

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a )  
staff-assisted rate case in )  
Citrus County by HEIGHTS )  
WATER COMPANY )  
\_\_\_\_\_ )

DOCKET NO. 911102-WU  
ORDER NO. PSC-92-0540-FOF-WU  
ISSUED: 06/23/92

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK  
J. TERRY DEASON  
BETTY EASLEY  
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES IN  
THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING INCREASED RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

Heights Water Company (Heights) is a Class C water utility located in Citrus County. Citrus County became jurisdictional December 21, 1973. The utility's original Certificate No. 228-W was granted by Order No. 6929, issued September 30, 1975. Order No. 8829, issued April 18, 1979 transferred Certificate No. 228-W along with assets from Glenn A. Bland d/b/a Heights Water System to James H. Hodges. Order No. 10079, issued June 19, 1981, amended the utility's service area to include Ellsworth Point Subdivision in Citrus County.

DOCUMENT NUMBER-DATE

06631 JUN 23 1992

FPSC-RECORDS/REPORT

Under Docket No. 810048-W, the Commission investigated the utility's rates and charges due to a customer inquiry. Order No. 10514, issued January 13, 1982, established rate base at December 31, 1980. A used and useful adjustment of (\$500) was made to exclude a two inch well that was not required to provide the necessary service to the customers. A negative acquisition adjustment of (\$14,548) was also established. This adjustment represents the difference between the original cost of plant to the previous owner and the purchase price of \$810 plus plant improvements made by the current owner. Order No. 10514 also changed the utility's rate structure to a metered rate.

On October 30, 1991, Heights applied for staff assistance in this rate case and has paid the appropriate filing fee. In processing this case, we have audited the utility's records for compliance with Commission rules and orders and determined all components necessary for rate setting. We have also conducted a field investigation.

We have selected a historical test year ended December 31, 1991. The utility provided service to approximately 130 residential customers during the test year. The utility recorded revenue of \$15,450 and expenses of \$26,371 resulting in a loss of \$10,921.

#### QUALITY OF SERVICE

A customer meeting was held on April 14, 1992, with three customers attending. The two customers who made comments had no significant problems with the quality of service provided by the utility. However, there was concern about repair costs related to recent outages being included in the operation and maintenance expenses. We inquired about the outages and learned from the utility that they were caused by a cable company severing the utility's lines in several places. Cable installation in the area has ceased and there have not been any recent problems. A review of repair and maintenance costs during the test year has revealed no extraordinary costs.

The utility appears to be meeting applicable standards for water treatment and supply to its customers. Records show that the utility is in compliance with the Department of Environmental Regulation's (DERs) standards. In consideration of the foregoing, we find that Heights' quality of service is satisfactory.

### RATE BASE

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

#### Used and Useful

The water treatment plant peak demand capability on a gallon per minute basis is limited, and the facilities are considered the minimal size necessary to supply the existing customers. Therefore, we find the water treatment plant 100% used and useful.

The distribution system pipes are of the minimum size necessary to supply the existing customers and therefore, we find the distribution system 100% used and useful.

#### Working Capital

We find it appropriate to use the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirements of this utility. Utilizing that formula, we have included \$2,253 in the rate base as the proper working capital allowance.

#### Plant-in-Service

Order No. 10514, issued January 13, 1982, established year end rate base at December 31, 1980. A non-used and useful adjustment of (\$500) was established in that Order to reflect a well that is not required to provide the necessary service to customers. We find this well is still non-used and useful and we have included it as plant held for future use. Order No. 10514 also established and approved a negative acquisition adjustment of (\$14,548). This adjustment represents the difference between the original cost of plant to the previous owner and the purchase price of \$810 and plant improvements made by the current owner.

The utility's general ledger balances at December 31, 1980, have been reconciled with the rate base components authorized by

Order No. 10514. All plant additions from January 1981, through December 31, 1991, have been traced to supporting documentation and have been added to plant.

The utility shares general plant facilities with an affiliated utility with a common owner. Order No. 25722, issued February 13, 1992, authorized a \$6,536 general plant allocation to this utility for the period ended May 30, 1990. This allocation was based on the utility's percentage of equivalent residential connections (ERCs) to total ERCs of both utilities. Using the same methodology, the utility has allocated general plant additions through the test year ended December 31, 1991. We have adjusted year end utility plant in service by \$7,814 to reflect shared general plant.

#### Land

Utility plant has been adjusted by (\$2,975) to reclassify land value, established by Order No. 10514, to the appropriate account.

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

The utility was not authorized to charge contributions-in-aid-of-construction (CIAC) charges prior to January 1982. The utility's recorded CIAC agrees with the number of customer additions since 1982 multiplied by the authorized CIAC charges.

#### Accumulated Depreciation

Accumulated depreciation totals established by Order No. 10514 and accumulated depreciation associated with general plant allocation totals have been updated through December 31, 1991, following the guidelines of Rule 25-30.140, Florida Administrative Code.

#### Amortization of CIAC

Amortization of CIAC and the acquisition adjustment have been calculated following the guidelines of Rule 25-30.140, Florida Administrative Code.

Test Year Rate Base

In consideration of the foregoing, we find that the average test year rate base is \$13,449.

COST OF CAPITAL

Return on Equity and Overall Rate of Return

By Order No. 25722, issued February 13, 1992, a general plant allocation from an affiliated utility with a common owner was approved by the Commission. The allocation as approved has been included in rate base. Therefore, we have adjusted the utility's capital structure by \$3,800 to allow reconciliation with rate base.

The utility's capital structure is 100% equity. Using the leverage formula approved by Order No. 24246, issued March 18, 1991, the appropriate rate of return on equity and the overall rate of return are both 11.22%.

NET OPERATING INCOME (NOI)

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

Test Year Revenue

The utility's recorded test year revenue is \$15,450. A revenue check based on test year bills and consumption times the utility's authorized rates agrees with revenue recorded by the utility. Therefore, we find the appropriate test year revenue to be in the amount of \$15,450.

Operation and Maintenance Expense (O & M)

The utility recorded test year operating expenses of \$26,371. These expenses include O & M expense of \$24,122, a net depreciation expense of \$1,299 and taxes other than income of \$950.

During the test year the utility recorded direct expenses incurred by the utility and allocated expenses from an affiliated utility, Sunshine Utilities, Inc., which is located in Marion County.

Heights shares employees, office space and transportation equipment with Sunshine Utilities. Therefore, those allocations for rent, employee benefits, transportation and payroll taxes have been tested for reasonableness and the allocations are included in O & M expenses.

Sunshine Utilities, Inc., an affiliated utility, was granted a rate increase by Order No. 25722, issued February 13, 1992. This Order authorized an allocation of employee salaries of \$6,692 to this utility for the test year, ended May 31, 1990. This allocation was based on the Heights percentage of equivalent residential connections (ERCs) to total ERCs of both utilities. We have selected a test year ended December 31, 1991, and have adjusted test year salaries using the same methodology. A summary of adjustments follows:

1. Salaries and wages - Employees (601) - The utility recorded \$8,690 for this expense. We have adjusted this expense by (\$1,444) to reflect employee salaries based on the percentage of ERCs for this utility to the total ERCs for this utility and its affiliate.
2. Salaries and wages - Officers (603) - The utility recorded \$5,068 for this expense. We have adjusted this expense by (\$3,768) to reflect a salary for the utility's Vice President based on the percentage of ERCs for this utility to the total ERCs for the utility and its affiliate.
3. Purchased Power (615) - The utility allocated \$80 to this expense from the affiliated utility. We have adjusted this expense by (\$80) to remove a non-utility expense.
4. Chemicals (618) - We have adjusted this expense by \$66 to reflect the reclassification of chemical expense from account No. 630.
5. Materials and Supplies (620) - We have adjusted this expense by (\$668) to remove a non-utility expense.

Test year expenses do not include the cost for bills. The utility provided a copy of an invoice showing the cost for purchasing bills. Based on the invoice the utility's cost for bills is \$49 per 1,000 bills. This does not include postage. We find an annual allowance of \$550 an appropriate amount for bills and postage and have, therefore, adjusted this expense by \$550.

The utility recorded \$420 in this expense for monthly DER required water testing. This expense has been adjusted by (\$420) to reflect a reclassification to account No. 630.

6. Contractual Services (630) - This expense has been adjusted by (\$66) to reflect a reclassification to account No. 618, and by \$420 to reflect a reclassification from account No. 620.

The utility requested additional DER required water testing expenses and provided documentation of the costs.

We have reviewed and verified the associated costs with the vendor. These tests include volume of contaminants (VOC) testing for two wells per quarter for \$150, and contaminate tests for two wells for \$1,600 (\$800 each well). These tests are required every three years. We have adjusted this expense by \$733 (\$2,200/3 yrs.) to reflect DER required water testing. This expense has also been adjusted by (\$225) to remove a non-utility expense.

7. Regulatory Commission Expense (665) - The utility paid a \$150 filing fee for this rate case and incurred an expense of \$75 for the customer meeting. We have adjusted the expense by \$56 (\$225/4) to reflect rate case expense amortized over four years.
8. Miscellaneous Expense (675) - This expense has been adjusted by (\$1,252) to remove a non-utility expense.

#### Depreciation Expense

Test year depreciation expense has been calculated using the rates prescribed by Rule 25-30.140, Florida Administrative Code.

The utility recorded a net depreciation expense of \$1,299. This expense does not include test year depreciation expense on general plant allocations. We have adjusted test year depreciation expense by \$166 to reflect staff's calculated depreciation expense. This expense includes depreciation for general plant allocations, and is net of amortization of CIAC, non-used and useful depreciation, and amortization of the acquisition adjustment.

#### Taxes Other Than Income

The utility recorded taxes other than income of \$950. This expense has been adjusted by \$139 to reflect an unrecorded property tax expense and by \$474 to adjust payroll taxes to appropriate amount. This expense has been adjusted \$337 to reflect regulatory assessment fee at 4.5% on the increase in revenue.

#### Operating Revenue

Revenue has been adjusted by \$7,448 to reflect the increase in revenue required to cover expenses and allow the approved rate of return on investment.

The application of the adjustments to the utility's test year operating expenses results in operating expenses of \$21,389.

Operating expenses are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

#### Income Taxes

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

#### REVENUE REQUIREMENT

We find it appropriate to allow the utility an annual increase in revenue of \$7,448 (48.21%). This will allow the utility the opportunity to recover its expenses and earn an 11.22% return on its investment.



RATES AND CHARGES

Monthly Rates

Based on the test year billing analysis, the utility provided water service to approximately 130 residential metered customers. The utility currently employs the base facility/gallage charge rate structure. We find it appropriate to retain the existing rate structure.

Rates have been calculated based on test year customers and consumption. Schedules of the utility's existing rates and rate structure and rates and rate structure herein approved are as follows:

Water

Monthly Rates

Residential and General Service

<u>Base Facility Charge</u>	<u>Existing</u>	<u>Approved</u>
<u>Meter Size</u>		
5/8 x 3/4"	\$ 4.57	\$ 8.28
3/4"	N/A	12.42
1"	11.42	20.70
1-1/2"	22.85	41.40
2"	36.50	66.24
3"	N/A	132.48
4"	N/A	207.00
6"	N/A	414.00
<u>Gallage Charge</u>		
Per 1,000 gallons	\$ 1.32	\$ 1.52

These rates shall be effective for meter readings taken on or after 30 days after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefore. The revised tariff sheets will be approved upon our staff's verification that

the tariffs are consistent with our decision and that the proposed customer notice is adequate.

AMORTIZATION OF RATE CASE EXPENSE

Section 367.0816, Florida Statutes, entitled "Recovery of Rate Case Expense" addresses this issue and states:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of four years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The rate case expense incurred by the utility for this case was a \$150 filing fee and a \$75 expense incurred for the customer meeting totaling \$225. Based on the above mentioned Statute, the appropriate recovery period for these expenses is four years which allows the utility to recover approximately \$56 per year through its rates. Once the annual rate case expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to \$59.

At the end of four years, the utility's rates shall be reduced by \$59 annually. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is an approximate rate reduction of \$.01 in the base facility charge for a 5/8" X 3/4" meter.

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 pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Miscellaneous Service Charges

Currently, the utility's tariff has no provision for miscellaneous service charges. The miscellaneous service charges

set forth below, which we hereby approve, are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the ratepaying body as a whole. Staff Advisory Bulletin No. 13, Second Revised sets forth these standard charges. A schedule of approved charges follows:

APPROVED CHARGES

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

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

Definition of each charge is provided for clarification:

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

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

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

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

The charges approved above shall be effective for service rendered on or after the stamped approval date on the revised

tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision and that the proposed customer is adequate.

Service Availability Charges

Order No. 10514, issued January 13, 1982, authorized the utility's existing service availability charges. A schedule of the utility's existing charges are as follows:

- |                              |          |
|------------------------------|----------|
| 1. Meter Installation Charge | \$81.00  |
| 2. Short Service Connection  | \$53.00  |
| 3. Long Service Connection   | \$220.00 |

Rule 25-30.580(1)(a) and (b), Florida Administrative Code, set guidelines for maximum and minimum CIAC levels for utilities. The utility's current level of CIAC is 20.63%. The minimum CIAC level for this utility is 28.42%. Therefore, the utility does not meet the minimum guideline set forth in Rule 25-30.580(1)(b).

We have determined that the utility is built out but can accommodate additional connections. We have calculated service availability charges based on existing capacity for future growth of approximately three connections per year. These charges will not cause the utility to exceed the 75% maximum level of CIAC. The schedule of approved charges follows:

<u>Meter Size</u>	<u>Meter Installation Charge</u>
5/8 x 3/4"	\$100
All over 5/8 x 3/4"	Actual Cost
Plant Capacity Charge	\$225
Main Extension Charge	\$100

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

TEMPORARY RATES IN THE EVENT OF A PROTEST

This Order proposes an increase in water rates. A timely protest could delay what may prove to be a justified rate increase pending the completion of a formal hearing and issuance of a final order, thus resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the water rates approved herein, on a temporary basis, subject to refund, provided that the utility furnishes adequate security for a potential refund.

The utility is authorized to collect the temporary rates after Staff's approval of the security for potential refund, a copy of the proposed customer notice, and revised tariff sheets. The security shall be in the form of a bond or letter of credit in the amount of \$5,106. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

If the utility chooses a Letter of Credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.

- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If the security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

The maintenance and administrative costs associated with the refund shall not be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Heights Water Company for an increase in its water rates in Citrus County is approved as set forth in the body of this Order. It is further

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

ORDERED that all matters contained in the body of this Order and in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that the provisions of this Order are issued as proposed agency action, except for the provision allowing temporary rates, subject to refund, in the event of a protest, shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Heights Water Company is authorized to charge the new rates and charges set forth in the body 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

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

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

ORDER NO. PSC-92-0540-FOF-WU  
DOCKET NO. 911102-WU  
PAGE 16

ORDERED that prior to its implementation of the rates and charges approved herein, Heights Water Company shall submit and have approved a bond or letter of credit in the amount of \$5,106.00 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that prior to its implementation of the rates approved herein, Heights Water Company shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

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

ORDERED that this docket may be closed if no timely protest is received from a substantially affected person and upon the utility's filing of revised tariff sheets and Staff's approval of them.

BY ORDER of the Florida Public Service Commission, this 23rd  
day of JUNE, 1992.

  
\_\_\_\_\_  
STEVE TRIBBLE Director  
Division of Records and Reporting

(SEAL)

911102WU.WEW



NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, except for the granting of temporary rates in the event of a protest, 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 July 14, 1992. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ORDER NO. PSC-92-0540-FOF-WU  
DOCKET NO. 911102-WU  
PAGE 18

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

HEIGHTS WATER SYSTEM  
 SCHEDULE OF WATER RATE BASE  
 TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 1  
 DOCKET NO. 911102-WU

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 43,056 A	\$ 4,310	\$ 47,366
LAND/NON-DEPRECIABLE ASSETS	0 B	2,975	2,975
PLANT HELD FOR FUTURE USE	(500)	0	(500)
ACQUISITION ADJUSTMENT	(14,548)	0	(14,548)
C.W.I.P.	0	0	0
C.I.A.C.	(6,494)C	(948)	(7,442)
ACCUMULATED DEPRECIATION	(18,094)D	(3,727)	(21,821)
AMORTIZATION OF ACQUISITION ADJUSTMENT	4,364 E	61	4,425
AMORTIZATION OF C.I.A.C.	571 F	170	741
WORKING CAPITAL ALLOWANCE	3,015 G	(762)	2,253
	-----	-----	-----
WATER RATE BASE	\$ 11,370	\$ 2,079	\$ 13,449
	-----	-----	-----

HEIGHTS WATER SYSTEM  
SCHEDULE OF ADJUSTMENTS TO RATE BASE

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect reclassification of Land Value established by Order No. 10514 to appropriate account.	\$(2,975)
2. To reflect general plant allocations.	\$ 7,814
3. to reflect average adjustment.	<u>\$( 529)</u>
	<u>\$ 4,310</u>
B. <u>LAND</u>	
To reflect reclassification of Land Value as established by Order No. 10514 from utility plant.	<u>\$ 2,975</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>	
1. To reflect CIAC associated with margin reserve.	\$(1,463)
2. To reflect average adjustment.	<u>515</u>
	<u>\$( 948)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. To adjust utility's total to staff's calculated total at December 31, 1991.	\$(5,109)
2. To reflect average adjustment.	<u>1,382</u>
	<u>\$(3,727)</u>

HEIGHTS WATER SYSTEM  
SCHEDULE OF ADJUSTMENTS TO RATE BASE

	<u>WATER</u>
<b>E. <u>AMORTIZATION OF ACQUISITION ADJUSTMENT</u></b>	
1. To adjust the utility's total to staff's calculated total at December 31, 1991	\$ 481
2. To reflect average adjustment	<u>( 420)</u>
	<u>\$ 61</u>
<b>F. <u>AMORTIZATION OF CIAC</u></b>	
1. To adjust the utility's balance to staff's calculated balance at December 31, 1991	\$ 216
2. To reflect amortization of CIAC associated with margin reserve	\$ 127
3. To reflect average adjustment	<u>\$ (173)</u>
	<u>\$ 170</u>
<b>G. <u>WORKING CAPITAL ALLOWANCE</u></b>	
To reflect one-eighth of operation and maintenance expense	<u>\$ ( 762)</u>

HEIGHTS WATER SYSTEM  
 SCHEDULE OF CAPITAL STRUCTURE  
 TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 2  
 DOCKET NO. 911102-WU

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG-TERM DEBT	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	9,649	3,800	13,449	100.00%	11.22%	11.22%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 9,649	\$ 3,800	\$ 13,449	100.00%		11.22%
	-----	-----	-----	-----	-----	-----

RANGE OF REASONABLENESS	LOW	HIGH
-----	-----	-----
RETURN ON EQUITY	10.22%	12.22%
OVERALL RATE OF RETURN	10.22%	12.22%

HEIGHTS WATER SYSTEM  
 SCHEDULE OF WATER OPERATING INCOME  
 TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 3  
 DOCKET NO. 911102-WU

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST TEST YEAR	COMM. ADJUST FOR INCREASE	BALANCE PER COMM.
	-----	-----	-----	-----	-----
OPERATING REVENUES	\$ 15,450	0	\$ 15,450	\$ 7,448	\$ 22,898
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	24,122 A	(6,098)	18,024	0	18,024
DEPRECIATION(NET)	1,299 B	166	1,465	0	1,465
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	950 C	613	1,563 E	337	1,900
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 26,371	\$ (5,319)	\$ 21,052	\$ 337	\$ 21,389
OPERATING INCOME/(LOSS)	\$ (10,921)	\$ 5,319	\$ (5,602)	\$ 7,111	\$ 1,509
WATER RATE BASE	\$ 11,370		\$ 13,449		\$ 13,449
RATE OF RETURN	-96.05%		-41.65%		11.27%

HEIGHTS WATER SYSTEM  
SCHEDULE OF ADJUSTMENTS TO OPERATING EXPENSES

A.	<u>OPERATION AND MAINTENANCE EXPENSE</u>	<u>WATER</u>
1.	To adjust employee salaries based on the methodology approved by Order No. 25722 for an affiliated utility	\$(1,444)
2.	To reflect an officer's salary included in the allocation for employees salaries	\$(3,768)
3.	To remove a non-utility purchased power expense	( 80)
4.	To reflect a reclassification of a chemical expense from account No. 630.	66
5.	To remove a non-utility expense from materials and supplies	( 668)
6.	To reflect an annual allowance for bills and postage (\$98 for bills and \$452 for postage)	550
7.	To reflect a reclassification of monthly DER required water test to account No. 630.	( 420)
8.	To reflect a reclassification to account No. 618	( 66)
9.	To reflect a reclassification from account No. 630.	420
10.	To reflect additional DER required water tests amortized over a three year (\$2,200/3).	733



HEIGHTS WATER SYSTEM  
SCHEDULE OF ADJUSTMENTS TO OPERATING EXPENSES

	<u>WATER</u>
11. To remove a non-utility expense from contractual services.	( 225)
12. To reflect rate case expense amortized over four years (\$150 + \$75/4 yrs.)	56
13. To remove a non-utility expense	<u>( 1,252)</u>
	<u>\$( 6,098)</u>
B. <u>DEPRECIATION EXPENSE</u>	
To reflect staff's calculated depreciation expense net of non-used and useful depreciation, amortization of CIAC and acquisition adjustment	<u>\$ 166</u>
C. <u>TAXES OTHER THAN INCOME</u>	
1. To reflect unrecorded property taxes	\$ 139
2. To adjust payroll taxes to appropriate amount	474
	<u>\$ 613</u>
D. <u>OPERATING REVENUE</u>	
To reflect increase in revenue required to cover expenses and allow recommended rate of return on investment	<u>\$ 7,448</u>
E. <u>TAXES OTHER THAN INCOME</u>	
To reflect regulatory assessment fee at 4.5% on increase in revenue	<u>\$ 337</u>

ORDER NO. PSC-92-0540-FOF-WU  
DOCKET NO. 911102-WU  
PAGE 26

HEIGHTS WATER SYSTEM  
DOCKET NO. 911108-WU  
TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 4  
RATE REDUCTION AFTER  
RECOVERY OF RATE CASE  
EXPENSE

Residential and General Service

Monthly Rates

	<u>Recommended Rates</u>	<u>Rate Decrease</u>
<u>BASE FACILITY CHARGE</u>		
<u>Meter Size</u>		
5/8" X 3/4"	\$ 8.28	\$0.01
3/4"	12.42	0.01
1"	20.70	0.02
1-1/2"	41.40	0.05
2"	66.24	0.08
3"	132.48	0.16
4"	207.00	0.25
6"	414.00	0.50
<u>Gallonage Charge</u> (Per 1,000 gallons)	\$ 1.52	\$0.00