

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a Rate) DOCKET NO. 910637-WS
Increase in Pasco County by Mad) ORDER NO. PSC-92-0123-FOF-WS
Hatter Utility, Inc.) ISSUED: MARCH 31, 1992
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION ORDER
APPROVING INCREASED SERVICE RATES, REQUIRING REFUND
OF EXCESS INTERIM AND EMERGENCY RATES,
REDUCING SERVICE AVAILABILITY CHARGES, AND
FINDING VIOLATION OF COMMISSION RULES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein, except for the granting of temporary rates in event of protest, are preliminary in nature, and as such, will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Mad Hatter Utility, Inc., (MHU or utility) is a class "B" utility located in Lutz, Florida. MHU owns and operates water and wastewater systems in three separate communities: Linda Lakes, Foxwood and Turtle Lakes. According to MHU's 1990 annual report, MHU serves a total of about 1,234 water customers and 1,231 wastewater customers.

On October 18, 1991, MHU filed the instant application for a rate increase. Since MHU's application met our minimum filing requirements (MFRs), October 18, 1991, was established as the official date of filing. The test year for determining interim and final rates is the twelve-month period ended December 31, 1990. Pursuant to Section 367.081(8), Florida Statutes, MHU requested that we process this case using the Proposed Agency Action (PAA) procedure.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Prior to MHU's filing the MFRs for this rate case, the Florida Department of Environmental Regulation (DER) initiated proceedings to revoke MHU's operating permit for the Foxwood wastewater treatment plant. The operating permit for the Turtle Lakes wastewater plant expired, and DER advised the utility that the permit will not be renewed. Consequently, MHU negotiated to interconnect the Foxwood and Turtle Lakes collection systems with Pasco County's regional wastewater treatment system.

By Order No. 25589, issued on January 9, 1992, we suspended MHU's proposed rates and approved interim rates. In its request for interim rates, MHU sought recovery of costs associated with its Foxwood and Turtle Lakes wastewater systems being interconnected with Pasco County. We denied recovery of those costs in interim rates in Order No. 25589 because we interpret Section 367.082, Florida Statutes, to require that we calculate interim rates based on historical data only. The interconnect costs occurred outside the interim test year.

On December 16, 1991, the Utility filed a petition for an emergency limited proceeding for the Foxwood and Turtle Lakes wastewater systems. By Order No. 25711, issued February 12, 1992, in Docket No. 911206-SU, we allowed MHU to collect emergency, temporary rates, subject to refund. The emergency, temporary rates were designed to allow MHU to collect sufficient revenues to pay Pasco County for bulk wastewater treatment. We reserved for this proceeding our final judgment on appropriate rates for MHU and the disposition of funds which we ordered to be held in escrow.

MHU requested uniform water rates for its three water systems, but it proposed alternative scenarios for final wastewater rates. For wastewater rates, one of MHU's alternatives contemplated MHU's treating all of its own wastewater at its three treatment plants and a uniform rate for all systems. This is what MHU refers to as the "no tie-in scenario." The other alternative contemplated MHU's remaining a bulk wastewater customer of Pasco County for the Turtle Lakes and Foxwood systems, uniform rates for those systems, and stand-alone rates for the Linda Lakes system. This is MHU's "tie-in scenario."

As is apparent from the analysis below, we have grouped all three of MHU's water systems as one for the purpose of calculating uniform water rates. We have also combined the Turtle Lakes and Foxwood wastewater systems to arrive at a uniform rate for those systems, but have calculated stand-alone rates for the Linda Lakes wastewater system.

QUALITY OF SERVICE

MHU treats by chlorination the raw water obtained from seven wells at its six water treatment plants: Foxwood, Carpenters Run I and II, Cypress Cove II, Turtle Lakes, and Linda Lakes. The Linda Lakes water plant also has aeration treatment. Until recently, MHU treated wastewater at its three plant sites by extended aeration. During our field inspection, we observed that, with the exception of the percolation ponds for the three wastewater plants, MHU's water and wastewater facilities were in good condition.

The percolation ponds suffer from multiple problems. The rising water table in the area, although perhaps temporary in nature because of excess rainfall, has caused difficulty in the ponds' functioning. In addition, the Foxwood and Turtle Lakes ponds are in need of maintenance and restoration. The Linda Lakes pond is able to adequately contain the effluent generated by the wastewater treatment plant, but at the time of our field inspection was badly overgrown with weeds and brush.

In recent months, DER and other regulatory entities have taken action against MHU for improperly operating the Foxwood and Turtle Lakes plants and for allowing treated effluent to flow into state waters and into nearby residential areas. MHU has been under constant surveillance by DER and the Pasco County Public Health Unit for violating various standards in the operation of its percolation ponds.

As indicated earlier, the operating permit for the Turtle Lakes plant expired on May 15, 1991. On December 13, 1991, DER notified MHU that the permit would not be renewed. On August 16, 1991, DER sent MHU a Notice of Permit Revocation for Foxwood's permit. In an effort to solve its problems, MHU entered into a temporary bulk wastewater treatment agreement with Pasco County in June of 1991. On August 30, 1991, prior to the time that MHU's interconnection with the county system was scheduled to take place, Pasco County unilaterally completed the interconnection. For the months of September, October, and November of 1991, Pasco County received, treated, and disposed of most of the wastewater from the Foxwood and Turtle Lakes treatment plants. However, on December 4, 1991, the County terminated service to MHU because MHU was unable to pay. MHU then resumed treating 100% of its wastewater at the Foxwood and Turtle Lakes plants without permits. On February 11, 1992, Pasco County and MHU entered into a permanent bulk wastewater treatment agreement. Sometime thereafter, Pasco County resumed service to MHU.

Currently MHU's Linda Lakes treatment plant is the only one with a valid DER operating permit. MHU treats roughly 20,000 gallons per day (gpd) in flows at the Linda Lakes wastewater treatment plant, and it still treats approximately 60,000 gpd at the Foxwood plant. MHU uses its percolation ponds in Foxwood and Linda Lakes to dispose of the effluent which remains after the treatment process. MHU's remaining wastewater flows, which average some 190,000 gpd, are treated by Pasco County. As discussed below, MHU will soon be delivering all of the wastewater collected from Foxwood to Pasco County. However, it is our understanding that if the Foxwood and Turtle Lakes disposal facilities are ever to be restored to their former status, a battery of tests will need to be completed before permitting can begin.

MHU claims that many of its problems have been caused by factors out of its control, such as unusually heavy amounts of rainfall in mid-1990. However, we are aware that MHU has a history of problems with DER dating back to 1988. For instance, DER has on several occasions written MHU regarding MHU's noncompliance with specific conditions of its Foxwood permit. In addition, MHU has twice been served with notices from the Pasco County Public Health Unit to abate a sanitary nuisance.

At the customer meeting which we held near MHU's service area, approximately three hundred people attended. Several customers complained about the quality of the water. Many complained about the overall quality of service and expressed concerns about the safety of the utility's wastewater operations.

In consideration of the foregoing, we find that the quality of MHU's water service for all water systems and the quality of its wastewater service at Linda Lakes is satisfactory. However, we find that the quality of MHU's wastewater service at Turtle Lakes and Foxwood is unsatisfactory.

If no protest to this Order is filed, we shall further address MHU's service problems and any penalties therefor in a separate proceeding.

RATE BASE

Our calculations of the appropriate rate bases are depicted on Schedule No. 1-A for the water systems, on Schedule No. 1-B for the Foxwood and Turtle Lakes wastewater systems, and on Schedule No. 1-C for the Linda Lakes wastewater system. Adjustments appear on Schedule No. 1-D. Those adjustments which are self-explanatory or

which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Water Systems - Used and Useful

None of the used and useful calculations below include a margin reserve, since the utility did not request an allowance for margin reserve in its filing. Also, we have made no adjustments to the used and useful calculations for the water systems because of unaccounted-for-water, which was less than 10% for the Foxwood and Turtle Lakes water systems and just over 10% for the Linda Lakes water system.

To arrive at the used and useful percentage of the water pumping and treatment facilities for the Foxwood water system, we divided the sum of the 493,000 gpd maximum daily flow and the 98,000 gpd in fire flow available by the 365,000 gpd capacity of the plant. The quotient is .100. We therefore find that the water pumping and treatment facilities for the Foxwood water system are 100% used and useful.

The water pumping and treatment facilities for the Turtle Lakes water system are running well in excess of capacity even if we compared average daily flow, rather than maximum daily flow, with capacity. The Turtle Lakes water system has only 256,000 gpd in capacity, but 277,000 gpd in average daily flow and 671,000 gpd in maximum daily flow. We therefore find that the water pumping and treatment facilities for the Turtle Lakes water system are 100% used and useful.

To arrive at the used and useful percentage of the water pumping and treatment facilities for the Linda Lakes water system, we first divided the 38,000 gpd maximum daily flow by the 40,000 gpd capacity of the plant to arrive at a quotient of .95. This system does not provide any fire flow. MHU states in its MFRs that the Linda Lakes water system has only five connections left to buildout. As designed and built, the Linda Lakes water treatment plant is approximately the minimum size necessary to provide proper service to the customers in the area. There are only an average of 48 connections in the entire system. Therefore, we agree with MHU that the Linda Lakes water treatment plant should be considered 100% used and useful.

In its MFRs, the utility also states that its water distribution systems are virtually 100% contributed. Since contributed property is not included in rate base, we agree with

the utility's assertion and, therefore, make no used and useful adjustment to the water distribution systems.

Wastewater Systems - Used and Useful

As indicated earlier, the permit for the Turtle Lakes wastewater treatment expired, and DER denied MHU's application for renewal. DER also issued MHU a Notice of Permit Revocation for its Foxwood permit. Although MHU has available, and may exercise, administrative recourse regarding DER's actions on its permits, the future of MHU's permits is questionable.

Currently, MHU is a bulk wastewater customer of Pasco County. Pasco County treats approximately 190,000 gpd of MHU's 250,000 gpd average flows from the Foxwood and Turtle Lakes systems, as MHU continues to treat some 60,000 gpd at its Foxwood plant. Pursuant to its February 11, 1992, bulk wastewater treatment agreement with Pasco County, MHU has apparently committed to sending all of the flows from Foxwood to Pasco County. MHU estimates that within six months it will complete construction of a force main needed to send the remainder of Foxwood's flows to the county. The agreement with Pasco County has a twenty-five year term.

According to Section 367.081(2)(a), Florida Statutes, the Commission must consider, in fixing just, reasonable, and compensatory rates, "a fair return on the investment of the utility in property used and useful in the public service." Pursuant to this provision, as well as to sound ratemaking principles, we exclude from rate base property which is not actually being utilized in providing service.

We have considered all of the facts stated above, and we do not think that MHU's Foxwood and Turtle Lakes wastewater treatment plants are used and useful. There is no indication at this point that the Foxwood and Turtle Lakes plants will be placed back into service in the near future. Their return to service could not be characterized as certain or imminent, only, at best, a remote possibility. Therefore, we find that the Foxwood and Turtle Lakes wastewater treatment plants are, in their entirety, not used and useful.

To arrive at the used and useful percentage of the wastewater treatment plant and disposal facilities for the Linda Lakes system, we divide the 19,000 gpd average daily flow by the 20,000 gpd capacity of the plant. The quotient is .95. We made no adjustment for infiltration, as this system did not experience any infiltration in the test year. For the same reasons we found that

the Linda Lakes water system was 100% used and useful, we consider the Linda Lakes wastewater treatment plant to be 100% used and useful.

In its MFRs, MHU also states that its wastewater collection facilities are virtually 100% contributed. Since contributed property is not included in rate base, we agree with the utility's assertion and, therefore, make no used and useful adjustment to the wastewater collection systems.

Adjustment to Remove Non-used and Useful Plant

Our finding that the Foxwood and Turtle Lakes wastewater treatment plants are not used and useful necessitates our making reductions to various accounts, summarized as follows.

<u>Account</u>	<u>Amount</u>	<u>Non-used and useful %</u>	<u>Non-used and use- ful \$ Adjustment</u>
Wastewater Treatment Plant Flow Meas- uring Devices	\$ 1,197	100%	(1,197)
Land & Land Rights	\$ 83,036	100%	(83,036)
Structures & Improvements	\$ 5,245	100%	(5,245)
Treatment and Disposal Equipment	\$ 623,408	100%	(623,408)
Plant Wastewater	\$ 1,326	100%	(1,326)
Other Plant & Miscellaneous	\$ 3,105	100%	<u>(3,105)</u>
Total wastewater non-used & useful			\$(717,317)
Total accumulated depreciation			\$ 125,093
Utility's wastewater net non-used & useful adjustment			<u>\$ 137,544</u>
Net increase to wastewater non-used and useful			<u>\$ 454,680</u>

In its rate base calculation for the no tie-in option, MHU made adjustments for non-used and useful plant; it removed \$156,065 from plant and \$18,521 from accumulated depreciation, for a \$137,544 net reduction to rate base. As shown above, we think that non-used and useful plant is \$717,317 and accumulated depreciation associated with that non-used and useful plant is \$125,093, or a \$592,224 net decrease to rate base. The difference between our net adjustment and the utility's is \$454,680. We have made corresponding non-used and useful adjustments of \$13,197 to depreciation expense and of \$17,206 to property tax expense.

Proforma Plant

MHU is a bulk wastewater customer of Pasco County. Pursuant to its February 11, 1992, agreement with Pasco County, MHU apparently committed to sending all of the flows from Foxwood to Pasco County. Because of the configuration of the Foxwood collection system, MHU presently treats some 60,000 gpd at Foxwood. MHU estimates that within six months it will complete construction of a force main needed to send the remainder of Foxwood's flows to the county. The estimated cost of construction is \$36,400.

We think that is in the best interests of the utility and its customers that this force main be constructed. Therefore, we hereby order MHU to complete construction of this force main within six months of the date of this Order. We have increased Foxwood and Turtle Lakes wastewater plant by the estimated cost of the force main, \$36,400.

General Plant

In our review of MHU's books and records, we discovered that MHU allocated all of its general plant to the Foxwood water system. We think that an allocation of general plant amongst MHU's systems is appropriate. Before making such an allocation, however, we must first reduce general plant to account for MHU's sharing common facilities with a related company, Scarecrow Utility (Scarecrow).

We think it reasonable to allocate common plant between MHU and Scarecrow based on equivalent residential connections (ERCs). MHU serves a total of 2,648 water and wastewater ERCs, and Scarecrow, a water-only utility, serves just 100 ERCs. Therefore, we have reduced the \$21,141 average general plant balance by 3.64%, or the number of Scarecrow's ERCs to total Scarecrow and MHU ERCs. General plant is thus \$806 less, accumulated depreciation is reduced by \$183, and depreciation expense is reduced by \$149.

We think it is likewise appropriate to allocate the amount of general plant remaining, \$20,371, to MHU's water and wastewater operations based on the number of ERCs served. Therefore, we have allocated 50.10% of general plant to MHU's water systems and 49.90% to its wastewater systems. We have further divided the amount of general plant allocated to MHU's wastewater operations because we calculated one set of rates for the Foxwood and Turtle Lakes wastewater systems and another for Linda Lakes. Again based on ERCs served, we allocated 96.3% of wastewater systems general plant to Foxwood and Turtle Lakes and 3.70% to Linda Lakes.

Test Year Plant-In-Service

The net results of our adjustments to plant-in-service for proforma plant and the allocation of general plant are as follows. We have reduced water plant-in-service by \$11,452. We have increased wastewater plant-in-service for Foxwood and Turtle Lakes by \$46,652 and for Linda Lakes by \$394.

The appropriate balances for test year plant-in-service are \$1,061,484 for the water systems, \$1,711,332 for the Foxwood and Turtle Lakes wastewater systems, and \$69,078 for the Linda Lakes wastewater system.

Accumulated Depreciation

In its MFRs, MHU reported accumulated depreciation of \$181,608 for the water systems, \$287,267 for the Foxwood and Turtle Lakes wastewater system, and \$26,914 for the Linda Lakes wastewater system. Our adjustments to plant-in-service for proforma plant and for the allocation of general plant necessitate corresponding adjustments to the utility's accumulated depreciation balances. We increased the balance of accumulated depreciation for the Foxwood and Turtle Lakes wastewater systems by \$546 to account for the proforma plant allowance and by \$2,327 to account for the allocation of general plant to those systems. We also increased accumulated depreciation for the Linda Lakes wastewater system by \$89 to account for the allocation of general plant to that system. We reduced accumulated depreciation for the water systems by \$2,599 to account for our removing general plant from the water systems' plant balances.

In consideration of the foregoing, we find that the appropriate accumulated depreciation balances are as follows: \$179,009 for the water systems, \$290,140 for the Foxwood and Turtle Lakes wastewater systems, and \$27,003 for the Linda Lakes wastewater system.

Contributions-In-Aid-Of-Construction

As stated earlier, MHU asserts that virtually all of its water distribution and wastewater collection facilities are contributed. We compared the level of contributions-in-aid-of-construction (CIAC) to the wastewater collection systems and found that the CIAC was less than plant. Therefore, no CIAC remained to attribute to the treatment plants.

We shall make no adjustments to the utility's reported CIAC balances. The appropriate test year CIAC balances are as follows: \$798,171 for the water systems, \$844,582 for the Foxwood and Turtle Lakes wastewater systems, and \$55,785 for the Linda Lakes wastewater system.

Amortization of CIAC

We made no adjustments to the utility's reported CIAC balances and, likewise, shall make no adjustments to balances of accumulated amortization of CIAC. Therefore, the appropriate test year accumulated amortization of CIAC balances are as follows: \$89,610 for the water systems, \$113,382 for the Foxwood and Turtle Lakes wastewater systems, and \$16,737 for the Linda Lakes wastewater system.

Working Capital

In accordance with form PSC/WAS 17 (the applicable MFRs form), which is incorporated by reference in Rule 25-30.437, Florida Administrative Code, MHU used the formula method (one-eighth of operating and maintenance expenses) to calculate its working capital requirement. We think it is appropriate to use the formula method. In a later section of this Order, we find that the proper amounts for test year operating and maintenance expenses are as follows: \$217,775 for the water systems, \$535,458 for the Foxwood and Turtle Lakes wastewater systems, and \$12,666 for the Linda Lakes wastewater system. Therefore, we have included one-eighth of those amounts in the three rate bases as the utility's working capital allowances: \$27,222 for the water systems, \$66,932 for the Foxwood and Turtle Lakes wastewater systems, and \$1,583 for the Linda Lakes wastewater system.

Test Year Rate Base

In consideration of the foregoing, we find that the test year rate bases are \$355,848 for the water systems, \$247,736 for the

Foxwood and Turtle Lakes wastewater systems, and \$4,610 for the Linda Lakes wastewater system.

COST OF CAPITAL

We calculated MHU's cost of capital on a total company basis. Our calculations of the appropriate cost of capital is depicted on Schedule No. 2-A, and our adjustments are depicted on Schedule No. 2-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. We have made a pro-rata reconciliation of capital structure to rate base. The major adjustments are discussed below.

Long-term Debt

In its MFRs, the utility reduced the balance of long-term debt by \$297,458 because it had abandoned a wastewater project. According to the utility, the debt was retired. We agree that the capital structure should be adjusted to reflect this known change and, therefore, accept the utility's reduced balance of long-term debt, \$891,804.

Rate of Return on Equity

MHU's capital structure is made up of 7.01% common equity. Using the current leverage graph formula established in Order No. 24246, issued March 3, 1991, we have calculated that the appropriate rate of return on equity for MHU is 13.11%, with a range of reasonableness between 12.11% to 14.11%.

Overall Rate of Return

After pro-rata reconciliation with rate base, the utility's capital structure is comprised of 7.01% equity at a cost rate of 13.11%, 85.29% long-term debt at a cost rate of 10.78%, 2.48% short-term debt at a cost rate of 12.00%, and 5.21% customer deposits at a cost rate of 8.00%. Using these figures, we have calculated that the proper overall rate of return for this utility is 10.83%, with a range of 10.76% to 10.90%.

NET OPERATING INCOME

Our calculation of net operating incomes are depicted on Schedule No. 3-A for the water systems, Schedule No. 3-B for the Foxwood and Turtle Lakes wastewater systems, and Schedule No. 3-C for the Linda Lakes wastewater system. Our adjustments are

itized on Schedule No. 3-D. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

OPERATING AND MAINTENANCE EXPENSE (O & M)

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

Purchased Wastewater Treatment

The utility requested \$341,710 for annual purchased wastewater treatment under its tie-in scenario rates. As indicated above, MHU estimates that within six months it will complete construction of a force main needed to send the remainder of Foxwood's flows to the county. The purchased wastewater figure MHU requested did not account for Pasco County's eventually treating the 60,000 gpd which MHU currently treats at its Foxwood plant.

The Operations and Maintenance Director of Pasco County Utilities has informed us that the county is treating 180,000 to 190,000 gallons of wastewater per day for MHU. Projecting the actual flow data for the three months of service the county provided in 1991 to an annual amount, we arrive at a similar figure. Therefore, we have added the 60,000 gpd which MHU will be sending to the county to the 190,000 gpd it is currently sending to arrive at a total of 250,000 gpd. We then multiplied that amount by the \$4.12 per thousand gallons rate charged by Pasco County. The product, \$375,950, is the appropriate allowance for purchased wastewater treatment.

Chemical Expenses

Since the Foxwood and Turtle Lakes wastewater treatment facilities will soon be completely out of service, we have reduced chemical expenses by the \$485 in chemicals attributable to operation of those facilities.

Sludge Hauling

Since the Foxwood and Turtle Lakes wastewater treatment facilities will soon be completely out of service, we have reduced

sludge hauling expenses by the \$695 in sludge hauling expense attributable to operation of those facilities.

Purchased Power

Since the Foxwood and Turtle Lakes wastewater treatment facilities will soon be completely out of service, we have reduced purchased power expenses by the \$30,087 in purchased power attributable to operation of those facilities. We have, however, allowed power expense for electricity used to operate the lift stations, since the lift stations are needed to send MHU's wastewater to Pasco County's treatment plant.

Salary Expense

Under the no tie-in option, whereby MHU would continue to operate the Foxwood and Turtle Lakes treatment, MHU lists its salary expense as being \$228,260. Under its tie-in option, MHU projects that salary expense would be somewhat less, \$217,890. This latter amount is broken down for salaries to the following persons: an officer/lead operator, a supervisor, two operators, an in-house engineer, a laborer, a bookkeeper, a financial liaison, and a secretary. Since we believe MHU's present operating and financial condition does not justify the requested level of employees, we have adjusted MHU's proposed expenses as outlined below.

The utility requested salary expenses includes a full-time in-house engineer as well as an outside engineering firm. The expense for the outside engineer is less than the cost of the in-house engineer. We do not think that two engineers are needed. Since the services of the outside engineering firm are less expensive, we shall allow those costs, but we have removed the \$26,000 expense for the in-house engineer.

According to the utility, the financial liaison officer's responsibilities include meeting with banks and other lending institutions and handling other financial matters. We think that this employee's duties duplicate those of the utility's president. Further, the utility has two financial consultants who keep the president informed about the utility's financial condition. We think that the financial condition of this utility is such that the president should be solely responsible for the utility's financial management. Therefore, we have reduced salary expense by the \$12,000 which the utility requested for its financial liaison officer.

When the Foxwood and Turtle Lakes wastewater treatment plants close, MHU will have three water treatment plants and one wastewater treatment plant remaining in operation. According to DER Rule 17-602.370, Florida Administrative Code, entitled, "Classification and Staffing of Plants," the remaining facilities will require the services of one operator for a total of approximately two hours per day, five days per week, and some travel time. We believe that one operator can satisfactorily perform the duties required by DER. In addition, the utility's president is a licensed water and wastewater operator and could be available for emergency backup service. A reduction in the amount of time needed to operate MHU's plants should be reflected in salary expense. Therefore, we have further reduced salary expense by \$41,600 for the operators no longer needed and by \$4,190 for labor.

For its remaining personnel, the utility requested \$134,100 in salary expenses. According to the utility, its salary expense for these employees was \$106,288 before the pay increases it explained were justified for heightened operation requirements. We believe this portion of the utility's salary expense is inflated, and we shall, therefore, allow employee salaries to be increased by only 4% to reflect a cost of living increase and new duties. Furthermore, we believe that in light of the utility's financial and service problems, the utility's president should not receive the increased salary which was requested. We have therefore reduced the president's salary by \$13,000.

Below is a summary of our adjustments.

<u>Position</u>	<u>Requested</u>	<u>Adjustment</u>	<u>Approved</u>
President/Operator	\$ 65,000	\$(13,000)	\$ 52,000
Engineer	26,000	(26,000)	0
Financial Liaison	12,000	(12,000)	0
Bookkeeper	25,000	(9,858)	15,142
Secretary	22,000	(1,233)	20,767
Supervisor/Operator	22,100	(1,550)	20,550
Operators	41,600	(41,600)	0
Laborer	4,190	(4,190)	0
Totals	\$217,890	\$(109,431)	\$108,459

In consideration of the foregoing, we find that the appropriate amount of salary expense is \$108,459. We have reduced the utility's requested salary expense by \$109,431. This reduction necessitates a corresponding reduction of \$9,598 to payroll taxes and of \$2,736 to workers's compensation.

Contractual Accounting Services

The utility sought \$52,575 in test year expenses for accounting services from three sources. The first of the three, the utility's bookkeeper, provided computer billing services on a dollar charge per customer for a total of \$15,412. The utility explained that it contracted with the bookkeeper because she possessed the knowledge, skills, and the equipment to perform the service, whereas the utility did not. Recently, however, the utility purchased a computer and software package which will allow it to prepare bills. This will eliminate the costs for a billing consultant's services. Therefore, we have removed the \$15,412 expense for the bookkeeper.

The second of the three accounting service providers is a CPA firm which provided MHU accounting services and prepared its financial statements for \$21,500. Since MHU no longer employs this firm and has hired a new firm to provide similar accounting services for \$10,000, we have reduced contractual accounting expenses by \$11,500.

The third provider of accounting services was Carr Financial, which for \$15,663 provided financial services required by MHU's debt holder. In our review of MHU's general ledger, we discovered that only \$14,663 was charged for Carr Financial's services. Accordingly, we have made a reduction of \$1,000 to this expense.

In consideration of the above, we find that the proper amount for contractual accounting services is \$24,663, which is \$27,912 less than what MHU requested.

Equipment Rental

The utility recorded \$1,800 in test year expenses to rent a backhoe. However, the utility has also included \$17,500 in plant for the cost of a backhoe. According to the utility, the backhoe was rented from a related company for three months during the test year, the backhoe was needed, and the utility had purchased the backhoe at its appraised value, \$17,500. Therefore, we shall reduce this expense by the \$1,800 test year expense for renting the backhoe.

Rent Expense

The utility shares its plant and its office space with a related company, Scarecrow. Test year office rent was \$13,389, which the utility assigned entirely to the Foxwood water system. As with the allocation of general plant above, we think that this rent expense should be allocated on the basis of ERCs served.

Accordingly, we first reduced the expense by the ratio of Scarecrow's ERCs to total Scarecrow and MHU ERCs, 3.64%, a \$487 adjustment. We then allocated the remaining \$12,902 between the water and wastewater systems--50.10% for the water systems and 49.90% for the wastewater systems. We further divided the amount allocated to MHU's wastewater operations based on ERCs served--96.3% to Foxwood and Turtle Lakes and 3.70% to Linda Lakes.

Telephone Service Expense

Our audit of MHU's records revealed that the \$3,318 amount MHU included in its test year operating expenses was for two telephone numbers. The customer on one of the bills is MHU, and the customer on the other is Scarecrow. Several of the telephone charges MHU paid were for long distance charges; however, MHU does not maintain telephone logs to verify that such calls were made for utility business. In consideration of the foregoing, we have reduced test year expenses for telephone charges by \$2,312.

Rate Case Expense

In its MFRs, the utility requested \$62,500 in rate case expense. The utility provided us with an update of actual rate case expense incurred, along with supporting documentation, and a revised estimate of costs to complete the case. The revised request for rate case expense is \$63,373, an amount which includes \$35,799 for accounting services, \$25,074 for legal services, and \$2,500 for filing fees and other expenses. Our adjustments are set forth below.

The utility initially estimated that its accounting consultant fees would be \$30,000. Its revised expense request shows \$35,799 in accounting fees. We do not think that the amount requested is reasonable. When a utility requests that its rate case be processed using the proposed agency action (PAA) procedure pursuant to Section 367.081(8), Florida Statutes, we expect that rate case expense be relatively minimal. Reducing rate case expense is one of the main purposes of the statutory provision. Further, when the MFRs are properly completed, as they were in this case, the need

for discovery or additional information is reduced. This should be reflected in a savings of rate case expense. Also, in this case, the utility's books and records were in fairly good condition. MHU employed two accounting consultants presumably for the purpose of ensuring that appropriate accounting practices are followed. We believe that the accounting consultants should have been able to use available data to produce MFR schedules without a great deal of effort or difficulty. Even though certain schedules require more accounting expertise than others, we believe that the condition of the books should have significantly reduced the cost of accounting services for this case.

We have reviewed the invoices for accounting services. A portion of the requested amount, \$2,731, relates to review and preparation of tax returns. We have removed that amount. We also removed \$1,627, which was reported for a conference and miscellaneous work, as this sum appears excessive. Also, we disallowed all charges simply described as miscellaneous, but we did allow miscellaneous charges classified as being for telephone, typing, postage, and copying. Therefore, we reduced accounting charges by \$4,358 to exclude tax work and unclassified miscellaneous charges.

The revised \$35,799 provision for accounting services includes \$10,500 for costs to complete this case. This estimate includes expenses for reviewing our staff's audit and recommendation, the agenda conference, and miscellaneous expenses. Our staff's audit disclosed very few problems--so few that an audit exit conference was not held. We believe that the estimate to complete is excessive.

In conclusion, we think that a reasonable allowance for accounting fees is \$25,000. We have therefore reduced the amount requested in the MFRs for accounting services by \$5,000.

The amount the utility requested for legal expenses in the revised rate case expense request is less than what was requested in the MFRs. The utility's actual legal expenses and its estimate of costs to complete total \$25,074. We have reviewed the updated legal expense information, and we think the legal expenses are reasonable. Therefore, we have reduced the amount requested in the MFRs for legal expenses by \$4,926.

The utility requested \$2,500 for filing fees and other miscellaneous rate case costs. We believe this expense is reasonable.

In consideration of the foregoing, we find that the appropriate allowance for rate case expense is \$52,574.

Statutory Rate Case Expense Apportionment

Section 367.0815, Florida Statutes, requires that we make an apportionment reduction to rate case expense under certain circumstances. To determine if an apportionment adjustment must be made we have made the following calculations.

First, we calculated the revenue requirement including the recommended amount of prudent rate case expense. We then compared the revenue increase which we have approved herein to the amount the utility requested and derived a percentage difference between these two figures. We applied the percentage to the amount of prudent rate case expense to determine the amount of rate case expense which is subject to the apportionment reduction. Since we used the formula method to calculate working capital, and since rate case expense is an O&M item, we made a corresponding reduction to working capital in rate base. To calculate the total revenue effect of apportionment, we added the amount of the potential reduction to rate case expense with the amount of the reduction to the return due to the rate base adjustment, including the tax effect, then escalated this amount for regulatory assessment fees (RAFs). The end figure represents the total decrease in revenue due to an apportionment adjustment to rate case expense.

After calculating the total revenue effect of the adjustment, we had to determine whether the reduction in rate case expense would reduce the Utility's return on equity below the range of reasonableness. Instead of using the range on the return on equity, we used the range on the overall rate of return, 10.76% to 10.90%, for simplicity. The results should be approximately the same using either range, as it is the equity range which drives the range on the overall rate of return.

According to our calculations, if we make the apportionment adjustment to rate case expense, the utility's achieved rate of return would be below the lower end of its authorized range. According to Section 367.0815, if this occurs, no apportionment should be made. Therefore, we have made no apportionment adjustment to rate case expense. Our calculations are shown on Schedule No. 4.

Depreciation Expense

We have adjusted depreciation expense to agree with our plant adjustments for proforma plant, the allocation of general plant, and the removal of non-used and useful property. Our adjustments to depreciation expense were as follows: a \$2,117 decrease to the water systems due to the allocation of general plant; a \$73 increase to the Linda Lakes wastewater system for the same reason; and a \$10,210 decrease to the Foxwood and Turtle Lakes wastewater systems, which was the net effect of a \$1,895 increase for the allocation of general plant, a \$1,092 increase for proforma plant, and a \$13,197 decrease for non-used and useful property.

In consideration of the foregoing, we find that the appropriate amounts for test year depreciation expense are as follows: \$9,656 for the water systems, \$9,526 for the Foxwood and Turtle Lakes wastewater systems, and \$438 for the Linda Lakes wastewater system.

Taxes Other Than Income Taxes

The utility requested allowances for taxes other than income taxes as follows: \$61,304 for the water systems, \$75,085 for the Foxwood and Turtle Lakes wastewater systems, and \$1,985 for Linda Lakes wastewater system. Because we have adjusted used and useful for the Foxwood and Turtle Lakes wastewater plants, we made a \$13,325 corresponding adjustment to property taxes. Also, because we have reduced salaries expense, we made a corresponding adjustment to payroll taxes. We have also adjusted taxes other than income taxes to reflect the lower amount of RAFs necessary for the reduced revenue requirement.

In consideration of the foregoing, we find that the proper amounts for test year taxes other than income taxes are as follows: \$52,325 for the water systems, \$50,733 for the Foxwood and Turtle Lakes wastewater systems, and \$1,685 for the Linda Lakes wastewater system.

Income Tax Expense

Based on the level of revenues and expenses which we have approved herein, we find that the appropriate provisions for income tax expense are as follows: \$801 for the water systems, and \$559 for the Foxwood and Turtle Lakes wastewater systems, and \$10 for the Linda Lakes wastewater system.

Test Year Operating Income or Loss

By our calculations, MHU would experience the following test year operating losses without a revenue increase: \$27,224 for the water systems, \$231,442 for the Foxwood and Turtle Lakes wastewater systems, and \$4,845 for the Linda Lakes wastewater system.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that the appropriate annual revenue requirements for this utility are as follows: \$319,091 for the water systems, \$623,105 for the Foxwood and Turtle Lakes wastewater systems, and \$15,298 for the Linda Lakes wastewater system. These revenue requirements represent an annual increase in revenue of \$85,723 for the water systems combined (36.73%), \$336,684 for the Foxwood and Turtle Lakes wastewater systems (117.55%), and \$6,967 for the Linda Lakes wastewater system (83.63%). These revenue requirements will allow the utility to recover its operating expenses and the opportunity to earn a 10.83% overall return on its investment.

RATES AND CHARGES

Monthly Service Rates

MHU requested uniform water rates for all its systems. Also, under its no tie-in option for wastewater, MHU requested uniform wastewater rates for all of its wastewater systems. Under its tie-in option, MHU requested uniform wastewater rates for Foxwood and Turtle Lakes, but stand-alone rates for Linda Lakes.

As alluded to throughout, we will approve uniform water rates for all three of MHU's water systems, uniform rates for the Foxwood and Turtle Lakes wastewater systems, and a stand-alone rate for the Linda Lakes wastewater system.

The Turtle Lakes system's current rate structure employs a minimum charge, including minimum gallonage for water and a flat rate for residential wastewater service. The utility requested that this system's rate structure be converted to the base facility charge (BFC) rate structure. We think that it is appropriate to convert the Turtle Lakes system to the BFC rate structure. The BFC rate structure allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the

fixed costs necessary to provide utility service through the base facility charge and pays for his or her usage through the gallonage charge. Therefore, we have calculated final rates for Turtle Lakes using the BFC rate structure.

The wastewater rates below include a base charge for all residential customers regardless of meter size with a cap of 10,000 gallons of usage per month on which the gallonage charge may be billed. We have not placed a 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.

We have calculated new rates for the utility which are designed to allow it to achieve the revenue requirements approved herein. We find that these new rates are fair, just, and reasonable, and are not unduly discriminatory. The utility's existing rates, interim rates, emergency rates (where applicable), and the rates which we hereby approve are set forth on the pages one through six of Schedule No. 5. On that schedule, the water and wastewater rates Linda Lakes, Foxwood, and Turtle Lakes appear on separate pages.

The rates which we have approved herein shall be effective for meter readings taken on or after thirty (30) days from the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein, that this PAA Order has not been protested, and that the proposed customer notice is adequate.

Statutory Four-Year Rate Reduction

Section 367.0816, Florida Statutes, states,

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

The allowance for rate case expense incurred by the utility for this case is \$52,574. According to our calculations, at the

end of the four-year recovery period, the utility's rates should be reduced to reflect a \$1,303 reduction in water revenues, a \$1,245 reduction to the Foxwood and Turtle Lakes wastewater revenues, and a \$50 reduction to the Linda Lakes wastewater revenues.

The rates at the end of the four year period are shown in Schedules Nos. 6-A, 6-B, and 6-C. The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or a pass-through rate adjustment, separate data shall be filed for each rate change.

Refund of Excess Interim and Emergency Rates

By Order No. 25589, issued January 9, 1992, we suspended the utility's proposed rates and granted it interim rates, subject to refund. The interim water revenues yielded a company-wide increase of 49.98% over the utility's test year revenues. The utility filed an escrow agreement as security to guarantee a potential refund. The tariff sheets for interim rates were stamped approved on February 24, 1992.

By Order No. 25711, issued February 12, 1992, we granted the utility's request for an emergency limited proceeding and approved emergency, temporary rates for its Foxwood and Turtle Lakes systems. These rates were also subject to refund. We directed the utility to file an escrow agreement to guarantee this rate increase. As of the day of our vote in this matter, the utility had not yet implemented these emergency, temporary rates.

We have found that the revenue requirement for the combined water systems is \$319,091. This represents a \$30,402 (8.7%) reduction from the interim revenue requirement of \$349,493. The revenue requirement for the Foxwood and Turtle Lakes wastewater systems approved herein is \$623,105. This represents a \$49,393 (7.3%) reduction from the limited proceeding revenue requirement of \$672,498. Therefore, we hereby require the utility to refund 8.8% of interim revenues from water service billed after March 24, 1992, until the approved final rates are implemented and to refund 7.3% of the limited proceeding revenues from Foxwood and Turtle Lakes wastewater service from the stamped approval date of the limited proceeding rates until the implementation of the approved final rates. The difference in the percentage reduction for interim water revenues and the refund resulted from our removing miscellaneous service revenues. These refunds shall be made with

interest and in accordance with Rule 25-30.360, Florida Administrative Code. The escrow accounts established to secure the interim rates and the emergency, temporary rates can be released upon our staff's verification that the refunds are complete.

Miscellaneous Service Charges

Rule 25-30.345, Florida Administrative Code, permits utilities to assess charges for miscellaneous services. The principle purpose of such charges is to provide a means by which the utility can recover its costs of providing miscellaneous services from those customers who require the services. Thus, costs are more closely borne by the cost causer rather than the general body of ratepayers. We have traditionally encouraged utilities to establish charges for the services of initial connection, normal reconnection, violation reconnection and premises visit in lieu of disconnection.

By Order No. 20143, issued October 10, 1988, Docket No. 880737-WS, we approved the transfer of Turtle Lakes to MHU. Following the transfer, the tariffs for Linda Lakes, Foxwood, and Turtle Lakes were combined, and miscellaneous service charges were administratively approved for all three systems. The utility did not request a change in miscellaneous service charges in this case.

The utility's present charges are consistent with those which we have approved for other utilities in the past except for the wastewater violation reconnection charge during regular business hours. MHU's tariff shows that charge as being \$15.00. The appropriate charge is the actual cost of the reconnection. Therefore, we hereby approve a wastewater violation reconnection charge (during regular business hours) to allow the collection of actual costs. The new miscellaneous service charge should be effective for service provided after the effective date of this PAA Order.

Service Availability Charges

Rule 25-30.580, Florida Administrative Code, states that a utility's service availability policy must be designed such that the maximum amount of CIAC, net of amortization, does not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. The rule also states that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that are represented by the water transmission and distribution system and/or the wastewater

collection system. MHU's level of CIAC exceeds the 75% maximum specified in the above-stated rule.

By Order No. 10325, issued October 7, 1981, Docket No. 800530-WS, we approved the transfer of Linda Lakes to MHU. MHU simultaneously filed a SARC, which we processed in the same docket. By Order No. 12390, issued on August 19, 1983, wherein we made decided the SARC, we did not approve any service availability charges because the utility's CIAC level was 95%, and thus exceeded Commission guidelines.

By Order No. 14058, issued February 5, 1985, Docket No. 840171-WS, we approved the transfer of Foxwood to MHU. Rule 25-9.044(1), Florida Administrative Code, provides that when a regulated utility is transferred, the new owner is required to adopt and use the rates and charges previously approved for the former owner, unless authorized to change by the Commission. The Foxwood system did not have any authorized service availability charges, and none were approved during the transfer.

By Order No. 8256, issued April 12, 1978, Docket No. 770861-WS, we approved the following plant capacity charges for the Turtle Lakes systems: \$250 per water ERC and \$650 per wastewater ERC. The utility operated under the name of Metro Utilities, Inc., at that time. By Order No. 20143, issued October 10, 1988, Docket No. 880737-WS, we approved the transfer of the Turtle Lakes systems to MHU and authorized MHU to continue collecting the previously authorized service availability charges.

Shortly thereafter, the tariffs for Linda Lakes, Foxwood, and Turtle Lakes were combined. The utility's service availability policy was amended to include a provision that developers for all systems would be required to donate on-site transmission-distribution and/or collection facilities. Along with the \$250 water and \$650 wastewater plant capacity charges, the following meter installation fees were approved for the Turtle Lakes system effective September 10, 1990.

<u>Meter Size</u>	<u>Meter Installation Charge</u>
5/8" x 3/4"	\$ 90.00
3/4"	\$120.00
1"	\$175.00
1 1/2"	\$250.00
2"	\$325.00
3"	\$500.00

As discussed in greater detail below, the utility, in addition to the above charges, has collected unauthorized service availability and guaranteed revenue charges. As of December 31, 1990, the utility's company-wide CIAC level was 71.62% for water and 49.49% for wastewater, before adjustments for non-used and useful plant. When we account for our removal of the non-used and useful portion of the Foxwood and Turtle Lakes wastewater treatment plants, the level of wastewater CIAC is 89.36%. The level of CIAC for water and wastewater combined is 80.04%. This total level of CIAC exceeds the guidelines of Rule 25-30.580, Florida Administrative Code.

Customarily service availability charges are calculated on the total plant, including the non-used and useful portion. However, in this case we believe a distinction should be made between plant that is not used to capacity and plant which is not in use. Due to the uncertainty regarding future use of the Foxwood and Turtle Lakes wastewater plants, we think that it is inappropriate to establish service availability charges based upon total plant. Current customers should not be required to pay for plant which may or may not be used in the future.

MHU did not request that its existing service availability charges be evaluated in this rate case. However, we review these charges as a matter of course in the investigation process. Because the level of CIAC, excluding the Foxwood and Turtle Lakes wastewater systems, exceeds the 75% maximum prescribed in Rule 25-30.580(1)(a), we hereby require the utility to discontinue collection of all service availability charges: those previously authorized for Turtle Lakes as well as the unauthorized charges discussed below. In the event that the utility is permitted to resume operation of the Foxwood and Turtle Lakes wastewater plants, it should file a new service availability policy with this Commission.

The February 11, 1992, bulk treatment agreement between the utility and the county addresses impact fees according to certain groups of customers: new development, existing development, and committed development. New development within MHU's service area will pay the county's charges for retail utility customers. These fees are to be paid to the county prior to connection to MHU's system and will be collected by the county. Existing development presently connected to MHU's system will not be required to pay any additional charges. Committed development, where fees for that development had been paid or partially paid to MHU, would not be required to pay additional fees to the county. However, any

developers who have partially paid MHU's fees would be required to pay the remaining amount to the County.

This arrangement, where the utility does not even play the role of collection agent for the county, is consistent with what was done in another case, Meadowbrook Utility. Meadowbrook signed an agreement with Palm Beach County where customers paid impact fees directly to the county. A customer would be issued a receipt, which would then be presented to the utility authorizing connection for wastewater service.

We have a concern that under Chapter 367 and our rules, MHU must collect its own service availability charges from everyone in its territory. However, since we are revoking all of MHU's tariff authority to collect service availability charges, any problems which may arise as a result of the arrangement between MHU and the county are, at this point, academic. If the MHU's two wastewater plants again become operational, we think that there should be a clear understanding that MHU would be required to collect any service availability charges approved by this Commission.

VIOLATION OF COMMISSION RULES

Below, we find that MHU has violated various provisions of our rules. For the time being, we reserve ruling on the appropriateness any refunds and penalties stemming from these violations to the extent such refunds or penalties are not expressly addressed below. If this PAA Order is protested, we shall consider refunds and/or penalties at the hearing which will follow said protest. However, if this PAA Order is not protested, we shall consider refunds and/or penalties in a separate proceeding.

Customer Deposits

The utility failed to refund some deposits and pay interest in a timely manner. The utility estimated that about 300 accounts should be reviewed to determine how much should be refunded. Some of the customers will not be entitled to a refund due to a poor payment history, and thus the actual number of delinquent refunds is less than 300.

MHU began collecting deposits in 1985. The utility has refunded 268 deposits with interest since 1988. From our review of deposit records, we note that the number and frequency of refunds has increased each year, which indicates that the handling of

customer deposits is improving. The utility realizes it was deficient in handling deposit refunds and was correcting the problem before we conducted a billing audit.

MHU claims that part of this problem stems from incomplete records acquired from the former owner of the Turtle Lakes system. Specifically, those records do not include customers' first names, addresses, dates of deposit and, sometimes, the amount. MHU has stated that it attempted to obtain better records at the time of transfer, but was unsuccessful. While some refunds have been made, other deposits must still be traced to the correct customer.

Presently, the utility must manually review its deposit records to determine if refunds are due. Recently, however, the utility acquired a computer program and is converting its billing records to the new program. This program will enable MHU to track delinquent accounts and determine when refunds are appropriate. In addition, MHU has improved the condition of its manual records. Since 1985, the utility maintained a record of all applications and deposits on a yearly basis; now it maintains a log of monthly receipts, which will enable it to refund deposits within the prescribed twenty-three months assuming good payment practices.

In consideration of the above, we find that MHU violated the provisions of Rule 25-30.311(4), (5) and (6), Florida Administrative Code, regarding the refund of deposits and the payment of interest on deposits. We order MHU to continue improving its handling of customer deposit records so that future refunds and interest payments are timely made. Further, we hereby order the utility to analyze its deposit records to determine which deposits should be refunded. The utility shall make appropriate refunds and pay interest within 90 days of the effective date of this Order. Within 30 days of its completion of the refund, MHU shall submit a report showing the results of its analysis, subsequent refunds, and interest payments.

Unauthorized Service Availability Charges

As discussed above, by Order No. 20143, issued October 10, 1988, we authorized MHU to collect service availability charges for the Turtle Lakes system. No charges have been approved for the Linda Lakes and Foxwood systems. The following is a summary of MHU's authorized service availability charges.

<u>Plant Capacity Charges</u>	<u>Turtle Lakes</u>	<u>Foxwood</u>	<u>Linda Lakes</u>
Water (per ERC)	\$250.00	-	-
Wastewater (per ERC)	\$650.00	-	-

Meter Installation Fee

<u>Meter Size</u>	<u>Turtle Lakes</u>	<u>Foxwood</u>	<u>Linda Lakes</u>
5/8"x3/4"	\$ 90.00	-	-
3/4"	\$120.00	-	-
1"	\$175.00	-	-
1 1/2"	\$250.00	-	-
2"	\$325.00	-	-
3"	\$500.00	-	-

<u>Guaranteed Revenue Charge</u>	<u>Turtle Lakes</u>	<u>Foxwood</u>	<u>Linda Lakes</u>
Water (per ERC)	-	-	-
Wastewater (per ERC)	-	-	-

During the billing audit performed by our staff, the utility indicated that it had collected unauthorized water and wastewater plant capacity charges and meter installation charges for Foxwood. The amount of the plant capacity charges varied between some of the developers. The utility also collected unauthorized guaranteed revenue charges for the Foxwood and Turtle Lakes systems and slightly over-charged for meter installation fees for the Turtle Lakes system. The unauthorized charges collected by MHU are summarized below.

<u>Plant Capacity Charges</u>	<u>Turtle Lakes</u>	<u>Foxwood</u>	<u>Linda Lakes</u>
<u>Water (per ERC)</u>			
1985 to present	-	\$275.00	-
1988 (One Developer)	-	\$250.00	-
1990 (Two Developers)	-	\$450.00	-
<u>Wastewater (per ERC)</u>			
1985 to present	-	\$ 900.00	-
1988 (One Developer)	-	\$1,200.00	-
1990 (Two Developers)	-	\$1,400.00	-

<u>Plant Capacity Charges</u>	<u>Turtle Lakes</u>	<u>Foxwood</u>	<u>Linda Lakes</u>
<u>Meter Installation Fee</u>			
<u>Meter Size</u>	<u>Turtle Lakes</u>	<u>Foxwood</u>	<u>Linda Lakes</u>
5/8"x3/4"	\$120.00	\$110.00	-
3/4"	-	-	-
1"	-	-	-
1 1/2"	-	-	-
2"	-	-	-
3"	-	-	-
<u>Guaranteed Revenue Charge</u>	<u>Turtle Lakes</u>	<u>Foxwood</u>	<u>Linda Lakes</u>
Water (per ERC)	\$ 5.25	\$3.00	-
Wastewater (per ERC)	\$13.50	\$4.49	-

MHU stated that it had been advised by its former accountant and former attorney that these were appropriate service availability charges and that they would get them into the utility's tariff during the next rate case. MHU stated that it planned to file for a SARC shortly after developing these charges, but it became involved in litigation on another matter, and never applied.

The plant capacity charges above vary for two different reasons. The 1988 charges arose from a developer agreement with Twin Lakes, a development which was originally scheduled to be served by the Turtle Lakes system. DER later required that wastewater flows from this development be processed at the Foxwood plant, although water service was still to be provided by the Turtle Lakes plant. The utility charged the developer the authorized Turtle Lakes water plant capacity charge and an unauthorized Foxwood wastewater plant capacity charge. The 1990 charges were assessed to two other developers. MHU stated that the developer agreements with these two developers were handled by the utility owner's partner, who did not customarily work with developer agreements.

According to the utility's annual reports, all service availability charges, authorized and unauthorized, were paid by developers or commercial customers. No individual customers were charged directly by the utility.

The schedule above indicates that the utility assessed an unauthorized meter installation fee of \$120.00 for Turtle Lakes connections. The authorized meter installation fee for a 5/8" x 3/4" meter in Turtle Lakes is \$90.00. However, the utility charged the authorized 3/4" meter fee of \$120.00 for the 5/8" x 3/4" meter.

The \$110.00 meter fee assessed for the Foxwood connections has not been approved by this Commission. MHU claimed that its former accountant said it was a reasonable amount to charge for meter installations based on his experience with other utilities. Again, the intention was to have the charge added to the tariff during the next rate case.

The utility also charged four developers a guaranteed revenue charge equal to its base facility charge in Foxwood and Turtle Lakes. According to the utility's annual reports, it began collecting guaranteed revenues in 1986. Based on these reports, we estimate that the utility may have charged more than \$558,000 in unauthorized guaranteed revenues through December 31, 1990, as well as \$680,000 in unauthorized plant capacity charges, and \$49,000 in unauthorized or over-stated meter installation fees. All told, the utility may have collected in excess of \$1,287,000 in unauthorized charges. Although we find that the utility definitely overcollected, a detailed audit would be necessary to determine the exact amount of the overcharges.

Section 367.091(2), Florida Statutes, states that each utility's rates, charges, and customer service policies must be contained in a tariff approved by and on file with the Commission. Subsection (3) of that section states that a utility may only impose and collect those rates and charges approved by the Commission for the particular class of service involved and that a change in any rate schedule may not be made without Commission approval.

In consideration of the above facts, we believe that the utility committed a violation of Section 367.091(2) and (3), Florida Statutes, by collecting unauthorized plant capacity charges, meter installation fees, and guaranteed revenue charges.

Although we reserve ruling on the appropriateness of a refund of the overcharges, we note that we have in other proceedings we have required the refund of improperly collected service availability charges. However, refunding the unauthorized charges may not be in the best interest of ratepayers in this case, since such a refund would increase rate base and, thereby, increase the

monthly service rates. Additionally, a refund of the magnitude at issue in this case could so undermine the utility's financial strength that it would not likely be able to provide safe, efficient, and sufficient service to its existing customers. In conclusion, we shall thoroughly investigate the ramifications of a refund in making our final decision.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Mad Hatter Utility, Inc., for an increase in its water and wastewater rates in Pasco County is approved as set forth in the body of this Order. It is further

ORDERED that all of 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 each of the findings made in the body of this Order are by reference incorporated herein. It is further

ORDERED that all that is contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that Mad Hatter Utility, Inc., is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Mad Hatter Utility, Inc., shall complete construction of the force main for which we have made a proforma allowance within six months of the date of this Order. It is further

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

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ORDERED the miscellaneous service charges approved herein shall be effective for services rendered on or after the effective date of this Order. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Mad Hatter Utility, Inc., shall submit and have approved revised tariff pages and a proposed customer notice which shows the increased rates and charges and states the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that we hereby revoke all tariff authority Mad Hatter Utility, Inc., has for assessing service availability charges and order it to cease collecting service availability charges. It is further

ORDERED that Mad Hatter Utility, Inc., shall refund 8.8% of interim revenues from water service billed between March 24, 1992, and the date its final rates are implemented and shall refund 7.3% of the limited proceeding revenues from Foxwood and Turtle Lakes wastewater service billed from the stamped approval date of the limited proceeding rates to the date its final rates are implemented. These refunds shall be made with interest and in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that Mad Hatter Utility, Inc., shall improve its handling of customer deposit records; shall perform the analysis of its customer deposit records described in the body of this Order; shall make appropriate refunds with interest within 90 days of the effective date of this Order; and shall submit a report showing the results of its analysis, subsequent refunds, and interest payments within 30 days of its completion of the refund. It is further

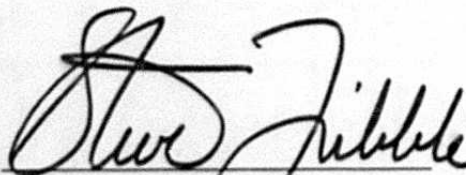
ORDERED that the escrow accounts established to secure the interim rates and the emergency, temporary rates can be released upon our staff's verification of the refunds ordered herein are complete. It is further

ORDERED that if the decisions made herein are not protested, the docket should remain open in monitor status for a period of twelve (12) months to ensure compliance with our directives and to assure that the effluent disposal problems do not reoccur, and we will open a separate docket to decide whether any penalties will be

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imposed or any additional refunds required for the violations and service problems cited herein.

By ORDER of the Florida Public Service Commission, this 31st day of March, 1992.



STEVE TRIBBLE, Director,
Division of Records and Reporting

(S E A L)
MJF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

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 April 21, 1992.

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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 wastewater 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.

MAD HATTER UTILITY, INC. - TOTAL COMPANY SCHEDULE OF WATER RATE BASE TEST YEAR ENDED DECEMBER 31, 1990				SCHEDULE NO. 1-A DOCKET NO. 910637-WS	
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,059,938	\$ 12,998	\$ 1,072,936	\$(11,452)	1,061,484
2 LAND	1,050	153,662	154,712	0	154,712
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
5 ACCUMULATED DEPRECIATION	(180,173)	(1,435)	(181,608)	2,599	(179,009)
6 CIAC	(798,171)	0	(798,171)	0	(798,171)
7 AMORTIZATION OF CIAC	89,610	0	89,610	0	89,610
8 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0
9 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	0	37,160	37,160	(9,938)	27,222
RATE BASE	\$ 172,254	\$ 202,385	\$ 374,639	\$(18,791)	355,848

MAD HATTER UTILITY, INC. - FOXWOOD & TURTLE LAKES
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 1-B
 DOCKET NO. 910637-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,643,716 \$	20,964 \$	1,664,680 \$	46,652 \$	1,711,332
2 LAND	236,698	(153,662)	83,036	0	83,036
3 NON-USED & USEFUL COMPONENTS	(137,544)	0	(137,544)	(454,680)	(592,224)
4 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
5 ACCUMULATED DEPRECIATION	(285,420)	(1,847)	(287,267)	(2,873)	(290,140)
6 CIAC	(844,582)	0	(844,582)	0	(844,582)
7 AMORTIZATION OF CIAC	113,382	0	113,382	0	113,382
8 ACQUISITION ADJUSTMENT - NET	0	0	0	0	0
9 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	0	74,647	74,647	(7,715)	66,932
RATE BASE	\$ 726,250 \$	(59,898) \$	666,352 \$	(418,616) \$	247,736

MAD HATTER UTILITY, INC.-LINDA LAKES
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1990

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 68,184	\$ 500	\$ 68,684	\$ 394	69,078
2 LAND	0	0	0	0	0
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
5 ACCUMULATED DEPRECIATION	(26,859)	(55)	(26,914)	(89)	(27,003)
6 CIAC	(55,785)	0	(55,785)	0	(55,785)
7 AMORTIZATION OF CIAC	16,737	0	16,737	0	16,737
8 ACQUISITION ADJUSTMENT -NET	0	0	0	0	0
9 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	0	1,896	1,896	(313)	1,583
RATE BASE	\$ 2,277	\$ 2,341	\$ 4,618	(8)	\$ 4,610

**MAD HATTER UTILITY, INC. - TOTAL COMPANY
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1990**

**SCHEDULE NO. 1 - D
 DOCKET NO. 910637 - WS**

EXPLANATION	WATER	FOX & TUR. SEWER	LINDA LKS. SEWER
(1) UTILITY PLANT IN SERVICE			

A. Pro forma adjustment to reflect equipment related to purchase sewage treatment.		36,400	
B. Adjusted to reflect alloc. share of gen pit.	(11,452)	10,252	394
	-----	-----	-----
	\$ (11,452) \$	46,652 \$	394
	-----	-----	-----
(2) NON - USED & USEFUL PLANT			

A. Engineer's used and useful adjustment - Pit		(561,252)	
B. Used and useful adjustment - Accum Depre.		106,572	

		\$ (454,680)	

(3) ACCUMULATED DEPRECIATION			

A. Adjusted to reflect alloc. share of gen pit.	2,599	(2,327)	(89)
B. Adjustment related to pro forma pit.		(546)	
	-----	-----	-----
	\$ 2,599 \$	(2,873) \$	(89)
	-----	-----	-----
(4) WORKING CAPITAL			

Adjustment to reflect change in O&M Expenses	\$ (9,938) \$	(7,715) \$	(313)
	-----	-----	-----

MAD HATTER UTILITY, INC. - TOTAL COMPANY
 CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 2-A
 DOCKET NO. 910637-WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION
1 LONG TERM DEBT	\$ 891,804	85.29%	10.78%	9.19%	\$ (584,368)	\$ 307,436	85.29%	10.78%	9.19%
2 SHORT-TERM DEBT	25,967	2.48%	12.00%	0.30%	(17,015)	8,952	2.48%	12.00%	0.30%
3 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
4 CUSTOMER DEPOSITS	54,495	5.21%	8.00%	0.42%	(35,709)	18,786	5.21%	8.00%	0.42%
5 COMMON EQUITY	73,343	7.01%	13.11%	0.92%	(48,059)	25,284	7.01%	13.11%	0.92%
6 ACCUM. DEFERRED INCOME TAX	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
7 OTHER (Explain)	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
8 TOTAL CAPITAL	<u>\$ 1,045,609</u>	<u>100.00%</u>		<u>10.83%</u>	<u>\$ (685,151)</u>	<u>\$ 360,458</u>	<u>100.00%</u>		<u>10.83%</u>

	RANGE OF REASONABLENESS	LOW	HIGH
		-----	-----
	RETURN ON EQUITY	12.11%	14.11%
		=====	=====
	OVERALL RATE OF RETURN	10.76%	10.90%
		=====	=====

MAD HATTER UTILITY, INC. - TOTAL COMPANY
 ADJUSTMENTS TO CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 2-B
 DOCKET NO. 910637-WS

DESCRIPTION	SPECIFIC ADJUSTMENT (1)	SPECIFIC ADJUSTMENT (2)	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 0	\$ 0	\$ (584,368)	\$ (584,368)
2 SHORT-TERM DEBT	0	0	(17,015)	(17,015)
3 PREFERRED STOCK	0	0	0	0
4 CUSTOMER DEPOSITS	0	0	(35,709)	(35,709)
5 COMMON EQUITY	0	0	(48,059)	(48,059)
6 ACCUM. DEFERRED INCOME TAX	0	0	0	0
7 OTHER (Explain)	0	0	0	0
8 TOTAL CAPITAL	\$ 0	\$ 0	\$ (685,151)	\$ (685,151)

MAD HATTER UTILITY, INC. - TOTAL COMPANY
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-A
 DOCKET NO. 910637-WS

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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 225,449	\$ 186,325	\$ 411,774	(\$ 178,406)	\$ 233,368	\$ 85,723	319,091
OPERATING EXPENSES						36.73%	
2 OPERATION AND MAINTENANCE	\$ 252,760	\$ 44,518	\$ 297,278	(\$ 79,503)	\$ 217,775	\$ 0	217,775
3 DEPRECIATION	10,338	1,435	11,773	(2,117)	9,656	0	9,656
4 AMORTIZATION	0	0	0	0	0	0	0
5 TAXES OTHER THAN INCOME	58,624	2,680	61,304	(12,837)	48,467	3,858	52,325
6 INCOME TAXES	0	845	845	(16,151)	(15,306)	16,107	801
7 TOTAL OPERATING EXPENSES	\$ 321,722	\$ 49,478	\$ 371,200	(\$ 110,608)	\$ 260,592	\$ 19,965	280,557
8 OPERATING INCOME	\$ (96,273)	\$ 136,847	\$ 40,574	(\$ 67,798)	(\$ 27,224)	\$ 65,758	38,534
9 RATE BASE	\$ 172,254	\$ 374,639	\$ 355,848	\$ 355,848	\$ 355,848	\$ 355,848	\$ 355,848
RATE OF RETURN	-55.89%	10.83%	10.83%	-7.65%	-7.65%	10.83%	10.83%

MAD HATTER UTILITY, INC. - FOXWOOD & TURTLE LAKES
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-B
 DOCKET NO. 910637-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 257,894	\$ 507,770	\$ 765,664	(\$ 479,243)	\$ 286,421	\$ 336,684	\$ 623,105
OPERATING EXPENSES						117.55%	
2 OPERATION AND MAINTENANCE	\$ 201,213	\$ 395,962	\$ 597,175	(\$ 61,717)	\$ 535,458	\$ 0	\$ 535,458
3 DEPRECIATION	21,791	(2,055)	19,736	(10,210)	9,526	0	9,526
4 AMORTIZATION	0	0	0	0	0	0	0
5 TAXES OTHER THAN INCOME	48,550	26,535	75,085	(39,503)	35,582	15,151	50,733
6 INCOME TAXES	0	1,502	1,502	(64,205)	(62,703)	63,262	559
7 TOTAL OPERATING EXPENSES	\$ 271,554	\$ 421,944	\$ 693,498	(\$ 175,635)	\$ 517,863	\$ 78,413	\$ 596,276
8 OPERATING INCOME	\$ (13,660)	\$ 85,826	\$ 72,166	(\$ 303,608)	(\$ 231,442)	\$ 258,271	\$ 26,830
9 RATE BASE	\$ 726,250	\$ 666,352	\$ 247,736	\$ 247,736	\$ 247,736	\$ 247,736	\$ 247,736
RATE OF RETURN	-1.88%	10.83%	10.83%	-93.42%	-93.42%	10.83%	10.83%

MAD HATTER UTILITY, INC. - TOTAL COMPANY
 ADJUSTMENTS TO OPERATING STATEMENTS
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-D
 DOCKET NO. 910637-WS
 PAGE 1 OF 2

EXPLANATION	WATER	FOX & TUR. SEWER	LINDA LKS. SEWER
(1) OPERATING REVENUES			
A. Adjustment to reverse Utility's requested revenue increase	\$ (178,406)	\$ (479,243)	\$ (9,700)
(2) OPERATION AND MAINTENANCE EXPENSE			
A. To adjust employees salary expense	\$ (54,825)	\$ (52,536)	\$ (2,020)
B. To adjust worker's comp assoc. with previous adj.	(1,371)	(861)	(50)
C. Adjustment to reflect purchase sewage treatment cost.		34,240	
D. To remove sludge hauling expenses.		(693)	
E. Adjustment to purchase power due to purchase treat. exp.		(30,087)	
F. To adjust chemical expense due to purchase treatment service		(485)	
G. To remove backhoe expenses.		(1,733)	(67)
H. Adjust contractual services to remove excessive accting fees	(13,984)	(13,412)	(515)
I. Adjustment to reflect allocated share of rent expense	(6,925)	6,200	238
J. Adjustment to rate case expense	(1,244)	(1,189)	(48)
K. To adjust for telephone expense.	(1,154)	(1,111)	(43)
NET ADJUSTMENT	\$ (79,503)	\$ (61,717)	\$ (2,505)
(3) DEPRECIATION EXPENSE			
A. To reduce for non-used and useful		(13,197)	
B. Adjustment to reflect allocated share of general plt.	(2,117)	1,895	73
C. Adjustment to related to pro forma plt.		1,092	
	\$ (2,117)	\$ (10,210)	\$ 73
(4) TAXES OTHER THAN INCOME			
A. Reg. assess. fees on requested revenues	(8,028)	(21,566)	(437)
B. To remove payroll tax assoc. with additional employees	(4,809)	(4,612)	(177)
C. Adjustment related to non-used and useful plt.		(13,325)	
	\$ (12,837)	\$ (39,503)	\$ (614)
(5) PROVISION FOR INCOME TAXES			
To reflect adjusted income tax provision.	\$ (16,151)	\$ (64,205)	\$ (1,309)

MAD HATTER UTILITY, INC. - LINDA LAKES
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED DECEMBER 31, 1990

SCHEDULE NO. 3-C
 DOCKET NO. 910637-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 7,657	\$ 10,374	\$ 18,031	(\$ 9,700)	\$ 8,331	\$ 6,967	15,298
OPERATING EXPENSES						83.63%	
2 OPERATION AND MAINTENANCE	\$ 11,777	\$ 3,394	\$ 15,171	(\$ 2,505)	\$ 12,666	\$	12,666
3 DEPRECIATION	310	55	365	73	438		438
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	1,113	872	1,985	(614)	1,371	314	1,685
6 INCOME TAXES	0	10	10	(1,309)	(1,299)	1,309	10
7 TOTAL OPERATING EXPENSES	\$ 13,200	\$ 4,331	\$ 17,531	(\$ 4,355)	\$ 13,176	\$ 1,623	14,799
8 OPERATING INCOME	\$ (5,543)	\$ 6,043	\$ 500	(\$ 5,345)	(\$ 4,845)	\$ 5,344	499
9 RATE BASE	\$ 2,277	\$ 4,618	\$ 4,618	\$ 4,610	\$ 4,610	\$ 4,610	4,610
RATE OF RETURN	-243.43%	10.83%	10.83%	-105.11%	-105.11%		10.83%

MAD HATTER UTILITY, INC. - TOTAL COMPANY
 ADJUSTMENTS TO OPERATING STATEMENTS
 DOCKET NO. 910637-WS

EXPLANATION	WATER	FOX & TUR. SEWER	LINDA LKS. SEWER
(6) OPERATING REVENUES			
To reflect the increase in the revenues required	\$ 85,723	\$ 336,684	\$ 6,967
(7) TAXES OTHER THAN INCOME			
RAF on revenue increase recommended	\$ 3,858	\$ 15,154	\$ 314
(8) PROVISION FOR INCOME TAXES			
To reflect income tax relating to revenue requirement.	\$ 16,107	\$ 63,262	\$ 1,309

MAD HATTER UTILITY INC. - TOTAL COMPANY RATE CASE EXPENSE REDUCTION PER SECTION 367.0815, FLORIDA STATUTES TEST YEAR ENDED DECEMBER 31, 1990				SCHEDULE NO. 4 DOCKET NO. 910637-WS		
DESCRIPTION		TOTAL WATER	FOXWOOD & TURTLE LKS. SEWER	LINDA LAKES SEWER		
REVENUE INCREASE PER STAFF		85,723	336,684	6,967		
REVENUE INCREASE REQUESTED		178,406	479,243	9,700		
% OF INCREASE RECOMM TO AMT REQUESTED		48.05%	70.25%	71.82%		
PRUDENT RATE CASE EXPENSE AMORTIZATION		6,592 48.05%	6,298 70.25%	254 71.82%		
STATUTORY LEVEL OF RATE CASE EXPENSE		3,167	4,425	182		
TOTAL REDUCTION TO RATE CASE EXPENSE		(3,425)	(1,873)	(72)		
EFFECT ON RATE BASE (1/8 O&M)	(428)				(234)	(9)
RETURN REDUCTION ASSOC WITH RATE BASE		(46)	(25)	(1)		
INCOME TAX EFFECT ON RATE BASE		(17)	(10)	(0)		
TOTAL EXPENSE ADJUSTMENT		(3,488)	(1,908)	(73)		
GROSS-UP FOR RAF		0.955	0.955	0.955		
TOTAL REVENUE ADJUSTMENT		(3,653)	(1,998)	(76)		
TOTAL RAF ADJUSTMENT		(164)	(90)	(3)		
AUTHORIZED NOI		38,534	26,827	497		
LESS: RATE CASE EXPENSE		(3,653)	(1,998)	(76)		
ADJUSTED NOI		34,881	24,829	421		
RATE BASE		355,848	247,736	4,593		
GENERATED ROR		9.80%	10.02%	9.17%		
RANGE OF OVERALL RATE OF RETURN		10.76%	TO	10.90%		

RATE SCHEDULE

WATER

SYSTEM: Linda Lakes

Monthly Rates

	Monthly Rates			
	Current	Commission Approved Interim	Utility Requested Final	Commission Approved Final
Residential, General and Multi-Residential Service				
Base Facility Charge:				
Meter Size:				
5/8"x3/4"	\$6.15	\$8.83	\$10.53	\$7.38
1"	\$15.37	\$22.07	\$26.33	\$18.45
1-1/2"	\$30.75	\$44.14	\$52.65	\$36.90
2"	\$49.20	\$70.63	\$84.24	\$59.04
3"	\$98.40	\$141.26	\$168.48	\$118.08
4"	\$153.75	\$220.72	\$263.25	\$184.50
6"	\$307.50	\$441.45	\$526.50	\$369.00
Gallage Charge per 1,000 G.	\$1.26	\$1.81	\$1.52	\$1.25

RATE SCHEDULE

WATER

SYSTEM: Foxwood

Monthly Rates

	Current	Commission Approved Interim	Utility Requested Final	Commission Approved Final
Residential, General and Multi-Residential Service				
Base Facility Charge:				
Meter Size:				
5/8"x3/4"	\$3.66	\$5.46	\$10.53	\$7.38
1"	\$9.13	\$13.62	\$26.33	\$18.45
1-1/2"	\$18.27	\$27.25	\$52.65	\$36.90
2"	\$29.23	\$43.60	\$84.24	\$59.04
3"	\$58.53	\$87.31	\$168.48	\$118.08
4"	\$91.45	\$136.42	\$263.25	\$184.50
6"	\$182.89	\$272.82	\$526.50	\$369.00
Gallonge Charge per 1,000 G.	\$1.30	\$1.94	\$1.52	\$1.25

RATE SCHEDULE

WATER

SYSTEM: Turtle Lakes

Monthly Rates

	Current	Commission Approved Interim	Utility Requested Final	Commission Approved Final
Residential and General Service				
Base Facility Charge:				
Meter Size:				
5/8"x3/4"	\$5.86	\$8.90	\$10.53	\$7.38
1"	\$11.15	\$16.93	\$26.33	\$18.45
1-1/2"	\$16.73	\$25.41	\$52.65	\$36.90
2"	\$22.31	\$33.88	\$84.24	\$59.04
3"	\$28.02	\$42.55	\$168.48	\$118.00
4"	\$33.63	\$51.07	\$263.25	\$184.50
6"	\$39.23	\$59.58	\$526.50	\$369.00
Gallonage Charge per 1,000 G.	\$0.78	\$1.18	\$1.52	\$1.25
Multi-Residential Service				
Base Facility Charge:				
All Meter Sizes:	\$3.90	\$5.92	See Residential and General Service	See Residential and General Service
Gallonage Charge per 1,000 G.	\$0.78	\$1.18		

RATE SCHEDULE

WASTEWATER

SYSTEM: Linda Lakes

Monthly Rates

	Current	Commission Approved Interim	Utility Requested Non-Uniform Final	Utility Requested Uniform Final	Commission Approved Final
Residential Service					

Base Facility Charge:					
Meter Size:					
All Meter Sizes	\$5.24	\$9.36	\$16.47	\$15.55	\$11.89
Gallonge Charge per 1,000 G. (Maximum 10,000 G.)	\$1.47	\$2.62	\$2.47	\$2.44	\$2.40
General and Multi-Residential Service					

Base Facility Charge:					
Meter Size:					
5/8"x3/4"	\$5.55	\$9.91	\$16.47	\$15.55	\$11.89
1"	\$13.89	\$24.80	\$41.18	\$38.88	\$29.73
1-1/2"	\$27.75	\$49.55	\$82.35	\$77.75	\$59.45
2"	\$44.40	\$79.29	\$131.76	\$124.40	\$95.12
3"	\$88.80	\$158.57	\$263.52	\$248.80	\$190.24
4"	\$138.75	\$247.77	\$411.75	\$388.75	\$297.25
6"	\$277.50	\$495.53	\$823.50	\$777.50	\$594.50
Gallonge Charge per 1,000 G.	\$1.47	\$2.62	\$2.47	\$2.44	\$2.88

RATE SCHEDULE

WASTEWATER

SYSTEM: Foxwood

Monthly Rates

	Current	Commission Approved Interim	Commission Approved Limited Filing	Utility Requested Non-Uniform Final	Utility Requested Uniform Final	Commission Approved Final
Residential Service						

Base Facility Charge:						
Meter Size:						
All Meter Sizes	\$5.26	\$5.80	\$11.74	\$14.64	\$15.55	\$8.11
Gallonge Charge per 1,000 G. (Maximum 10,000 G.)	\$2.40	\$2.64	\$5.34	\$5.23	\$2.44	\$4.70
General and Multi-Residential Service						

Base Facility Charge:						
Meter Size:						
5/8"x3/4"	\$5.26	\$5.80	\$11.74	\$14.64	\$15.55	\$8.11
1"	\$13.16	\$14.50	\$29.35	\$36.60	\$38.88	\$20.28
1-1/2"	\$26.30	\$28.98	\$58.66	\$73.20	\$77.75	\$40.55
2"	\$42.09	\$46.38	\$93.88	\$117.12	\$124.40	\$64.88
3"	\$84.20	\$92.79	\$187.82	\$234.24	\$248.80	\$129.76
4"	\$131.56	\$144.98	\$293.45	\$366.00	\$388.75	\$202.75
6"	\$263.13	\$289.97	\$586.93	\$732.00	\$777.50	\$405.50
Gallonge Charge per 1,000 G.	\$2.40	\$2.64	\$5.34	\$5.23	\$2.44	\$5.64

RATE SCHEDULE

WASTEWATER

SYSTEM: Turtle Lakes

Monthly Rates

	Current	Utility Requested Interim	Commission Approved Limited Filing	Utility Requested Non-Uniform Final	Utility Requested Uniform Final	Commission Approved Final
Residential Service						

Base Facility Charge:						
Meter Size:						
All Meter Sizes	\$15.03	\$21.03	\$40.16	\$14.64	\$15.55	\$8.11
Gallonge Charge per 1,000 G. (Maximum 10,000 G.)	\$0.00	\$0.00	\$0.00	\$5.23	\$2.44	\$4.70
General Service						

Base Facility Charge:						
Meter Size:						
5/8"x3/4"	\$11.72	\$16.40	\$31.32	\$14.64	\$15.55	\$8.11
1"	\$22.30	\$31.20	\$59.59	\$36.60	\$38.88	\$20.28
1-1/2"	\$33.46	\$46.81	\$89.40	\$73.20	\$77.75	\$40.55
2"	\$44.62	\$62.42	\$119.21	\$117.12	\$124.40	\$64.88
3"	\$56.04	\$78.40	\$149.73	\$234.24	\$248.80	\$129.76
4"	\$67.26	\$94.10	\$179.71	\$366.00	\$388.75	\$202.75
6"	\$78.46	\$109.77	\$209.64	\$732.00	\$777.50	\$405.50
Gallonge Charge per 1,000 G.	\$1.56	\$2.18	\$4.16	\$5.23	\$2.44	\$5.64
Multi-Residential Service						

Base Facility Charge:						
Meter Size:	\$10.02	\$14.02	\$26.78	See General Service	See General Service	See General Service
Gallonge Charge per 1,000 G.	\$0.00	\$0.00	\$0.00			

UTILITY: Mad Hatter Utilities, Inc.
 SYSTEM: All systems

RATE SCHEDULE

SCHEDULE OF COMMISSION APPROVED
 RATES AND RATE DECREASE IN
 FOUR YEARS

WATER

Monthly Rates

	Commission Approved Rates	Rate Decrease
Residential, General Service, and Multi-Residential Service		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$7.38	\$0.03
1"	\$18.45	\$0.08
1-1/2"	\$36.90	\$0.15
2"	\$59.04	\$0.24
3"	\$118.08	\$0.48
4"	\$184.50	\$0.75
6"	\$369.00	\$1.51
Gallonage Charge per 1,000 G.	\$1.25	\$0.01

UTILITY: Mad Hatter Utilities, Inc.
 SYSTEM: Foxwood and Turtle Lakes

RATE SCHEDULE

SCHEDULE OF COMMISSION APPROVED
 RATES AND RATE DECREASE IN
 FOUR YEARS

WASTEWATER

Monthly Rates

	Commission Approved Rates	Rate Decrease
Residential		

Base Facility Charge:		
Meter Size:		
All Meter Sizes	\$8.11	\$0.02
Gallage Charge per 1,000 G. (Maximum 10,000 G.)	\$4.70	\$0.01
General and Multi-Residential Service		

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$8.11	\$0.02
1"	\$20.28	\$0.04
1-1/2"	\$40.55	\$0.08
2"	\$64.88	\$0.13
3"	\$129.76	\$0.26
4"	\$202.75	\$0.41
6"	\$405.50	\$0.81
Gallage Charge per 1,000 G.	\$5.64	\$0.01

UTILITY: Mad Hatter Utilities, Inc.
 SYSTEM: Linda Lakes

RATE SCHEDULE

SCHEDULE OF COMMISSION APPROVED
 RATES AND RATE DECREASE IN
 FOUR YEARS

WASTEWATER

Monthly Rates

	Commission Approved Rates	Rate Decrease
Residential		

Base Facility Charge:		
Meter Size:		
All Meter Sizes	\$11.89	\$0.04
Gallonage Charge per 1,000 G. (Maximum 10,000 G.)	\$2.40	\$0.01
General and Multi-Residential Service		

Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$11.89	\$0.04
1"	\$29.73	\$0.10
1-1/2"	\$59.45	\$0.20
2"	\$95.12	\$0.31
3"	\$190.24	\$0.63
4"	\$297.25	\$0.98
6"	\$594.50	\$1.95
Gallonage Charge per 1,000 G.	\$2.88	\$0.01