated rate case expense in the amount of $70,000. This is based on $37,500 for accounting consultants, $30,000 for attorney fees and $2,500 for out-of-pocket expenses such as the filing fee, and postage and printing costs for the notices.

On March 27, 1991, the utility submitted its actual bills received to date, its current unbilled expenses and the estimate to complete the rate case through the PAA process. The total estimated cost is significantly lower than the original estimate. The accounting fees incurred to date total approximately $30,000. The legal fees to date total approximately $9,000 and the out-of-pocket expenses total approximately $5,000. The utility has estimated its additional expenses to be $4,000 for legal fees, approximately $2,000 for the accounting consultants and approximately $1,500 for out-of-pocket expenses. We have added an additional $2,000 estimated expenses to the costs associated with the Motion for Reconsideration of the interim order and various other activities to complete the processing of the case. This results in an actual and estimated rate case expense of $53,500. Thus, rate case expense should be reduced by $16,500.

Section 367.0816, Florida Statutes, requires that rate case expense be amortized over a period of four years. Amortizing the $53,500 over four years results in a reduction to the amortization expense of $2,091 for the water system and $2,034 for the wastewater system.

Section 367.0815, Florida Statutes states in pertinent part:

> [I]n the event that a rate increase is granted, but in an amount less than requested, the rate case expense, including costs and attorneys fees, shall be apportioned in such a way that the public utility shall pay a proportion of the rate case expenses which is equal to the percentage difference between the rate increase requested and the rate increase approved. However, no such apportionment shall be allowed if it will cause the utility's return on equity to drop below its authorized range.

In this particular case, the utility has a zero equity balance. The entire net operating income is allocated to the interest on the debt. If we were to adjust rate case expense, based on the statute, the utility would fall below its authorized return. We believe that the implied return on equity range in this case is zero. If we were to adjust rate case expense as referenced in the statute, the return on equity would drop below zero. Therefore, we believe that no adjustment is required in this case.

<u>Annualization of Depreciation Expense</u>

Schedule B-3, Page 2 of 2 of the MFRs is the schedule of adjustments to the Operating Statement. Adjustment (B) is the adjustment to depreciation expense. This adjustment includes an annualization of the depreciation and amortization expense. The utility has adjusted the test year expense, based on the average test year plant, to a depreciation expense based on the year-end plant. The same approach has been taken with the amortization of CIAC.

Commission policy is to use an average test year for rate-making purposes. The utility has included an average rate base and capital structure in its MFRs. The rates are based on the billing analysis, which is in essence, an average customer base. However, in this adjustment, the utility has partially reduced the effect of an average test year by annualizing the depreciation expense. Therefore, we believe it appropriate to remove from depreciation expense the effect of the annualization. Using the depreciation rates set forth in Chapter 25-30.140, Florida Administrative Code, we have calculated depreciation and amortization expense on the average balance of plant and CIAC. Because the utility made few additions to the water plant during the test year, the annualization adjustment was immaterial. Therefore, no adjustment will be made to the water expense. However, our calculation of the depreciation expense on the average wastewater plant totalled $97,202. Since the utility's calculation totalled $102,204, we will reduce the depreciation expense by $5,002 to remove the annualization effect. Our calculation of the amortization expense for wastewater totalled $23,245. Since the utility's calculation totalled $24,255, we will reduce the amortization expense by $1,010 to remove the effect of the annualization. These two adjustments result in a net decrease to depreciation expense of $3,992, which we find to be appropriate.

Ad Valorem Taxes

The MFRs include ad valorem taxes of $21 for the water system and $3,976 for the wastewater system. These amounts represent the 1989 ad valorem taxes billed by Lee county and paid in March 1990. Commission policy is that the utility should pay the earliest payment available. Because the tax bills are discounted for each month paid early, it is a prudent management decision to pay the lowest bill possible. Therefore, we will reduce taxes other than income by the discount forfeited by the utility.

We believe it appropriate to substitute the 1989 bills with the 1990 ad valorem tax bills. These are the bills which should have been paid during the projected test year, in order to pay the lowest amount. The November 1990 tax payable was $19.65 for the water system and $3,788.12 for the wastewater system. Therefore, we will reduce the wastewater taxes other than income by $188 to the $3,788 level. The adjustment to the water system is immaterial and so none will be made.

Operating Income

Based on our previous adjustments, we find the appropriate test year operating income to be $16,581 for the water system and $113,068 for the wastewater system.

## REVENUE REQUIREMENT

The utility requested annual revenues of $345,568 for the water system and $413,541 for the wastewater system. Based on our adjustments discussed herein, we find the appropriate annual revenue requirements to be $330,034 for the water system and $378,233 for the wastewater system. This represents an annual increase of $87,317 (36 percent) for the water system and an annual increase of $40,738 (12.1 percent) for the wastewater system. This gives the utility the opportunity to recover its expenses and earn a 9.46 percent return on its investment in rate base.

## RATES AND CHARGES

### Monthly Service Rates

As previously stated, the permanent rates requested by the utility are designed to produce annual revenues of $345,568 and $413,541 for water and wastewater, respectively. The requested revenues represent increases of $102,851 (42.4 percent) for water and $76,046 (22.5 percent) for wastewater based on the projected test year, 1990.

Since we have determined that the annual revenue requirements for the utility are $330,034 for water and $378,233 for wastewater, we will design final water and wastewater rates to give the utility the opportunity to achieve those annual revenue levels.

We will retain the base facility charge rate structure because of its ability to track costs and give customers some control over their water and wastewater bills. Each customer pays his or her pro rata share of the related cost necessary to provide service through the base facility charge and for actual usage through the gallonage charge.

We find the following rates to be fair, just and reasonable. The rates for wastewater service include a base charge for all residential customers regardless of meter size, with a cap of 6,000 gallons of usage per month on which the gallonage charge may be billed. There is no cap on usage for general service wastewater bills. The differential in the gallonage charge for residential and general service wastewater customers is designed to recognize that a portion of a residential customer's water usage will not be returned to the wastewater system.

The approved rates will be effective for meter readings on or after thirty days from 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, that the protest period has expired, and the proposed customer notice is adequate.

The utility's original rates, interim rates, requested rates, and the final approved rates are set forth below for comparison.

Rate Schedule

Monthly Rates - Water
Residential and General Service

| Meter Size | Utility Present Rates | Interim Rates | Utility Proposed Final Rates | Commission Approved Final Rates |
|---|---|---|---|---|
| 5/8"x3/4" | $ 4.24 | $ 5.99 | $ 5.47 | $ 6.29 |
| 3/4" | N/A | N/A | N/A | 9.44 |
| 1" | 10.60 | 14.98 | 13.68 | 15.73 |
| 1 1/2" | 21.18 | 29.95 | 27.35 | 31.45 |
| 2" | 33.89 | 47.92 | 43.76 | 50.32 |
| 3" | 67.79 | 95.84 | 87.52 | 100.64 |
| 4" | 105.92 | 149.75 | 136.75 | 157.25 |
| 6" | 211.84 | 299.50 | 273.50 | 314.50 |
| Gallonage Charge (per 1,000 gallons) | $2.43 | 3.42 | 3.61 | 3.17 |

Monthly Rates - Wastewater
Residential

| Meter Size | Utility Present Rates | Interim Rates | Utility Proposed Final Rates | Commission Approved Final Rates |
|---|---|---|---|---|
| All Sizes | $ 5.46 | $ 6.75 | $ 7.93 | $ 8.93 |
| Gallonage Charge (per 1,000 gallons) (6,000 gal. max.) | 4.66 | 5.76 | 5.23 | 4.14 |

General Service

| Meter Size | Utility Present Rates | Interim Rates | Utility Proposed Final Rates | Commission Approved Final Rates |
|---|---|---|---|---|
| 5/8"x3/4" | $ 5.46 | $ 6.75 | $ 7.93 | $ 8.93 |
| 3/4" | N/A | N/A | N/A | 13.40 |
| 1" | 13.66 | 16.88 | 19.83 | 22.33 |
| 1 1/2" | 27.31 | 33.76 | 39.65 | 44.65 |
| 2" | 43.69 | 54.00 | 63.44 | 71.44 |
| 3" | 87.39 | 108.01 | 126.88 | 142.88 |
| 4" | 136.55 | 168.78 | 198.25 | 223.25 |
| 6" | 273.09 | 337.54 | 396.50 | 446.50 |
| Gallonage Charge (per 1,000 gallons) (no maximum) | $4.66 | $5.76 | $6.28 | $4.97 |

Since the approved final rates are higher than the interim rates, no refund of the interim rates is necessary and the utility's letter of credit may be released.

Section 367.0816, Florida Statutes, requires that the rates of the utility be reduced immediately after the four year recovery period of the rate case expense by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989. Accordingly, we find that the water rates should be reduced by $7,142 and the wastewater rates should be reduced by $6,863, as shown on Schedules Nos. 4-A and 4-B, respectively. The revenue reductions reflect the annual rate case expense, plus the gross-up for regulatory assessment fees.

The utility shall file tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer letter setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Miscellaneous Service Charges

The purpose of miscellaneous service 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 more closely borne by the cost causer rather than the general body of ratepayers.

The utility's existing miscellaneous service charges were approved in 1985. The utility has requested to increase its charges. We will approve the increased charges as they are reasonable. The utility's present and approved miscellaneous service charges follow:

Water

| | Present | | Commission Approved | |
|---|---|---|---|---|
| | Bus.Hrs. | After Hrs. | Bus.Hrs. | After Hrs. |
| Initial Connection | $ 10.00 | $ 15.00 | $ 15.00 | $ 15.00 |
| Normal Reconnection | 10.00 | 15.00 | 15.00 | 15.00 |
| Violation Reconnection | 0.00 | 0.00 | 15.00 | 15.00 |
| Premises Visit | 5.00 | 0.00 | 10.00 | 10.00 |

Wastewater

| | Present | | Commission Approved | |
|---|---|---|---|---|
| | Bus.Hrs. | After Hrs. | Bus.Hrs. | After Hrs. |
| Initial Connection | $ 10.00 | $ 15.00 | $ 15.00 | $ 15.00 |
| Normal Reconnection | 10.00 | 15.00 | 15.00 | 15.00 |
| Violation Reconnection | 0.00 | 0.00 | actual cost | actual cost |
| Premises Visit | 5.00 | 0.00 | 10.00 | 10.00 |

For clarification, a description of each service for which there is a charge 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.

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 make satisfactory arrangements to pay the bill.

When both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. The new miscellaneous service charges should be effective for service rendered on or after the stamped approval date on the revised tariff sheets.

Spray Irrigation Charge

The utility disposes of treated effluent from its lined holding pond by providing spray irrigation to the golf course at Pine Lakes Country Club. This golf course is owned by the developer, a related party to the utility.

The utility has not proposed a charge to the golf course for the spray effluent. The issue arises whether the ratepayers should absorb the total cost of providing the effluent to the irrigation customer. We believe a charge to the golf course is appropriate that recognizes that both the utility and the irrigation customer receive a benefit from such disposal. If not for the golf course, the utility would have to purchase more land for percolation ponds in order to dispose of the effluent. The golf course benefits from receiving the spray effluent as an alternative to other means of irrigation.

It is Commission policy to encourage the use of treated effluent for irrigation purposes as a water conservation measure. However, because the golf course and the utility both receive a benefit from such disposal, we believe the ratepayers and the irrigation customer should share in the costs associated with providing this service. This is consistent with recent Commission decisions involving St. Augustine Shores Utilities (Docket No. 870980-WS) and Marco Island Utilities (Docket No. 870743-SU).

In the case of St. Augustine Shores, a charge of $.14 per 1,000 gallons was established. However, St. Augustine Shores uses percolation ponds to dispose of treated effluent in addition to spray irrigation. Marco Island Utilities disposes of basically all of its treated effluent by spray irrigation onto the golf course. The charge established in that case is $.25 per 1,000 gallons. We do not have sufficient detail with which to establish a truly cost-based rate in this case. However, we believe a charge similar to the one established Marco Island Utilities is appropriate since most of the utility's treated effluent will be used to irrigate the golf course. Therefore, we will authorize a charge of $.25 per 1,000 gallons. The charge will be effective for meters read on or after 30 days from the stamped approval date on the revised tariff sheets.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of FFEC-Six, Ltd. for increased water and wastewater rates is approved to the extent set forth in the body of this Order. It is further

ORDERED that each and every finding contained in the body of this Order is hereby approved. It is further

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

ORDERED that the Utility is authorized to implement the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the approved rates and spray irrigation charge shall be effective for meters read on or after 30 days from the stamped approval date on the revised tariff sheets. It is further

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

ORDERED that the revised tariff sheets will be approved upon staff's verification that they are consistent with our decisions herein, that the protest period has expired, and that the proposed customer notice is adequate. The customer notice shall explain the increased rates and charges and the reasons therefor. It if further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period. FFEC-Six, Ltd. shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall also file a proposed customer notice. It is further

ORDERED that the letter of credit filed by the utility in connection with the interim rates be released. It is further

ORDERED that FFEC-Six, Inc. shall either transfer title to the land upon which the utility facilities are located to FFEC-Six, Ltd. or submit evidence of long-term access and use of the land, within 30 days of the date of this Order. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the 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 this docket will be closed if no timely protest is received from a substantially affected person.

By ORDER of the Florida Public Service Commission, this 1st day of July, 1991.

Steve Tribble

STEVE TRIBBLE, Director
Division of Records and Reporting

( S E A L )

NSD

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 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 7-22-91.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

FFEC - SIX, LTD.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-A
DOCKET NO. 900521-WS

| | COMPONENT | (A) AVERAGE TEST YEAR PER UTILITY | (B) UTILITY ADJUSTMENTS TO THE TEST YEAR | (C) UTILITY ADJUSTED TEST YEAR | (D) COMMISSION ADJUSTMENTS TO THE TEST YEAR | (C) COMMISSION ADJUSTED TEST YEAR |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | UTILITY PLANT IN SERVICE | $ 1,729,784 | $ 0 | $ 1,729,784 | $ 14,409 | $ 1,744,193 |
| 4 | LAND | 1,092 | 0 | 1,092 | | 1,092 |
| 5 | C.W.I.P. | 0 | 0 | 0 | | 0 |
| 6 | NON-USED AND USEFUL COMPONENTS | 0 | 0 | 0 | | 0 |
| 7 | C.I.A.C. | (379,581) | (41,400) | (420,981) | (50,240) | (471,221) |
| 8 | ACCUMULATED DEPRECIATION | (292,463) | 0 | (292,463) | (781) | (293,244) |
| 9 | AMORTIZATION OF C.I.A.C. | 55,168 | 1,122 | 56,290 | | 56,290 |
| 10 | ADVANCES FOR CONSTRUCTION | 0 | 0 | 0 | | 0 |
| 11 | WORKING CAPITAL ALLOWANCE | 0 | 20,071 | 20,071 | (252) | 19,819 |
| 12 | | | | | | |
| 13 | RATE BASE | $ 1,114,000 | $ (20,207) | $ 1,093,793 | $ (36,864) | $ 1,056,929 |
| 14 | | | | | | |

FFEC - SIX, LTD.
SCHEDULE OF SEWER RATE BASE
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-B
DOCKET NO. 900521-WS

| | COMPONENT | (A) AVERAGE TEST YEAR PER UTILITY | (B) UTILITY ADJUSTMENTS TO THE TEST YEAR | (C) UTILITY ADJUSTED TEST YEAR | (D) COMMISSION ADJUSTMENTS TO THE TEST YEAR | (C) COMMISSION ADJUSTED TEST YEAR |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | UTILITY PLANT IN SERVICE | 2,899,977 | 0 | 2,899,977 | 6,812 | 2,906,789 |
| 4 | LAND | 49,935 | 0 | 49,935 | | 49,935 |
| 5 | C.W.I.P. | 0 | 0 | 0 | | 0 |
| 6 | NON-USED AND USEFUL COMPONENTS | (103,266) | 0 | (103,266) | (91,923) | (195,189) |
| 7 | C.I.A.C. | (733,288) | (188,360) | (921,648) | 48,855 | (872,793) |
| 8 | ACCUMULATED DEPRECIATION | (418,287) | 0 | (418,287) | 3,645 | (414,642) |
| 9 | AMORTIZATION OF C.I.A.C. | 108,918 | 5,971 | 114,889 | 44 | 114,933 |
| 10 | ADVANCES FOR CONSTRUCTION | 0 | 0 | 0 | | 0 |
| 11 | WORKING CAPITAL ALLOWANCE | 0 | 18,633 | 18,633 | (915) | 17,719 |
| 12 | | | | | | |
| 13 | RATE BASE | 1,803,989 | (163,756) | 1,640,233 | (33,482) | 1,606,752 |
| 14 | | | | | | |

FFEC - SIX, LTD.
EXPLANATION OF THE ADJUSTMENTS TO
RATE BASE SCHEDULES NO. 1-A AND 1-B

DOCKET NO. 900521-WS
SCHEDULE 1-C
PAGE 1 OF 2

| ADJUSTMENT | | WATER | | SEWER |
|---|---|---|---|---|
| **UTILITY PLANT IN SERVICE** | | | | |
| 1. To reclassify lab expense as a capital item. | $ | 0 | $ | 4,880 |
| 2. To reflect engineering expense reclasified to wastewater treatment plant construction. | | 0 | | 405 |
| 3. To reflect meter costs expensed 1988 - 1990. | | 12,882 | | 0 |
| 4. To capitalize 1989 purchase of breathing units. | | 1,527 | | 1,527 |
| TOTAL ADJUSTMENTS TO UTILITY PLANT | $ | 14,409 | $ | 6,812 |
| **NON-USED AND USEFUL COMPONENTS** | | | | |
| 1. To adjust non-used and useful plant to calculated balance. | $ | 0 | $ | (109,228) |
| 2. To adjust non-used and useful accumulated depreciation to calculated balance. | | 0 | | 17,305 |
| TOTAL ADJUSTMENTS TO NON-USED AND USEFUL C | $ | 0 | $ | (91,923) |
| **CONTRIBUTIONS-IN-AID-OF-CONTRUCTION** | | | | |
| 1. To adjust CIAC allocation in MFRs to that reflected in the general ledger. | $ | (50,240) | $ | 50,240 |
| 2. To adjust imputation of CIAC for margin reserve to calculated amount. | | 0 | | (1,385) |
| TOTAL ADJUSTMENTS TO CIAC | $ | (50,240) | $ | 48,855 |

FFEC - SIX, LTD.
EXPLANATION OF THE ADJUSTMENTS TO
RATE BASE SCHEDULES NO. 1-A AND 1-B

DOCKET NO. 900521-WS
SCHEDULE 1-C
PAGE 2 OF 2

| ADJUSTMENT | WATER | SEWER |
|---|---|---|
| **ACCUMULATED DEPRECIATION** | | |
| 1. To adjust for error recording Commission adjustments from prior case. | $ 424 | $ 3,980 |
| 2. To reflect accumulated depreciation on reclassification of lab expense. | 0 | (163) |
| 3. To reflect accumulated depreciation on engineering expense reclassified to plant construction. | 0 | (19) |
| 4. To reflect accumulated depreciation on meters expensed 1988 - 1990. | (1,052) | 0 |
| 5. To reflect accumulated depreciation on breathing units expensed in 1989. | (153) | (153) |
| TOTAL ADJUSTMENTS TO ACCUMULATED DEPRE | $ (781) | $ 3,645 |
| **AMORTIZATION OF C.I.A.C.** | | |
| 1. To adjust amortization for adjustment to imputed CIAC on margin reserve. | $ 0 | $ 44 |
| **WORKING CAPITAL ALLOWANCE** | | |
| 1. To adjust the working capital allowance for adjustments to O&M expenses. | $ (252) | $ (915) |

FFEC - SIX, LTD.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 2-A
DOCKET NO. 900521-WS

| | COMPONENT | AVERAGE TEST YEAR PER UTILITY | COST PER UTILITY | WEIGHTED COST PER UTILITY | COMMISSION ADJUSTMENTS TO THE TEST YEAR | ADJUSTED TEST YEAR | PRO RATA ADJUSTMENTS | ADJUSTED BALANCE | WEIGHT | COST | WEIGHTED COST |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | LONG-TERM DEBT | $ 3,372,593 | 10.38% | 10.38% | 24,896 | $ 3,397,489 | (805,495) | $ 2,591,994 | 97.31% | 9.72% | 9.46% |
| 4 | SHORT-TERM DEBT | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 5 | CUSTOMER DEPOSITS | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 6 | COMMON EQUITY | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 7 | ITC'S | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 8 | REGULATORY LIABILITY | 0 | 0.00% | 0.00% | 93,964 | 93,964 | (22,277) | 71,687 | 2.69% | 0.00% | 0.00% |
| 9 | OTHER CAPITAL | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 10 | | ----------- | | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- | | ----------- |
| 11 | | | | | | | | | | | |
| 12 | TOTAL | $ 3,372,593 | | 10.38% | 118,860 | $ 3,491,453 | (827,773) | $ 2,663,681 | 100.00% | | 9.46% |
| 13 | | ========= | | ======== | ========== | ========= | ========== | ========= | ======= | | ======== |
| 14 | | | | | | | | | | | |

| | | HIGH | LOW |
|---|---|---|---|
| 15 | RANGE OF REASONABLENESS | HIGH | LOW |
| 16 | | ------- | ----------- |
| 17 | EQUITY | 1.00% | -1.00% |
| 18 | | ===== | ======== |
| 19 | OVERALL RATE OF RETUR | 9.46% | 9.46% |
| 20 | | ===== | ======== |

FFEC - SIX, LTD.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 2-A
DOCKET NO. 900521-WS

| | COMPONENT | AVERAGE TEST YEAR PER UTILITY | COST PER UTILITY | WEIGHTED COST PER UTILITY | COMMISSION ADJUSTMENTS TO THE TEST YEAR | ADJUSTED TEST YEAR | PRO RATA ADJUSTMENTS | ADJUSTED BALANCE | WEIGHT | COST | WEIGHTED COST |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | LONG-TERM DEBT | $ 3,372,593 | 10.38% | 10.38% | 24,896 | $ 3,397,489 | (805,495) | $ 2,591,994 | 97.31% | 9.72% | 9.46% |
| 4 | SHORT-TERM DEBT | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 5 | CUSTOMER DEPOSITS | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 6 | COMMON EQUITY | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 7 | ITC'S | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 8 | REGULATORY LIABILITY | 0 | 0.00% | 0.00% | 93,964 | 93,964 | (22,277) | 71,687 | 2.69% | 0.00% | 0.00% |
| 9 | OTHER CAPITAL | 0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 10 | | ------------ | | ----------- | ------------- | ----------- | ------------- | ----------- | --------- | | ----------- |
| 11 | | | | | | | | | | | |
| 12 | TOTAL | $ 3,372,593 | | 10.38% | 118,860 | $ 3,491,453 | (827,773) | $ 2,663,681 | 100.00% | | 9.46% |
| 13 | | ========= | | ======== | ========== | ========= | ========== | ========= | ======= | | ======== |

| | | HIGH | LOW |
|---|---|---|---|
| 14 | | | |
| 15 | RANGE OF REASONABLENESS | HIGH | LOW |
| 16 | | ------- | ----------- |
| 17 | EQUITY | 1.00% | -1.00% |
| 18 | | ===== | ======= |
| 19 | OVERALL RATE OF RETUR | 9.46% | 9.46% |
| 20 | | ===== | ======= |

ORDER NO. 24733
DOCKET NO. 900521-WS
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FFEC - SIX, LTD.
EXPLANATION OF THE ADJUSTMENTS TO
RATE BASE SCHEDULES NO. 1-A AND 1-B

DOCKET NO. 900521-WS
SCHEDULE 1-C
PAGE 2 OF 2

| ADJUSTMENT | WATER | SEWER |
|---|---|---|
| **ACCUMULATED DEPRECIATION** | | |
| 1. To adjust for error recording Commission adjustments from prior case. | $ 424 | $ 3,980 |
| 2. To reflect accumulated depreciation on reclassification of lab expense. | 0 | (163) |
| 3. To reflect accumulated depreciation on engineering expense reclassified to plant construction. | 0 | (19) |
| 4. To reflect accumulated depreciation on meters expensed 1988 - 1990. | (1,052) | 0 |
| 5. To reflect accumulated depreciation on breathing units expensed in 1989. | (153) | (153) |
| TOTAL ADJUSTMENTS TO ACCUMULATED DEPRE | $ (781) | $ 3,645 |
| **AMORTIZATION OF C.I.A.C.** | | |
| 1. To adjust amortization for adjustment to imputed CIAC on margin reserve. | $ 0 | $ 44 |
| **WORKING CAPITAL ALLOWANCE** | | |
| 1. To adjust the working capital allowance for adjustments to O&M expenses. | $ (252) | $ (915) |

FFEC - SIX, LTD.
EXPLANATION OF THE ADJUSTMENTS TO
CAPITAL STRUCTURE SCHEDULE NO. 2-A

DOCKET NO. 900521-WS
SCHEDULE 2-B
PAGE 1 OF 1

| ADJUSTMENT | | ADJUSTMENT |
|---|---|---|
| **LONG TERM DEBT** | | |
| 1. To adjust for refinancing of FIMC debt with MONY. | $ | 24,896 |
| | | ======== |
| **REGULATORY LIABILITY** | | |
| 1. To include deferred income taxes created when utility was an 1120 Corporation. | $ | 93,964 |
| | | ======== |

FFEC - SIX, LTD.
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-A
DOCKET NO. 900521-WS

| | DESCRIPTION | (A) ADJUSTED TEST YEAR PER UTILITY | (B) UTILITY REQUESTED INCREASE | (C) REQUESTED ANNUAL REVENUES | (D) COMMISSION ADJUSTMENTS TO THE TEST-YEAR | (E) COMMISSION ADJUSTED TEST YEAR | (F) CONSTRUCTED ADJUSTMENTS | (G) CONSTRUCTED TEST YEAR |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | OPERATING REVENUES | $ 242,717 | $ 102,851 | $ 345,568 | $ (102,851) | $ 242,717 | $ 87,317 | $ 330,034 |
| 4 | OPERATING EXPENSES: | | | | | | | |
| 5 | OPERATION & MAINTENANCE | $ 160,566 | $ | $ 160,566 | $ (2,014) | $ 158,552 | $ | $ 158,552 |
| 6 | DEPRECIATION | 50,797 | | 50,797 | 746 | 51,543 | | 51,543 |
| 7 | AMORTIZATION | 0 | | 0 | 0 | 0 | | 0 |
| 8 | TAXES OTHER THAN INCOME | 11,608 | 9,061 | 20,669 | (4,628) | 16,041 | 3,929 | 19,970 |
| 9 | INCOME TAXES | 0 | | 0 | 0 | 0 | 0 | 0 |
| 10 | | | | | | | | |
| 11 | TOTAL OPERATING EXPENSES | $ 222,971 | $ 9,061 | $ 232,032 | $ (5,896) | $ 226,136 | $ 3,929 | $ 230,065 |
| 12 | | | | | | | | |
| 13 | OPERATING INCOME | $ 19,746 | $ 93,790 | $ 113,536 | $ (96,955) | $ 16,581 | $ 83,388 | $ 99,969 |
| 14 | | | | | | | | |
| 15 | RATE OF RETURN | 1.81% | | 10.38% | | 1.52% | | 9.46% |
| 16 | | | | | | | | |

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PAGE 36

FFEC - SIX, LTD.
STATEMENT OF SEWER OPERATIONS
TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-B
DOCKET NO. 900521-WS

| | DESCRIPTION | (A) ADJUSTED TEST YEAR PER UTILITY | (B) UTILITY REQUESTED INCREASE | (C) REQUESTED ANNUAL REVENUES | (D) COMMISSION ADJUSTMENTS TO THE TEST YEAR | (E) COMMISSION ADJUSTED TEST YEAR | (F) CONSTRUCTED ADJUSTMENTS | (G) CONSTRUCTED TEST YEAR |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | OPERATING REVENUES | $ 337,495 | $ 76,046 | $ 413,541 | $ (76,046) | $ 337,495 | $ 40,738 | $ 378,233 |
| 4 | OPERATING EXPENSES: | | | | | | | |
| 5 | OPERATION & MAINTENANCE | $ 149,067 | $ | $ 149,067 | $ (7,319) | $ 141,748 | $ | $ 141,748 |
| 6 | DEPRECIATION | 65,423 | | 65,423 | (7,929) | 57,494 | | 57,494 |
| 7 | AMORTIZATION | 0 | | 0 | 0 | 0 | | 0 |
| 8 | TAXES OTHER THAN INCOME | 18,800 | 9,995 | 28,795 | (3,610) | 25,185 | 1,833 | 27,018 |
| 9 | INCOME TAXES | 0 | | 0 | 0 | 0 | 0 | 0 |
| 10 | | | | | | | | |
| 11 | TOTAL OPERATING EXPENSES | $ 233,290 | $ 9,995 | $ 243,285 | $ (18,858) | $ 224,427 | $ 1,833 | $ 226,260 |
| 12 | | | | | | | | |
| 13 | OPERATING INCOME | $ 104,205 | $ 66,051 | $ 170,256 | $ (57,188) | $ 113,068 | $ 38,905 | $ 151,973 |
| 14 | | | | | | | | |
| 15 | RATE OF RETURN | 6.35% | | 10.38% | | 6.89% | | 9.46% |
| 16 | | | | | | | | |

FFEC - SIX, LTD.
EXPLANATION OF THE ADJUSTMENTS TO
OPERATING STATEMENTS NO. 3-A AND 3-B

DOCKET NO. 900521-WS
SCHEDULE 3-C
PAGE 1 OF 2

| ADJUSTMENT | WATER | SEWER |
|---|---|---|
| **OPERATING REVENUES** | | |
| 1. To remove the utility's requested rate increase. | $ (102,851) | $ (76,046) |
| **OPERATION AND MAINTENANCE** | | |
| 1. To reclassify lab expense as a capital item. | $ 0 | $ (4,880) |
| 2. To adjust increase in purchased water expense. | 3,337 | 0 |
| 3. To reclassify engineering fees related to wastewater treatment plant construction. | 0 | (405) |
| 4. To reclassify meter costs expensed during the test year. | (3,260) | 0 |
| 5 To reduce rate case expense estimate. | (2,091) | (2,034) |
| TOTAL ADJUSTMENTS TO OPERATION AND MAINTENANCE | $ (2,014) | $ (7,319) |
| **DEPRECIATION** | | |
| 1. To reflect depreciation expense on lab expense reclassified to plant. | $ 0 | $ 325 |
| 2. To reflect depreciation on engineering expense related to plant construction. | 0 | 13 |
| 3. To reflect depreciation on meters expensed 1988 - 1990. | 644 | 0 |
| 4. To reflect depreciation expense on capitalized breathing units. | 102 | 102 |
| 5. To remove annualization of depreciation expense. | 0 | (5,002) |
| 6. To remove annualization of amortization of CIAC. | 0 | 1,010 |

FFEC - SIX, LTD.
EXPLANATION OF THE ADJUSTMENTS TO
OPERATING STATEMENTS NO. 3-A AND 3-B

DOCKET NO. 900521-WS
SCHEDULE 3-C
PAGE 2 OF 2

| ADJUSTMENT | WATER | SEWER |
|---|---|---|
| **DEPRECIATION (CONT'D)** | | |
| 7. To adjust depreciation expense on non-used and useful plant to calculated expense. | 0 | (4,333) |
| 8. To adjust amortization of CIAC imputed on margin reserve. | 0 | (44) |
| TOTAL ADJUSTMENTS TO DEPRECIATION | $ 746 | $ (7,929) |
| **TAXES OTHER THAN INCOME** | | |
| 1. To adjust real estate taxes to lowest discount available on 1990 expense. | $ 0 | $ (188) |
| 2. To remove regulatory assessment fees associated with requested revenue increase. | (4,628) | (3,422) |
| TOTAL ADJUSTMENTS TO TAXES OTHER THAN INCOME | $ (4,628) | $ (3,610) |
| **OPERATING REVENUES** | | |
| 1. To reflect increase (decrease) necessary to allow a fair rate of return. | $ 87,317 | $ 40,738 |
| **TAXES OTHER THAN INCOME** | | |
| 1. To reflect regulatory assessment fees on revenue change. | $ 3,929 | $ 1,833 |

Schedule No. 4-A

Rate Schedule

Water

Schedule of Commission Approved
Rates and Rate Decrease In
Four Years

Monthly Rates

Residential and General Service

| | Commission Approved Rates | Rate Decrease |
|---|---|---|
| Base Facility Charge | | |
| Meter Size: | | |
| 5/8"x3/4" | $6.29 | $0.14 |
| 3/4" | 9.44 | 0.20 |
| 1" | 15.73 | 0.34 |
| 1 1/2" | 31.45 | 0.68 |
| 2" | 50.32 | 1.09 |
| 3" | 100.64 | 2.18 |
| 4" | 157.25 | 3.40 |
| 6" | 314.50 | 6.81 |
| Gallonage Charge per 1,000 Gals. | $ 3.17 | $0.07 |

Schedule No. 4-B

## Wastewater

## Schedule of Commission Approved Rates and Rate Decrease In Four years

### Monthly Rates

| | Commission Approved Rates | Rate Decrease |
|---|---|---|
| **Residential** | | |
| Base Facility Charge | | |
| Meter Size: | | |
| All Meter Sizes | $ 8.93 | $0.16 |
| Gallonage Charge per 1,000 gallons (Maximum 6,000 gallons) | 4.14 (1) | 0.08 |
| **General Service** | | |
| Base Facility Charge: | | |
| Meter Size: | | |
| 5/8"x3/4" | $ 8.93 | $0.16 |
| 3/4" | 13.40 | 0.24 |
| 1" | 22.33 | 0.41 |
| 1 1/2" | 44.65 | 0.81 |
| 2" | 71.44 | 1.30 |
| 3" | 142.88 | 2.59 |
| 4" | 223.25 | 4.05 |
| 5" | 446.50 | 8.10 |
| Gallonage Charge per 1,000 gallons (No Maximum) | $ 4.97 (1) | $0.09 |

Remarks: (1) Rate Adjustment for effluent charge to golf course.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

| | |
|---|---|
| In re: Petition for Approval of Contracts for Purchase of Firm Capacity and Energy by Florida Power Corporation | DOCKET NO. 910401-EQ<br>ORDER NO. 24734<br>ISSUED: 7-1-91 |

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
GERALD L. GUNTER
MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING FIRM CAPACITY AND ENERGY CONTRACTS

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

On January 11, 1991, Florida Power Corporation (FPC) solicited power through a Request for Proposal (RFP) from those prospective Qualifying Facilities (QFs) that had previously indicated their interest in selling firm capacity and energy to FPC from proposed projects with an in-service date no later than December 1, 1993.

In response to its request FPC received thirteen proposals from prospective QFs. FPC retained a consultant from National Economic Research Associates, Inc. to help evaluate the proposals. Two proposals were eliminated based upon the lack of development maturity. A third project was eliminated because of the pricing risk associated with the proposed fixed capacity and energy payments. The consultant ranked the remaining ten projects in order of preference. FPC selected the following eight projects from this group:

| PROJECT FUEL TYPE & LOCATION | COMMITTED CAPACITY | COMMITTED ON-PEAK CAPACITY FACTOR | CONTRACT DATE OF THE QF |
|---|---|---|---|
| Dade County<br>Municipal Solid Waste<br>Miami | 43 MW | 83% | November, 1991 |
| El Dorado Energy<br>Natural Gas<br>Auburndale | 103.8 MW | 92% | January, 1991 |
| Lake Cogen Limited<br>Natural Gas<br>Umatilla | 102 MW | 90% | August, 1993 |
| Mulberry Energy<br>Company, Inc.<br>Orimulsion<br>Bartow | 72 MW | 90% | January, 1993 |
| Orlando Cogen<br>Limited L.P.<br>Natural Gas<br>Orlando | 72 MW | 90% | January, 1994 |
| Pasco Cogen Limited<br>Natural Gas<br>Dade City | 102 MW | 90% | August, 1993 |
| Ridge Generating<br>Station Limited<br>Partnership<br>Agricultural & Wood Waste<br>Polk County | 36 MW | 85% | January, 1994 |
| Royster Phosphates<br>Waste Heat from<br>Processing<br>Palmetto | 28 MW | 85% | December, 1993 |

## FPC'S ADDITIONAL CAPACITY NEEDS

The eight negotiated contracts total 559 MW of capacity. If a utility were to construct this amount of capacity itself, it would have to come before the Commission with a petition for a need determination. The capacity FPC has contracted to purchase here, however, is made up of small projects with a steam capacity of less than 75 MW each, and the projects are thus not large enough to fall within the jurisdiction of the Florida Power Plant Siting Act.

The QF projects are projected to avoid the FPC's 1991 need of 300 MW of coal and 150 MW of combustion turbine capacity as identified in Docket No. 910004-EU, the Annual Planning Hearing (APH). The 1991 need for 450 MW of capacity is different from the Standard Offer need identified in the same docket. FPC identified an 80 MW combustion turbine unit with an 1997 in-service date for its Standard Offer contract.

In the request for proposals, FPC gave the QFs a choice of coal unit or combustion turbine unit pricing. All eight QFs chose the coal unit price. FPC maintains that the prices associated with the eight contracts are below the price of the 450 MW of coal-fired generation. FPC also maintains that the contract prices are below the price associated with the 300 MW coal and 150 MW combustion turbine. On a present worth basis, using FPC's planning assumptions, the 450 MW of coal capacity has total fuel and capacity costs very close to the 300 MW coal and 150 MW combustion turbine option. FPC's projections indicate that beginning in 2008, a coal unit's total avoided costs (capacity and fuel) fall below a combustion turbine's total avoided cost on a net present value basis. Since the terms of all eight contracts extend beyond the year 2008, FPC states that it considers the contracts to avoid part of the 450 MW of coal-fired generation.

In addition to the eight contracts, FPC signed two other contracts against their 1991 need, one with Seminole Fertilizer (47 MW) and one with Ecopeat (36.5 MW). The Seminole Fertilizer contract was approved in Order No. 24099. The Ecopeat contract is presently awaiting Commission approval.

The 559 MW of the negotiated contracts and the 83.5 MW associated with the Seminole and Ecopeat contracts exceed FPC's 450 MW need identified in their 1990 Facility Plan. FPC states that the excess capacity will cover present qualifying facility projects that may not come to fruition. For example, FPC believes that its two contracts with the Corporation for Future Resources, which total 74 MW, are doubtful and may not perform. Also, Pinellas County and General Peat have requested in-service delays of one to two years for projects totalling 196 MW. FPC states that it negotiated contracts for the excess capacity because it is in need of capacity immediately, and would not have time to acquire more QF capacity to replace any contracts that might not perform. FPC's winter reserve margin for the 1991-1995 period ranges from 7.1% to 10.8% without the eight QF contracts and 7.7% to 17.6% with the QF contracts.

FPC's need for additional capacity identified in its 1989 Annual Planning Hearing has increased considerably in its current 1991 expansion plan. The 1989 plan identified a need for 260 MW of combustion turbine capacity with a 1995 in-service date. The current 1991 plan identifies a need of 450 MW with a 1991 in-service date.

FPC maintains that the additional need is a result of three factors:

1) <u>Higher Demand</u>

FPC's demand and energy is higher than projected because FPC's forecast underestimated customer growth, underestimated per capita energy usage, and overestimated per customer demand reductions from conservation and load management programs.

2) <u>Remodeled Interface</u>

FPC changed its method of modelling emergency assistance. The old method of modelling emergency assistance overstated the reliability of FPC's system, and thus reduced the apparent need for capacity. By more accurately modelling emergency assistance, FPC's plan showed an accelerated need for capacity in 1991.

FPC's old method of modelling emergency assistance did not consider the tie-line limitation of 3200 MW into Florida. The Company previously modeled the Peninsula and Southern as one assistance area with no transmission constraints between Southern and the Peninsula. The effect was to assume that FPC could receive assistance from Southern as long as it had capacity available, whether or not the capacity could be transmitted to FPC.

Now, FPC's model accounts for the limitation on the tie-lines by modelling the Peninsula as the assistance area and by modelling Southern as a 2,800 MW unit in the peninsula (3,200 MW interface capacity minus FPC's firm purchase of 400 MW). This new modelling technique recognizes the limitations in transmitting capacity between the Southern Company and Florida, and results in a more accurate representation of FPC's reliability.

3) Lower Assistance From Peninsular Florida Utilities

Because the peninsular Florida utilities have experienced higher than anticipated loads, they have less capacity available to sell FPC on an emergency basis.

As a result of these changes, the FPC Loss of Load Probability (LOLP) has increased, thereby accelerating FPC's need into 1991.

## CONTRACT TERMS AND CONDITIONS

The negotiated contracts considered here contain several terms and conditions that are relatively unique. The unique terms and conditions are described below.

### Security Guaranties

Within sixty days after the contract approval date, the QF shall post a Completion Security Guarantee of $10 per KW of Committed Capacity or $1,000,000 per 100 MW to ensure completion of the QF facility in a timely fashion. The contract agreement will terminate if the completion security guarantee is not tendered in a timely fashion. FPC will refund to the QF any cash completion security guarantee if the facility achieves commercial in-service at or prior to the contract in-service date.

The negotiated contracts contain an Operational Security Guarantee of $20 per KW of committed capacity or $2,000,000 per 100 MW to ensure timely performance by the QF of its obligations under the agreement. The operational security guarantee must be cash or suitable letter of credit, and terminates with the term of the agreement.

Changes in Committed Capacity

For the period ending one year immediately after the contract in-service date, the QF may, on one occasion only, increase or decrease the committed capacity by no more than 10%. After the one year period, and throughout the term of the agreement, the QF may decrease its committed capacity by up to 20%. The QF will be charged a penalty if it provides less than three years notice for a decrease in capacity occurring one year after the in-service date. The capacity payment will be prorated to the new capacity amount.

Capacity and Energy Payments

The negotiated contracts allow the QFs to receive a monthly capacity payment based on the value of the committed capacity factor during the month. The respective payment streams for the QFs are based on their committed on-peak capacity factors (83%-93%). See appendix 2. FPC's avoided coal unit used for pricing these contracts contains a 83% on-peak capacity factor. The payment stream of the contracts with capacity factors above 83% are increased by their committed capacity divided by 83% (ex. 90/83 = 1.084%) to reflect the additional value of higher availability and reliability to FPC. The contracts also include a capacity performance adjustment which will decrease the capacity payment in the event the monthly on-peak capacity factor is below the respective contractual minimum amount but greater than or equal to 50%. No capacity payment will be made if the on-peak capacity factor falls below 50%.

Beginning with the contract in-service date, the QF will receive electric energy payments based upon the firm energy cost calculated on an hour-by-hour basis as follows: (i) the product of the average monthly inventory chargeout price of fuel burned at the Avoided Unit Fuel Reference Plant, the Fuel Multiplier, and the Avoided Unit Heat Rate, plus the Avoided Unit Variable O & M, if applicable, for each hour that the Company would have had a unit with these characteristics operating; and (ii) during all other hours, the energy cost shall be equal to the as-available energy cost. There is also an hourly performance adjustment to the energy payment which provides an incentive to the QF to operate in a manner similar to the operation of the avoided unit.

Events of Default

The negotiated contracts permit the QF to delay commercial operation by up to 90 days beyond the Contract In-Service Date with the payment of $0.15 per kW or $15,000 per 100 MW per day of delay. If the Operational Security Guarantee is not tendered on or before the applicable due date the QF is in default.

If there are delays in commercial in-service, the Negotiated Contract requires renegotiations to begin at least thirty days prior to termination if the QF has commenced construction and is not in arrears for monies owed to FPC.

Interconnection Formats

Three interconnection formats were used as the basis for all eight negotiated contracts. All eight QFs are located south of FPC's Central Florida Substation, therefore FPC did not have to acquire additional interface capacity. The contract format used for each contract is summarized below:

1. Interconnected and Non-Interconnected:

   - El Dorado Energy
   - Ridge Generating Station Limited Partnership

   These two contracts use the base contract format which permits the QF to either be directly interconnected to the company or to be interconnected to a transmission service utility which provides wheeling services. The two QFs who have selected this format have facilities which will be located close to FPC's system but they may elect to wheel.

2. Interconnected

   - Lake Cogen Limited
   - Mulberry Energy Company, Inc.
   - Orlando Cogen Limited
   - Pasco Cogen Limited

   This contract version is for the QFs directly interconnected to FPC.

3. Non-Interconnected Version

- Dade County
- Royster Phosphates, Inc.

This contract version is for the QFs that will wheel their power through a transmission service utility.

## APPROVAL OF THE CONTRACTS

Under the provisions of Sections 25-17.082 NS 25-17.0832(2), Florida Administrative Code, we grant Florida Power Corporation's petition for approval of the eight negotiated QF contracts discussed above. Section 25-17.082, Florida Administrative Code requires electric utilities to purchase electricity produced and sold by qualifying facilities at rates which have been agreed upon by the utility and qualifying facility, or at the utility's published tariff rate. Section 25-17.0832(2), Florida Administrative Code states that in reviewing a negotiated firm capacity and energy contract for purposes of cost recovery, the Commission shall consider the following factors:

a. Whether the additional firm capacity and energy is needed by the purchasing utility and by Florida utilities from a statewide perspective;

b. Whether the present worth of the utility's payments for firm capacity and energy to the QF over the life of the contract is projected to be no greater than the present worth of the year-by-year deferral of the construction and operation of a generating facility by the purchasing utility over the life of the contract, or the present worth of other capacity and energy costs that the contract is designed to avoid;

c. Whether, to the extent that annual firm capacity and energy payments made to the QF in any year exceed that year's annual value of deferring the construction and operation of a generating facility, or other capacity and energy related costs, the contract contains provisions to ensure repayment of the amounts that exceed that year's value of deferring the capacity if the QF fails to deliver firm capacity and energy under the terms of the contract; and

d. Whether, considering the technical reliability, viability and financial stability of the QF, the contract contains provisions to protect the purchasing utility's ratepayers if the QF fails to deliver firm capacity and energy under the terms of the contract.

Need For Power

It is with certain reservations that we approve contracts amounting to 642.5 MW (including Seminole and Ecopeat), when FPC has only identified a need for 450 MW. We do not believe, as a general rule, that utilities should sign up more capacity than they need. There are, however, certain circumstances which support such an action in this case. FPC's need is immediate and they cannot risk obtaining less than 450 MW because of possible QF defaults or delays. Also, FPC's need is probably greater than the 450 MW they identified in their 1990 plan because that plan did not anticipate recently requested delays in existing QF projects, or the anticipated one-year delay in FPC's 500 kV transmission line.

In the event that all QF projects do come on-line as agreed, and FPC has excess capacity, FPC can reduce its purchase from Southern Company by 200 MW in 1994 and delay or cancel the construction of 1993 combustion turbines to mitigate any harmful effect to its ratepayers.

Furthermore, FPC needs to purchase capacity and energy from the QF's to meet reliability and reserve margin requirements. The purchases will contribute to maintaining a loss of load probability of less than 0.1 days per year. The capacity provided by the QF's will improve the loss of load probability for the state, and thus contribute to the capacity needs of the state.

Cost-Effectiveness

The analysis provided by FPC with its petition indicated that the present value of its payments to each of the QFs for firm capacity and energy will be no greater than the present worth of the value of a year-by-year deferral of FPC's avoided costs. The analysis showed a present worth savings of $42,516,772 compared to FPC's full avoided costs for the eight negotiated contracts. FPC's avoided costs are derived from its 1991 need for 450 MW of pulverized coal and combustion turbine capacity.

At the time the petition for approval was filed, FPC was in the process of updating the K factor associated with its avoided cost. Since that time FPC has completed its update of the K factor and recalculated its avoided costs accordingly. According to the revised figures submitted by FPC (Appendix 1), the present worth savings of the eight contracts have increased to $44,273,607. Our approval of the contracts is still appropriate, since the present worth savings, compared to FPC's full avoided costs, has increased.

Security for Early Payments

None of the eight QF's will be paid early capacity payments, and therefore, there is no need to establish a capacity credit account to ensure repayment of capacity payments exceeding that year's value of deferral.

Security Against Default

The contract contains security to protect FPC's ratepayers in the event a QF fails to deliver firm capacity and energy as required in the contract. The contract contains several performance milestone dates which, if not achieved, would permit FPC to terminate the contract.

## CONCLUSION

We find that the negotiated cogeneration contracts between FPC and Dade County, El Dorado Energy, Lake Cogen Ltd., Mulberry Energy Co., Orlando Cogen Ltd., Pasco Cogen Ltd., Ridge Generation Stn. Ltd., and Royster Phosphates are viable generation alternatives because:

1. The capacity and energy generated by the facilities is needed by FPC and Florida's utilities;

2. The contracts appear to be cost-effective to FPC's ratepayers;

3. FPC's ratepayers are reasonably protected from default by the QFs; and

4. The contracts meet all the requirements and rules governing qualifying facilities.

It is therefore

ORDERED by the Florida Public Service Commission that the contracts are approved for the reasons set forth in the body of this order. It is further

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is timely filed herein. It is further

ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for a formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this 1st day of July, 1991.

Steve Tribble

STEVE TRIBBLE, Director
Division of Records and Reporting

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

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 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 7-22-91.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

# SUMMARY OF CONTRACTS
## SHOWING COST EFFECTIVENESS

| Company Name | NPV of Discount (1/1/91) | Contract/ Avoided (Percent) |
|---|---|---|
| Dade County | $128,055 | 99.93% |
| El Dorado Energy Company | $21,381,710 | 94.83% |
| Lake Cogen Limited | $3,292,284 | 99.15% |
| Mulberry Energy Company, Inc | $9,801,864 | 97.20% |
| Orlando CoGen Limited, L.P. | $1,012,795 | 99.72% |
| Pasco Cogen Limited | $3,292,284 | 99.15% |
| Ridge Generating Station Limited Partnership | $3,581,696 | 97.83% |
| Royster Phosphates, Inc. | $1,787,919 | 97.89% |
| Total | $44,278,607 | |

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APPENDIX 1
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# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

Dade County

Contract Capacity 43 MW

| Year | Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | Avoided Fuel & Var O&M $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|
| 1991 | 10.92 | 939,120 | 25.77 | 1,389,892 | 2,329,012 | 10.94 | 940,840 | 25.77 | 1,389,892 | 2,330,732 |
| 1992 | 11.48 | 5,923,680 | 26.88 | 8,696,926 | 14,620,606 | 11.49 | 5,928,840 | 26.88 | 8,696,926 | 14,625,766 |
| 1993 | 12.07 | 6,228,120 | 28.05 | 9,076,188 | 15,304,308 | 12.08 | 6,233,280 | 28.05 | 9,076,188 | 15,309,468 |
| 1994 | 12.68 | 6,542,880 | 29.32 | 9,487,949 | 16,030,829 | 12.70 | 6,553,200 | 29.32 | 9,487,949 | 16,041,149 |
| 1995 | 13.32 | 6,873,120 | 30.82 | 9,972,344 | 16,845,464 | 13.34 | 6,883,440 | 30.82 | 9,972,344 | 16,855,784 |
| 1996 | 14.00 | 7,224,000 | 32.39 | 10,480,332 | 17,704,332 | 14.02 | 7,234,320 | 32.39 | 10,480,332 | 17,714,652 |
| 1997 | 14.72 | 7,595,520 | 34.04 | 11,015,785 | 18,611,305 | 14.74 | 7,605,840 | 34.04 | 11,015,785 | 18,621,625 |
| 1998 | 15.46 | 7,977,360 | 35.78 | 11,576,741 | 19,554,101 | 15.50 | 7,998,000 | 35.78 | 11,576,741 | 19,574,741 |
| 1999 | 16.25 | 8,385,000 | 37.60 | 12,167,388 | 20,552,388 | 16.29 | 8,405,640 | 37.60 | 12,167,388 | 20,573,028 |
| 2000 | 17.08 | 8,813,280 | 39.52 | 12,789,000 | 21,602,280 | 17.12 | 8,833,920 | 39.52 | 12,789,000 | 21,622,920 |
| 2001 | 17.95 | 9,262,200 | 41.54 | 13,442,849 | 22,705,049 | 17.99 | 9,282,840 | 41.54 | 13,442,849 | 22,725,689 |
| 2002 | 18.87 | 9,736,920 | 43.66 | 14,127,288 | 23,864,208 | 18.91 | 9,757,560 | 43.66 | 14,127,288 | 23,884,848 |
| 2003 | 19.83 | 10,232,280 | 45.88 | 14,846,510 | 25,078,790 | 19.87 | 10,252,920 | 45.88 | 14,846,510 | 25,099,430 |
| 2004 | 20.85 | 10,758,600 | 48.23 | 15,605,020 | 26,363,620 | 20.88 | 10,774,080 | 48.23 | 15,605,020 | 26,379,100 |
| 2005 | 21.91 | 11,305,560 | 50.69 | 16,401,811 | 27,707,371 | 21.95 | 11,326,200 | 50.69 | 16,401,811 | 27,728,011 |
| 2006 | 23.02 | 11,878,320 | 53.27 | 17,238,155 | 29,116,475 | 23.07 | 11,904,120 | 53.27 | 17,238,155 | 29,142,275 |
| 2007 | 24.20 | 12,487,200 | 55.98 | 18,115,324 | 30,602,524 | 24.24 | 12,507,840 | 55.98 | 18,115,324 | 30,623,164 |
| 2008 | 25.43 | 13,121,880 | 58.84 | 19,039,099 | 32,160,979 | 25.48 | 13,147,680 | 58.84 | 19,039,099 | 32,186,779 |
| 2009 | 26.74 | 13,797,840 | 61.84 | 20,010,751 | 33,808,591 | 26.78 | 13,818,480 | 61.84 | 20,010,751 | 33,829,231 |
| 2010 | 28.09 | 14,494,440 | 65.00 | 21,032,190 | 35,526,630 | 28.15 | 14,525,400 | 65.00 | 21,032,190 | 35,557,590 |
| 2011 | 29.53 | 15,237,480 | 68.31 | 22,102,724 | 37,340,204 | 29.58 | 15,263,280 | 68.31 | 22,102,724 | 37,366,004 |
| 2012 | 31.04 | 16,016,640 | 71.79 | 23,230,733 | 39,247,373 | 31.09 | 16,042,440 | 71.79 | 23,230,733 | 39,273,173 |
| 2013 | 32.61 | 15,424,530 | 75.45 | 22,381,202 | 37,805,732 | 32.68 | 15,457,640 | 75.45 | 22,381,202 | 37,838,842 |
| Net Present Value (11/1/91) | | $79,714,094 | | $115,807,122 | $195,521,216 | | $79,852,693 | | $115,807,122 | $195,659,814 |

Contract vs. Avoided Costs 99.93%

NPV of the Discount (1/1/91) $128,055

* .83 Capacity Factor and 3.5% Voltage Adjustment

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# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

El Dorado Energy Company

Contract Capacity 103.88 MW

| Year | Capacity Credits $/KW/Mo. | 92/83 of 87.5% of Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | Avoided Fuel & Var O&M $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | 92/83 of Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1994 | 12.68 | 12.30 | 15,330,285 | 29.32 | 25,406,541 | 40,736,826 | 12.70 | 14.08 | 17,547,960 | 29.32 | 25,406,541 | 42,954,502 |
| 1995 | 13.32 | 12.92 | 16,104,053 | 30.82 | 26,703,639 | 42,807,692 | 13.34 | 14.79 | 18,432,267 | 30.82 | 26,703,639 | 45,135,906 |
| 1996 | 14.00 | 13.58 | 16,926,182 | 32.39 | 28,063,914 | 44,990,097 | 14.02 | 15.54 | 19,371,843 | 32.39 | 28,063,914 | 47,435,757 |
| 1997 | 14.72 | 14.28 | 17,796,672 | 34.04 | 29,497,736 | 47,294,407 | 14.74 | 16.34 | 20,366,688 | 34.04 | 29,497,736 | 49,864,424 |
| 1998 | 15.46 | 14.99 | 18,691,341 | 35.78 | 30,999,845 | 49,691,186 | 15.50 | 17.18 | 21,416,802 | 35.78 | 30,999,845 | 52,416,647 |
| 1999 | 16.25 | 15.76 | 19,646,461 | 37.60 | 32,581,463 | 52,227,925 | 16.29 | 18.06 | 22,508,368 | 37.60 | 32,581,463 | 55,089,831 |
| 2000 | 17.08 | 16.57 | 20,649,942 | 39.52 | 34,245,997 | 54,895,939 | 17.12 | 18.98 | 23,655,203 | 39.52 | 34,245,997 | 57,901,200 |
| 2001 | 17.95 | 17.41 | 21,701,784 | 41.54 | 35,996,852 | 57,698,636 | 17.99 | 19.94 | 24,857,308 | 41.54 | 35,996,852 | 60,854,160 |
| 2002 | 18.87 | 18.30 | 22,814,076 | 43.66 | 37,829,624 | 60,643,700 | 18.91 | 20.96 | 26,128,498 | 43.66 | 37,829,624 | 63,958,123 |
| 2003 | 19.83 | 19.23 | 23,974,728 | 45.88 | 39,755,533 | 63,730,261 | 19.87 | 22.02 | 27,454,958 | 45.88 | 39,755,533 | 67,210,491 |
| 2004 | 20.85 | 20.22 | 25,207,921 | 48.23 | 41,786,650 | 66,994,572 | 20.88 | 23.14 | 28,850,505 | 48.23 | 41,786,650 | 70,637,155 |
| 2005 | 21.91 | 21.25 | 26,489,475 | 50.69 | 43,920,273 | 70,409,749 | 21.95 | 24.33 | 30,328,955 | 50.69 | 43,920,273 | 74,249,228 |
| 2006 | 23.02 | 22.33 | 27,831,480 | 53.27 | 46,159,810 | 73,991,289 | 23.07 | 25.57 | 31,876,492 | 53.27 | 46,159,810 | 78,036,301 |
| 2007 | 24.20 | 23.47 | 29,258,115 | 55.98 | 48,508,666 | 77,766,781 | 24.24 | 26.87 | 33,493,115 | 55.98 | 48,508,666 | 82,001,780 |
| 2008 | 25.43 | 24.66 | 30,745,201 | 58.84 | 50,982,321 | 81,727,522 | 25.48 | 28.24 | 35,206,459 | 58.84 | 50,982,321 | 86,188,780 |
| 2009 | 26.74 | 25.93 | 32,329,008 | 61.84 | 53,584,182 | 85,913,190 | 26.78 | 29.68 | 37,002,707 | 61.84 | 53,584,182 | 90,586,889 |
| 2010 | 28.09 | 27.24 | 33,961,176 | 65.00 | 56,319,360 | 90,280,535 | 28.15 | 31.20 | 38,895,676 | 65.00 | 56,319,360 | 95,215,036 |
| 2011 | 29.53 | 28.64 | 35,702,154 | 68.31 | 59,186,003 | 94,888,158 | 29.58 | 32.79 | 40,871,548 | 68.31 | 59,186,003 | 100,057,552 |
| 2012 | 31.04 | 30.11 | 37,527,764 | 71.79 | 62,206,553 | 99,734,317 | 31.09 | 34.46 | 42,957,959 | 71.79 | 62,206,553 | 105,164,513 |
| 2013 | 32.62 | 31.64 | 39,438,004 | 75.45 | 65,380,040 | 104,818,044 | 32.68 | 36.22 | 45,154,909 | 75.45 | 65,380,040 | 110,534,948 |
| Net Present Value (1/1/94) | | | $196,062,828 | | $325,081,123 | $521,143,952 | | | $224,490,850 | | $325,081,123 | $549,571,973 |

Contract vs. Avoided Costs 94.83%

NPV of the Discount (1/1/91) $21,381,710

* .92 Capacity Factor and 3.5% Voltage Adjustment

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# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

Lake Cogen Limited

Contract Capacity 102 MW

| Year | Capacity Credits $/KW/Mo. | 90/83 of Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | Avoided Fuel & Var O&M $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | 90/83 of Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1993 | 12.07 | 13.09 | 6,674,855 | 28.05 | 9,727,211 | 16,402,067 | 12.08 | 13.10 | 6,680,386 | 28.05 | 9,727,211 | 16,407,597 |
| 1994 | 12.68 | 13.75 | 16,829,263 | 29.32 | 24,404,418 | 41,233,681 | 12.70 | 13.77 | 16,855,807 | 29.32 | 24,404,418 | 41,260,226 |
| 1995 | 13.32 | 14.44 | 17,678,689 | 30.82 | 25,650,354 | 43,329,043 | 13.34 | 14.47 | 17,705,234 | 30.82 | 25,650,354 | 43,355,588 |
| 1996 | 14.00 | 15.18 | 18,581,205 | 32.39 | 26,956,975 | 45,538,180 | 14.02 | 15.20 | 18,607,749 | 32.39 | 26,956,975 | 45,564,725 |
| 1997 | 14.72 | 15.96 | 19,536,810 | 34.04 | 28,334,242 | 47,871,051 | 14.74 | 15.98 | 19,563,354 | 34.04 | 28,334,242 | 47,897,596 |
| 1998 | 15.32 | 16.61 | 20,333,147 | 35.78 | 29,777,103 | 50,110,250 | 15.50 | 16.81 | 20,572,048 | 35.78 | 29,777,103 | 50,349,151 |
| 1999 | 15.93 | 17.27 | 21,136,120 | 37.60 | 31,296,336 | 52,432,457 | 16.29 | 17.66 | 21,620,559 | 37.60 | 31,296,336 | 52,916,895 |
| 2000 | 16.74 | 18.15 | 22,215,688 | 39.52 | 32,895,214 | 55,110,903 | 17.12 | 18.56 | 22,722,159 | 39.52 | 32,895,214 | 55,617,373 |
| 2001 | 17.60 | 19.08 | 23,359,229 | 41.54 | 34,577,010 | 57,936,239 | 17.99 | 19.51 | 23,876,848 | 41.54 | 34,577,010 | 58,453,858 |
| 2002 | 18.49 | 20.05 | 24,543,913 | 43.66 | 36,337,491 | 60,881,405 | 18.91 | 20.50 | 25,097,899 | 43.66 | 36,337,491 | 61,435,390 |
| 2003 | 19.33 | 20.96 | 25,660,976 | 45.88 | 38,187,436 | 63,848,411 | 19.87 | 21.55 | 26,372,039 | 45.88 | 38,187,436 | 64,559,474 |
| 2004 | 20.22 | 21.93 | 26,842,541 | 48.23 | 40,138,438 | 66,980,980 | 20.88 | 22.64 | 27,712,540 | 48.23 | 40,138,438 | 67,850,978 |
| 2005 | 21.25 | 23.05 | 28,207,198 | 50.69 | 42,187,904 | 70,395,102 | 21.95 | 23.80 | 29,132,675 | 50.69 | 42,187,904 | 71,320,579 |
| 2006 | 22.34 | 24.22 | 29,650,294 | 53.27 | 44,339,105 | 73,989,399 | 23.07 | 25.02 | 30,619,171 | 53.27 | 44,339,105 | 74,958,276 |
| 2007 | 23.47 | 25.45 | 31,155,372 | 55.98 | 46,595,314 | 77,750,685 | 24.24 | 26.28 | 32,172,029 | 55.98 | 46,595,314 | 78,767,343 |
| 2008 | 24.54 | 26.61 | 32,570,131 | 58.84 | 48,971,399 | 81,541,531 | 25.48 | 27.63 | 33,817,793 | 58.84 | 48,971,399 | 82,789,192 |
| 2009 | 25.66 | 27.82 | 34,056,694 | 61.84 | 51,470,634 | 85,527,328 | 26.78 | 29.04 | 35,543,190 | 61.84 | 51,470,634 | 87,013,824 |
| 2010 | 26.97 | 29.24 | 35,790,586 | 65.00 | 54,097,927 | 89,888,513 | 28.15 | 30.52 | 37,361,494 | 65.00 | 54,097,927 | 91,459,421 |
| 2011 | 28.35 | 30.74 | 37,625,347 | 68.31 | 56,851,500 | 94,476,847 | 29.58 | 32.07 | 39,259,431 | 68.31 | 56,851,500 | 96,110,931 |
| 2012 | 29.79 | 32.30 | 39,538,149 | 71.79 | 59,752,909 | 99,291,058 | 31.09 | 33.71 | 41,263,547 | 71.79 | 59,752,909 | 101,016,456 |
| 2013 | 31.32 | 33.96 | 24,248,472 | 75.45 | 36,634,046 | 60,882,518 | 32.68 | 35.44 | 25,301,407 | 75.45 | 36,634,046 | 61,935,453 |
| Net Present Value (8/1/93) | | | $206,776,080 | | $305,819,987 | $512,596,067 | | | $211,153,331 | | $305,819,987 | $516,973,318 |

Contract vs. Avoided Costs 99.15%

NPV of the Discount (1/1/91) $3,292,284

* .90 Capacity Factor and 3.5% Voltage Adjustment

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# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

Mulberry Energy Company
Contract Capacity 72 MW

| Year | Capacity Credits $/KW/Mo. | 90/83 of Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | 80% of Avoided Fuel $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | 90/83 of Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1994 | 18.93 | 20.53 | 17,734,901 | 19.10 | 11,219,750 | 28,954,651 | 12.70 | 13.77 | 11,898,217 | 29.32 | 17,226,648 | 29,124,865 |
| 1995 | 19.90 | 21.58 | 18,643,663 | 20.07 | 11,791,734 | 30,435,397 | 13.34 | 14.47 | 12,497,812 | 30.82 | 18,106,132 | 30,603,944 |
| 1996 | 20.91 | 22.67 | 19,589,899 | 21.09 | 12,393,287 | 31,983,186 | 14.02 | 15.20 | 13,134,882 | 32.39 | 19,028,453 | 32,163,335 |
| 1997 | 21.98 | 23.83 | 20,592,347 | 22.17 | 13,025,334 | 33,617,681 | 14.74 | 15.98 | 13,809,427 | 34.04 | 20,000,641 | 33,810,068 |
| 1998 | 23.10 | 25.05 | 21,641,639 | 23.30 | 13,689,722 | 35,331,360 | 15.50 | 16.81 | 14,521,446 | 35.78 | 21,019,131 | 35,540,577 |
| 1999 | 24.05 | 26.08 | 22,528,946 | 24.49 | 14,387,837 | 36,916,783 | 16.29 | 17.66 | 15,261,571 | 37.60 | 22,091,531 | 37,353,102 |
| 2000 | 25.03 | 27.14 | 23,452,633 | 25.74 | 15,121,529 | 38,574,161 | 17.12 | 18.56 | 16,039,171 | 39.52 | 23,220,151 | 39,259,322 |
| 2001 | 26.06 | 28.26 | 24,414,190 | 27.05 | 15,892,644 | 40,306,835 | 17.99 | 19.51 | 16,854,246 | 41.54 | 24,407,301 | 41,261,547 |
| 2002 | 27.13 | 29.42 | 25,415,172 | 28.43 | 16,703,493 | 42,118,666 | 18.91 | 20.50 | 17,716,164 | 43.66 | 25,649,994 | 43,366,158 |
| 2003 | 28.24 | 30.62 | 26,457,194 | 29.88 | 17,555,463 | 44,012,657 | 19.87 | 21.55 | 18,615,557 | 45.88 | 26,955,837 | 45,571,394 |
| 2004 | 29.40 | 31.88 | 27,541,939 | 31.40 | 18,450,400 | 45,992,339 | 20.88 | 22.64 | 19,561,793 | 48.23 | 28,333,015 | 47,894,808 |
| 2005 | 30.75 | 33.34 | 28,808,868 | 33.01 | 19,391,539 | 48,200,408 | 21.95 | 23.80 | 20,564,241 | 50.69 | 29,779,697 | 50,343,938 |
| 2006 | 32.32 | 35.04 | 30,278,121 | 34.69 | 20,380,729 | 50,658,850 | 23.07 | 25.02 | 21,613,533 | 53.27 | 31,298,192 | 52,911,724 |
| 2007 | 33.97 | 36.83 | 31,822,305 | 36.46 | 21,419,817 | 53,242,122 | 24.24 | 26.28 | 22,709,667 | 55.98 | 32,890,810 | 55,600,477 |
| 2008 | 35.70 | 38.71 | 33,445,242 | 38.32 | 22,512,500 | 55,957,743 | 25.48 | 27.63 | 23,871,383 | 58.84 | 34,568,047 | 58,439,430 |
| 2009 | 37.52 | 40.68 | 35,150,950 | 40.27 | 23,660,626 | 58,811,575 | 26.78 | 29.04 | 25,089,311 | 61.84 | 36,332,212 | 61,421,523 |
| 2010 | 39.43 | 42.76 | 36,943,648 | 42.33 | 24,866,966 | 61,810,614 | 28.15 | 30.52 | 26,372,819 | 65.00 | 38,186,772 | 64,559,591 |
| 2011 | 41.44 | 44.94 | 38,827,774 | 44.48 | 26,135,217 | 64,962,992 | 29.58 | 32.07 | 27,712,540 | 68.31 | 40,130,471 | 67,843,010 |
| 2012 | 43.56 | 47.23 | 40,807,991 | 46.75 | 27,468,152 | 68,276,142 | 31.09 | 33.71 | 29,127,210 | 71.79 | 42,178,524 | 71,305,733 |
| 2013 | 45.78 | 49.64 | 42,889,198 | 49.14 | 28,869,003 | 71,758,202 | 32.68 | 35.44 | 30,616,829 | 75.45 | 44,330,274 | 74,947,103 |
| 2014 | 48.11 | 52.17 | 45,076,548 | 51.64 | 30,341,468 | 75,418,016 | 34.34 | 37.24 | 32,172,029 | 79.30 | 46,592,692 | 78,764,721 |
| 2015 | 50.57 | 54.83 | 47,375,451 | 54.28 | 31,888,781 | 79,264,233 | 36.09 | 39.13 | 33,811,547 | 83.35 | 48,967,470 | 82,779,017 |
| 2016 | 53.15 | 57.63 | 49,791,599 | 57.05 | 33,515,100 | 83,306,699 | 37.94 | 41.14 | 35,544,752 | 87.60 | 51,464,505 | 87,009,257 |
| 2017 | 55.86 | 60.57 | 52,330,971 | 59.96 | 35,224,582 | 87,555,554 | 39.87 | 43.23 | 37,352,906 | 92.06 | 54,088,997 | 91,441,903 |
| 2018 | 58.71 | 63.66 | 54,999,851 | 63.01 | 37,020,925 | 92,020,776 | 41.90 | 45.43 | 39,254,747 | 96.77 | 56,851,439 | 96,106,186 |
| 2019 | 61.70 | 66.90 | 57,804,843 | 66.23 | 38,909,211 | 96,714,054 | 44.04 | 47.75 | 41,259,643 | 101.69 | 59,746,435 | 101,006,078 |
| 2020 | 64.85 | 70.32 | 60,752,890 | 69.60 | 40,893,134 | 101,646,024 | 46.29 | 50.19 | 43,367,595 | 106.88 | 62,796,230 | 106,163,825 |
| 2021 | 68.15 | 73.90 | 63,851,287 | 73.15 | 42,978,703 | 106,829,991 | 48.65 | 52.75 | 45,578,602 | 112.33 | 65,996,582 | 111,575,184 |
| 2022 | 71.63 | 77.67 | 67,107,703 | 76.88 | 45,170,999 | 112,278,702 | 51.13 | 55.44 | 47,902,034 | 118.07 | 69,365,593 | 117,267,627 |
| 2023 | 75.28 | 81.63 | 70,530,196 | 80.81 | 47,474,643 | 118,004,838 | 53.74 | 58.27 | 50,347,258 | 124.09 | 72,903,165 | 123,250,423 |
| Net Present Value (1/1/94) | | | $272,745,773 | | $179,065,583 | $451,811,357 | | | $189,880,589 | | $274,962,821 | $464,843,411 |

| | |
|---|---|
| Contract vs. Avoided Costs | 97.20% |
| NPV of the Discount (1/1/91) | $9,801,864 |

* .90 Capacity Factor and 3.5% Voltage Adjustment

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312

ORDER NO. 24734
DOCKET NO. 910401-EQ
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# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

Orlando CoGen Limited, L.P.
Contract Capacity 72 MW

| Year | Capacity Credits $/KW/Mo. | 93/83 of 99.5 % of Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | Avoided Fuel & Var O&M $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | 93/83 of Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1994 | 12.68 | 14.14 | 12,214,085 | 29.32 | 17,800,870 | 30,014,955 | 12.70 | 14.23 | 12,294,824 | 29.32 | 17,800,870 | 30,095,694 |
| 1995 | 13.32 | 14.85 | 12,830,569 | 30.82 | 18,709,670 | 31,540,239 | 13.34 | 14.95 | 12,914,406 | 30.82 | 18,709,670 | 31,624,076 |
| 1996 | 14.00 | 15.61 | 13,485,583 | 32.39 | 19,662,735 | 33,148,318 | 14.02 | 15.71 | 13,572,711 | 32.39 | 19,662,735 | 33,235,446 |
| 1997 | 14.72 | 16.41 | 14,179,127 | 34.04 | 20,667,329 | 34,846,456 | 14.74 | 16.52 | 14,269,741 | 34.04 | 20,667,329 | 34,937,070 |
| 1998 | 15.46 | 17.24 | 14,891,936 | 35.78 | 21,719,769 | 36,611,705 | 15.50 | 17.37 | 15,005,494 | 35.78 | 21,719,769 | 36,725,263 |
| 1999 | 16.25 | 18.12 | 15,652,908 | 37.60 | 22,827,916 | 38,480,824 | 16.29 | 18.25 | 15,770,290 | 37.60 | 22,827,916 | 38,598,206 |
| 2000 | 17.08 | 19.04 | 16,452,411 | 39.52 | 23,994,156 | 40,446,567 | 17.12 | 19.18 | 16,573,810 | 39.52 | 23,994,156 | 40,567,966 |
| 2001 | 17.95 | 20.01 | 17,290,443 | 41.54 | 25,220,878 | 42,511,322 | 17.99 | 20.16 | 17,416,054 | 41.54 | 25,220,878 | 42,636,932 |
| 2002 | 18.87 | 21.04 | 18,176,639 | 43.66 | 26,504,994 | 44,681,633 | 18.91 | 21.19 | 18,306,703 | 43.66 | 26,504,994 | 44,811,696 |
| 2003 | 19.83 | 22.11 | 19,101,365 | 45.88 | 27,854,365 | 46,955,729 | 19.87 | 22.26 | 19,236,075 | 45.88 | 27,854,365 | 47,090,440 |
| 2004 | 20.85 | 23.25 | 20,083,886 | 48.23 | 29,277,449 | 49,361,335 | 20.88 | 23.40 | 20,213,853 | 48.23 | 29,277,449 | 49,491,302 |
| 2005 | 21.91 | 24.43 | 21,104,937 | 50.69 | 30,772,353 | 51,877,290 | 21.95 | 24.59 | 21,249,716 | 50.69 | 30,772,353 | 52,022,069 |
| 2006 | 23.02 | 25.66 | 22,174,151 | 53.27 | 32,341,465 | 54,515,616 | 23.07 | 25.85 | 22,333,984 | 53.27 | 32,341,465 | 54,675,448 |
| 2007 | 24.20 | 26.93 | 23,310,793 | 55.98 | 33,987,170 | 57,297,963 | 24.24 | 27.16 | 23,466,656 | 55.98 | 33,987,170 | 57,453,827 |
| 2008 | 25.43 | 28.35 | 24,495,598 | 58.84 | 35,720,315 | 60,215,913 | 25.48 | 28.55 | 24,667,096 | 58.84 | 35,720,315 | 60,387,411 |
| 2009 | 26.74 | 29.81 | 25,757,463 | 61.84 | 37,543,286 | 63,300,749 | 26.78 | 30.01 | 25,925,621 | 61.84 | 37,543,286 | 63,468,907 |
| 2010 | 28.09 | 31.32 | 27,057,858 | 65.00 | 39,459,664 | 66,517,523 | 28.15 | 31.54 | 27,251,913 | 65.00 | 39,459,664 | 66,711,578 |
| 2011 | 29.53 | 32.92 | 28,444,947 | 68.31 | 41,468,153 | 69,913,100 | 29.58 | 33.14 | 28,636,291 | 68.31 | 41,468,153 | 70,104,444 |
| 2012 | 31.04 | 34.61 | 29,899,463 | 71.79 | 43,584,475 | 73,483,938 | 31.09 | 34.84 | 30,098,117 | 71.79 | 43,584,475 | 73,682,591 |
| 2013 | 32.61 | 36.36 | 31,411,775 | 75.45 | 45,807,950 | 77,219,725 | 32.68 | 36.62 | 31,637,390 | 75.45 | 45,807,950 | 77,445,340 |
| 2014 | 34.28 | 38.22 | 33,020,412 | 79.30 | 48,145,782 | 81,166,194 | 34.34 | 38.48 | 33,244,430 | 79.30 | 48,145,782 | 81,390,211 |
| 2015 | 36.03 | 40.17 | 34,706,110 | 83.35 | 50,599,719 | 85,305,829 | 36.09 | 40.44 | 34,938,599 | 83.35 | 50,599,719 | 85,538,317 |
| 2016 | 37.86 | 42.21 | 36,468,869 | 87.60 | 53,179,989 | 89,648,857 | 37.94 | 42.51 | 36,729,577 | 87.60 | 53,179,989 | 89,909,566 |
| 2017 | 39.80 | 44.37 | 38,337,585 | 92.06 | 55,891,963 | 94,229,548 | 39.87 | 44.67 | 38,598,003 | 92.06 | 55,891,963 | 94,489,966 |
| 2018 | 41.82 | 46.62 | 40,283,362 | 96.77 | 58,746,487 | 99,029,849 | 41.90 | 46.95 | 40,563,239 | 96.77 | 58,746,487 | 99,309,725 |
| 2019 | 43.96 | 49.01 | 42,344,730 | 101.69 | 61,737,983 | 104,082,712 | 44.04 | 49.35 | 42,634,965 | 101.69 | 61,737,983 | 104,372,947 |
| 2020 | 46.20 | 51.51 | 44,502,423 | 106.88 | 64,889,437 | 109,391,860 | 46.29 | 51.87 | 44,813,182 | 106.88 | 64,889,437 | 109,702,619 |
| 2021 | 48.56 | 54.14 | 46,775,707 | 112.33 | 68,196,468 | 114,972,174 | 48.65 | 54.51 | 47,097,889 | 112.33 | 68,196,468 | 115,294,357 |
| 2022 | 51.03 | 56.89 | 49,154,949 | 118.07 | 71,677,780 | 120,832,729 | 51.13 | 57.29 | 49,498,768 | 118.07 | 71,677,780 | 121,176,548 |
| 2023 | 53.64 | 59.80 | 51,669,047 | 124.09 | 75,333,271 | 127,002,317 | 53.74 | 60.21 | 52,025,500 | 124.09 | 75,333,271 | 127,358,770 |
| Net Present Value (1/1/94) | | | $194,863,383 | | $284,128,249 | $478,991,632 | | | $196,209,942 | | $284,128,249 | $480,338,191 |

Contract vs. Avoided Costs 99.72%
NPV of the Discount (1/1/91) $1,012,795

* .93 Capacity Factor and 3.5% Voltage Adjustment

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# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

Pasco Cogen Limited

Contract Capacity 102 MW

| Year | Capacity Credits $/KW/Mo. | 90/83 of Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | Avoided Fuel & Var O&M $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | 90/83 of Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1993 | 12.07 | 13.09 | 6,674,855 | 28.05 | 9,727,211 | 16,402,067 | 12.08 | 13.10 | 6,680,386 | 28.05 | 9,727,211 | 16,407,597 |
| 1994 | 12.68 | 13.75 | 16,829,263 | 29.32 | 24,404,418 | 41,233,681 | 12.70 | 13.77 | 16,855,807 | 29.32 | 24,404,418 | 41,260,226 |
| 1995 | 13.32 | 14.44 | 17,678,689 | 30.82 | 25,650,354 | 43,329,043 | 13.34 | 14.47 | 17,705,234 | 30.82 | 25,650,354 | 43,355,588 |
| 1996 | 14.00 | 15.18 | 18,581,205 | 32.39 | 26,956,975 | 45,538,180 | 14.02 | 15.20 | 18,607,749 | 32.39 | 26,956,975 | 45,564,725 |
| 1997 | 14.72 | 15.96 | 19,536,810 | 34.04 | 28,334,242 | 47,871,051 | 14.74 | 15.98 | 19,563,354 | 34.04 | 28,334,242 | 47,897,596 |
| 1998 | 15.32 | 16.61 | 20,333,147 | 35.78 | 29,777,103 | 50,110,250 | 15.50 | 16.81 | 20,572,048 | 35.78 | 29,777,103 | 50,349,151 |
| 1999 | 15.93 | 17.27 | 21,136,120 | 37.60 | 31,296,336 | 52,432,457 | 16.29 | 17.66 | 21,620,559 | 37.60 | 31,296,336 | 52,916,895 |
| 2000 | 16.74 | 18.15 | 22,215,688 | 39.52 | 32,895,214 | 55,110,903 | 17.12 | 18.56 | 22,722,159 | 39.52 | 32,895,214 | 55,617,373 |
| 2001 | 17.60 | 19.08 | 23,359,229 | 41.54 | 34,577,010 | 57,936,239 | 17.99 | 19.51 | 23,876,848 | 41.54 | 34,577,010 | 58,453,858 |
| 2002 | 18.49 | 20.05 | 24,543,913 | 43.66 | 36,337,491 | 60,881,405 | 18.91 | 20.50 | 25,097,899 | 43.66 | 36,337,491 | 61,435,390 |
| 2003 | 19.33 | 20.96 | 25,660,976 | 45.88 | 38,187,436 | 63,848,411 | 19.87 | 21.55 | 26,372,039 | 45.88 | 38,187,436 | 64,559,474 |
| 2004 | 20.22 | 21.93 | 26,842,541 | 48.23 | 40,138,438 | 66,980,980 | 20.88 | 22.64 | 27,712,540 | 48.23 | 40,138,438 | 67,850,978 |
| 2005 | 21.25 | 23.05 | 28,207,198 | 50.69 | 42,187,904 | 70,395,102 | 21.95 | 23.80 | 29,132,675 | 50.69 | 42,187,904 | 71,320,579 |
| 2006 | 22.34 | 24.22 | 29,650,294 | 53.27 | 44,339,105 | 73,989,399 | 23.07 | 25.02 | 30,619,171 | 53.27 | 44,339,105 | 74,958,276 |
| 2007 | 23.47 | 25.45 | 31,155,372 | 55.98 | 46,595,314 | 77,750,685 | 24.24 | 26.28 | 32,172,029 | 55.98 | 46,595,314 | 78,767,343 |
| 2008 | 24.54 | 26.61 | 32,570,131 | 58.84 | 48,971,399 | 81,541,531 | 25.48 | 27.63 | 33,817,793 | 58.84 | 48,971,399 | 82,789,192 |
| 2009 | 25.66 | 27.82 | 34,056,694 | 61.84 | 51,470,634 | 85,527,328 | 26.78 | 29.04 | 35,543,190 | 61.84 | 51,470,634 | 87,013,824 |
| 2010 | 26.97 | 29.24 | 35,790,586 | 65.00 | 54,097,927 | 89,888,513 | 28.15 | 30.52 | 37,361,494 | 65.00 | 54,097,927 | 91,459,421 |
| 2011 | 28.35 | 30.74 | 37,625,347 | 68.31 | 56,851,500 | 94,476,847 | 29.58 | 32.07 | 39,259,431 | 68.31 | 56,851,500 | 96,110,931 |
| 2012 | 29.79 | 32.30 | 39,538,149 | 71.79 | 59,752,909 | 99,291,058 | 31.09 | 33.71 | 41,263,547 | 71.79 | 59,752,909 | 101,016,456 |
| 2013 | 31.32 | 33.96 | 24,248,472 | 75.45 | 36,634,046 | 60,882,518 | 32.68 | 35.44 | 25,301,407 | 75.45 | 36,634,046 | 61,935,453 |
| Net Present Value (8/1/93) | | | $206,776,080 | | $305,819,987 | $512,596,067 | | | $211,153,331 | | $305,819,987 | $516,973,318 |

Contract vs. Avoided Costs 99.15%

NPV of the Discount (1/1/91) $3,292,284

* .90 Capacity Factor and 3.5% Voltage Adjustment

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DOCKET NO. 910401-EQ
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# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

Ridge Generating Station Limited Partnership

Contract Capacity 36 MW

| Year | Accel. Capacity Credits $/KW/Mo. | 85/83 of Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | Avoided Fuel & Var. O&M $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | 85/83 of Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1994 | 12.68 | 12.99 | 5,609,754 | 29.32 | 8,134,806 | 13,744,560 | 12.70 | 13.01 | 5,618,602 | 29.32 | 8,134,806 | 13,753,409 |
| 1995 | 13.32 | 13.64 | 5,892,896 | 30.82 | 8,550,118 | 14,443,014 | 13.34 | 13.66 | 5,901,745 | 30.82 | 8,550,118 | 14,451,863 |
| 1996 | 14.00 | 14.34 | 6,193,735 | 32.39 | 8,985,658 | 15,179,393 | 14.02 | 14.36 | 6,202,583 | 32.39 | 8,985,658 | 15,188,242 |
| 1997 | 14.72 | 15.07 | 6,512,270 | 34.04 | 9,444,747 | 15,957,017 | 14.74 | 15.10 | 6,521,118 | 34.04 | 9,444,747 | 15,965,865 |
| 1998 | 15.46 | 15.83 | 6,839,653 | 35.78 | 9,925,701 | 16,765,354 | 15.50 | 15.87 | 6,857,349 | 35.78 | 9,925,701 | 16,783,050 |
| 1999 | 16.25 | 16.64 | 7,189,157 | 37.60 | 10,432,112 | 17,621,269 | 16.29 | 16.68 | 7,206,853 | 37.60 | 10,432,112 | 17,638,965 |
| 2000 | 17.08 | 17.49 | 7,556,357 | 39.52 | 10,965,071 | 18,521,428 | 17.12 | 17.53 | 7,574,053 | 39.52 | 10,965,071 | 18,539,124 |
| 2001 | 17.95 | 18.38 | 7,941,253 | 41.54 | 11,525,670 | 19,466,923 | 17.99 | 18.42 | 7,958,949 | 41.54 | 11,525,670 | 19,484,619 |
| 2002 | 18.87 | 19.32 | 8,348,270 | 43.66 | 12,112,497 | 20,460,767 | 18.91 | 19.37 | 8,365,966 | 43.66 | 12,112,497 | 20,478,463 |
| 2003 | 19.83 | 20.31 | 8,772,983 | 45.88 | 12,729,145 | 21,502,128 | 19.87 | 20.35 | 8,790,680 | 45.88 | 12,729,145 | 21,519,825 |
| 2004 | 19.81 | 20.29 | 8,764,135 | 48.23 | 13,379,479 | 22,143,614 | 20.88 | 21.38 | 9,237,513 | 48.23 | 13,379,479 | 22,616,993 |
| 2005 | 20.81 | 21.31 | 9,206,545 | 50.69 | 14,062,635 | 23,269,179 | 21.95 | 22.48 | 9,710,892 | 50.69 | 14,062,635 | 23,773,526 |
| 2006 | 21.87 | 22.40 | 9,675,499 | 53.27 | 14,779,702 | 24,455,200 | 23.07 | 23.63 | 10,206,390 | 53.27 | 14,779,702 | 24,986,092 |
| 2007 | 22.99 | 23.54 | 10,170,998 | 55.98 | 15,531,771 | 25,702,769 | 24.24 | 24.82 | 10,724,010 | 55.98 | 15,531,771 | 26,255,781 |
| 2008 | 24.16 | 24.74 | 10,688,617 | 58.84 | 16,323,800 | 27,012,417 | 25.48 | 26.09 | 11,272,598 | 58.84 | 16,323,800 | 27,596,397 |
| 2009 | 25.39 | 26.00 | 11,232,781 | 61.84 | 17,156,878 | 28,389,659 | 26.78 | 27.43 | 11,847,730 | 61.84 | 17,156,878 | 29,004,608 |
| 2010 | 26.69 | 27.33 | 11,807,913 | 65.00 | 18,032,642 | 29,840,556 | 28.15 | 28.83 | 12,453,831 | 65.00 | 18,032,642 | 30,486,474 |
| 2011 | 28.05 | 28.73 | 12,409,590 | 68.31 | 18,950,500 | 31,360,090 | 29.58 | 30.29 | 13,086,477 | 68.31 | 18,950,500 | 32,036,977 |
| 2012 | 29.48 | 30.19 | 13,042,236 | 71.79 | 19,917,636 | 32,959,872 | 31.09 | 31.84 | 13,754,516 | 71.79 | 19,917,636 | 33,672,152 |
| 2013 | 30.98 | 31.73 | 13,705,851 | 75.45 | 20,933,741 | 34,639,591 | 32.68 | 33.47 | 14,457,947 | 75.45 | 20,933,741 | 35,391,688 |
| 2014 | 28.11 | 28.79 | 12,436,135 | 79.30 | 22,002,105 | 34,438,239 | 34.34 | 35.17 | 15,192,347 | 79.30 | 22,002,105 | 37,194,451 |
| 2015 | 29.54 | 30.25 | 13,068,781 | 83.35 | 23,123,527 | 36,192,308 | 36.09 | 36.96 | 15,966,564 | 83.35 | 23,123,527 | 39,090,091 |
| 2016 | 31.05 | 31.80 | 13,736,819 | 87.60 | 24,302,683 | 38,039,502 | 37.94 | 38.85 | 16,785,022 | 87.60 | 24,302,683 | 41,087,705 |
| 2017 | 32.63 | 33.42 | 14,435,827 | 92.06 | 25,542,026 | 39,977,853 | 39.87 | 40.83 | 17,638,872 | 92.06 | 25,542,026 | 43,180,898 |
| 2018 | 34.29 | 35.12 | 15,170,227 | 96.77 | 26,846,513 | 42,016,739 | 41.90 | 42.91 | 18,536,964 | 96.77 | 26,846,513 | 45,383,477 |
| 2019 | 36.05 | 36.92 | 15,948,867 | 101.69 | 28,213,594 | 44,162,462 | 44.04 | 45.10 | 19,483,720 | 101.69 | 28,213,594 | 47,697,315 |
| 2020 | 37.88 | 38.79 | 16,758,477 | 106.88 | 29,653,775 | 46,412,252 | 46.29 | 47.41 | 20,479,142 | 106.88 | 29,653,775 | 50,132,917 |
| 2021 | 39.79 | 40.75 | 17,603,480 | 112.33 | 31,165,052 | 48,768,532 | 48.65 | 49.82 | 21,523,229 | 112.33 | 31,165,052 | 52,688,281 |
| 2022 | 41.84 | 42.85 | 18,510,419 | 118.07 | 32,755,975 | 51,266,394 | 51.13 | 52.36 | 22,620,405 | 118.07 | 32,755,975 | 55,376,379 |
| 2023 | 43.98 | 45.04 | 19,457,176 | 124.09 | 34,426,495 | 53,883,671 | 53.74 | 55.03 | 23,775,094 | 124.09 | 34,426,495 | 58,201,589 |
| Net Present Value (1/1/94) | | | $84,903,795 | | $129,843,555 | $214,747,349 | | | $89,665,834 | | $129,843,555 | $219,509,388 |

Contract vs. Avoided Costs 97.83%

NPV of the Discount (1/1/91) $3,581,696

* .85 Capacity Factor and 3.5% Voltage Adjustment

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944 AM

315

# COMPARISON OF CONTRACT COSTS AND AVOIDED COSTS

Royster Phosphates, Inc.

Contract Capacity 28 MW

| Year | Capacity Credits $/KW/Mo. | 85/83 of 97.5% of Capacity Credits $/KW/Mo. | Contract Capacity Credits $/Year | 80% Avoided Fuel $/MWH | Contract Energy * Payment $/Year | Total Contract Payment $/Year | Avoided Capacity Cost $/KW/Mo. | 85/83 of Avoided Capacity Cost $/KW/Mo. | Avoided Capacity Cost $/Year | Avoided Energy * Cost $/MWH | Avoided Energy Cost $/Year | Total Avoided Cost $/Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1993 | 18.04 | 18.01 | 504,359 | 18.29 | 328,838 | 833,197 | 12.08 | 12.37 | 346,390 | 28.05 | 504,374 | 850,764 |
| 1994 | 18.93 | 18.90 | 6,350,901 | 19.10 | 4,120,834 | 10,471,735 | 12.70 | 13.01 | 4,370,024 | 29.32 | 6,327,071 | 10,697,096 |
| 1995 | 19.90 | 19.87 | 6,676,330 | 20.07 | 4,330,915 | 11,007,245 | 13.34 | 13.66 | 4,590,246 | 30.82 | 6,650,092 | 11,240,338 |
| 1996 | 20.91 | 20.88 | 7,015,179 | 21.09 | 4,551,855 | 11,567,034 | 14.02 | 14.36 | 4,824,231 | 32.39 | 6,988,845 | 11,813,077 |
| 1997 | 21.98 | 21.95 | 7,374,158 | 22.17 | 4,783,996 | 12,158,154 | 14.74 | 15.10 | 5,071,981 | 34.04 | 7,345,915 | 12,417,895 |
| 1998 | 23.09 | 23.06 | 7,746,556 | 23.30 | 5,028,015 | 12,774,571 | 15.50 | 15.87 | 5,333,494 | 35.78 | 7,719,990 | 13,053,484 |
| 1999 | 24.27 | 24.23 | 8,142,439 | 24.49 | 5,284,422 | 13,426,861 | 16.29 | 16.68 | 5,605,330 | 37.60 | 8,113,865 | 13,719,195 |
| 2000 | 25.52 | 25.48 | 8,561,806 | 25.74 | 5,553,895 | 14,115,701 | 17.12 | 17.53 | 5,890,930 | 39.52 | 8,528,389 | 14,419,319 |
| 2001 | 26.81 | 26.77 | 8,994,593 | 27.05 | 5,837,113 | 14,831,707 | 17.99 | 18.42 | 6,190,294 | 41.54 | 8,964,410 | 15,154,704 |
| 2002 | 28.18 | 28.14 | 9,454,220 | 28.43 | 6,134,925 | 15,589,145 | 18.91 | 19.37 | 6,506,863 | 43.66 | 9,420,831 | 15,927,694 |
| 2003 | 29.62 | 29.58 | 9,937,332 | 29.88 | 6,447,840 | 16,385,171 | 19.87 | 20.35 | 6,837,195 | 45.88 | 9,900,446 | 16,737,641 |
| 2004 | 31.13 | 31.08 | 10,443,927 | 31.40 | 6,776,536 | 17,220,463 | 20.88 | 21.38 | 7,184,733 | 48.23 | 10,406,262 | 17,590,994 |
| 2005 | 32.72 | 32.67 | 10,977,363 | 33.01 | 7,122,201 | 18,099,564 | 21.95 | 22.48 | 7,552,916 | 50.69 | 10,937,605 | 18,490,520 |
| 2006 | 34.38 | 34.33 | 11,534,283 | 34.69 | 7,485,515 | 19,019,798 | 23.07 | 23.63 | 7,938,304 | 53.27 | 11,495,323 | 19,433,627 |
| 2007 | 36.14 | 36.09 | 12,124,752 | 36.46 | 7,867,155 | 19,991,907 | 24.24 | 24.82 | 8,340,896 | 55.98 | 12,080,267 | 20,421,163 |
| 2008 | 37.99 | 37.93 | 11,683,298 | 38.32 | 7,579,440 | 19,262,738 | 25.48 | 26.09 | 8,036,945 | 58.84 | 11,638,265 | 19,675,209 |
| Net Present Value (12/1/93) | | | $66,949,567 | | $43,442,209 | $110,391,776 | | | $46,062,879 | | $66,706,022 | $112,768,901 |
| Contract vs. Avoided Costs | | | 97.89% | | | | | | | | | |
| NPV of the Discount (1/1/91) | | | $1,787,919 | | | | | | | | | |

* .85 Capacity Factor and 3.5% Voltage Adjustment

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