

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff-) DOCKET NO. 930656-WU
Assisted Rate Case in Lake) ORDER NO. PSC-94-0236-FOF-WU
County by W.B.B. UTILITIES, INC.) ISSUED: 03/03/94
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING
LUIS J. LAUREDO

FINAL ORDER GRANTING TEMPORARY RATES IN
EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED RATES

BY THE COMMISSION:

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

BACKGROUND

W.B.B. Utilities, Inc. (WBB or utility) is a class "C" water utility with 25 customers located in Lake County. WBB began operation as a utility in 1983 but, because of its size, was not subject to Commission jurisdiction. On October 12, 1990, WBB filed an application for certification with this Commission so that it could obtain a construction permit from the Department of Environmental Protection (DEP) to extend its lines to serve 79 customers at buildout. On January 22, 1991, the Commission issued water Certificate No. 531-W to W.B.B. Utilities, Inc.

DOCUMENT NUMBER-DATE

02116 MAR-3 94

FPSC-REGULATORY REPORTING

The total certificated territory is approximately 45 acres, about half of which is not cleared and not developed. The existing service area is the first phase of two development phases. The present water facility was equipped to provide the basic water needs of the first phase which will be built out at 33 customers.

On July 6, 1993 the utility applied for this staff assisted rate case and paid the appropriate filing fee. The chosen test year ended June 30, 1993, and the official filing date was September 4, 1993. Currently, the utility provides water service to approximately 25 residential customers.

WATER CONSERVATION AND REUSE

The St. John's River Water Management District (SJRWMD) has designated the utility's service area a critical use or water caution area, thereby requiring water conservation methods to be implemented. WBB operates under Consumptive Use Permit Number 2-069-0034-URM, which was issued on February 11, 1992 and expires on February 11, 1999. Its permit places the restriction of 26,000 maximum average gallons per day (gpd) in 1992 and allows up to 54,000 maximum average gpd in 1999. The potential customer base, including the proposed addition of Phase II, is 79 single family homes. In order for 79 customers to use 54,000 gpd, each home must consume 683.5 gpd. Presently, the per customer consumption is 605 gpd.

The utility has not exceeded the parameters of its consumptive use permit, and we do not find it appropriate to require it to take further action regarding water conservation and reuse at this time.

Wastewater in the utility's service area is disposed of via personal septic systems which are not under the jurisdiction of the SJRWMD.

QUALITY OF SERVICE

On November 30, 1993, a customer meeting was held at the Carvel Middle School, Media Center, in Leesburg, Florida. Eleven people attended the meeting. Seven represented customer connections and four people in attendance were utility representatives. The customers had only positive comments concerning the utility and the quality of service.

The overall quality of service provided by the utility was derived from an evaluation of three separate components of utility operations: (1) the quality of the utility's product (water service), (2) operational conditions of the utility's plant or

facilities, and (3) customer satisfaction. The utility meets or exceeds safe drinking water standards; housekeeping and maintenance at the plant appears to be properly scheduled and performed; and, the customers are satisfied with the utility's service.

Based on the foregoing, we find that the utility's quality of service is satisfactory.

RATE BASE

The utility has not had a prior rate case and rate base has not been established previously.

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or 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

Water Treatment Plant - The plant is a closed system operation which makes it more appropriate to evaluate the plant's readiness to serve on a gallon per minute (gpm) basis. The WBB water plant currently relies on one well, rated at 30 gpm, to meet instantaneous fluctuations in flow demands. In accordance with General Waterworks Design Criteria, the utility is required to provide a minimum of 1.1 gpm per customer connection. This utility had an average of 24 customers (24 ERCs) during the test year. Also, this utility does not currently support fireflow reserves, nor does it have an excessive unaccounted for water problem. Therefore, 52 gpm (the maximum daily flow based on the 24 average customer base times 1.1 gpm, times 2), plus 13 gpm (based on a growth rate of four customers each year) is divided by the plant capacity of 30 gpm. Based on this method of calculation, we find that the water treatment plant accounts are 100 percent used and useful.

Water Distribution System - The network of water mains is engineered and constructed to adequately serve the existing customers in Phase I. To arrive at the used and useful percentage for the water transmission and distribution system, we divided the sum of the 24 average ERCs and the six ERC margin reserve by the 33 ERC system capacity. The quotient is .9091. Therefore, based upon the approved formula, we find that accounts 331 (Transmission and Distribution Mains) and 333 (services) are 90.91 percent used and useful. However, account number 334 (Meters and Meter

Installations) is booked upon demand when meters are installed as new customers come on line. Therefore we find this account to be 100 percent used and useful.

Land Value

The land on which the water treatment plant is located (Tract "A" Phase I) is owned by the utility. The Department of Health (DOH) requires an additional 200 foot radius of land around the well whereon no septic tank can be located (Tract "A" Phase II). This land is also owned by the utility.

The utility recorded land value of \$4,100. The original warranty deed, dated September 10, 1979, was for 60 acres of land, 12 of which were lake acreage, at a purchase price of \$100,000. The average price per acre is \$1,667. The property on which the water treatment plant is located including the buffer area equals 1.143 acres. The utility recorded land value of \$4,100. Based on the original cost of land the value of the 1.143 acres is \$1,905, therefore, we have adjusted land value by (\$2,195).

Plant in Service

The utility recorded plant in service of \$55,595. Plant in service has been adjusted by (\$36,323) to remove non-utility assets. Adjustments were also made to remove non-utility operating expenses of (\$1,435) and by \$20,687 to add unrecorded utility plant additions. In addition, an adjustment of (\$537) has been made to reflect the test year averaging adjustment. The total adjustment to utility plant in service is (\$17,608).

Based on the foregoing, we find the appropriate average utility plant-in-service is \$37,987.

Plant Held for Future Use

As previously noted, the water treatment system is 100% used and used and the water distribution system is 90.91% used and useful. Average plant held for future use has been calculated based on the non-used and useful percentages times average plant and average accumulated depreciation. Plant held for future use has been adjusted by (\$8,500) to reflect non-used and useful plant. Adjustments were also made to: 1) reflect average non-used and useful accumulated depreciation associated with non-used and useful plant \$959, 2) reflect average non-used and useful CIAC of \$1,546, and 3) reflect average amortization of non-used and useful CIAC of (\$313). The total adjustment for plant held for future use is (\$6,308).

Contributions-in-Aid-of-Construction

The utility has no Commission approved service availability charges and does not collect any service availability charges from customers. Our staff audit indicated the utility expensed \$20,687 of plant. We have recognized this plant as CIAC. No CIAC was recorded on the books of the utility. We have adjusted CIAC by (\$20,687) to reflect the expensed plant as CIAC. Adjustments were also made to reflect CIAC for margin reserve (\$3,456) and to make an averaging adjustment of \$537. Total adjustments for CIAC are (\$23,606)

Accumulated Depreciation

The utility's recorded test year accumulated depreciation of (\$24,944) includes depreciation on non-utility assets and non-utility operating expenses using average service lives for federal tax purposes. Depreciation was included on unrecorded plant additions. Therefore, we have recalculated accumulated depreciation using a depreciation rate of 2.5% through June 1992.

Test year depreciation expense was calculated pursuant to rates set forth in Rule 25-30.140, Florida Administrative Code. Accumulated depreciation has been adjusted by \$19,888 to reflect accumulated depreciation on utility plant through June 30, 1993. An adjustment of \$668 has also been made to reflect the averaging adjustment. The total adjustment for accumulated depreciation is \$20,556.

Amortization of CIAC

Amortization of CIAC has been calculated using 2.5% of total plant through June 30, 1992. The overall adjustment, including test year CIAC amortization, increases CIAC amortization by \$2,336. Adjustments were also made to reflect margin reserve accumulated CIAC of \$180 and an averaging adjustment of (\$292). The total adjustment for amortization of CIAC is \$2,224.

Working Capital

We find it appropriate to use the one-eighth of operation and maintenance expense formula approach to calculate the working capital allowance. Applying that formula, we find the working capital allowance to be \$1,154.

Test Year Rate Base

Based on the foregoing, we find the appropriate test year rate base is \$8,968.

CAPITAL STRUCTURE

Return on Equity

The utility's capital structure includes capital stock of \$7,500, paid in capital of \$34,341 and negative retained earnings of \$30,133. Since including a negative retained earnings would penalize the utility's capital structure by understating the overall rate of return, we have adjusted the negative retained earnings to zero.

Cost of Debt and Overall Rate of Return

The utility's capital structure also includes a demand note to the utility from the stockholders. Our staff audit revealed no executed debt instrument or stated interest for this loan. Since the utility has no debt instrument with a stated interest, we have assigned the cost of debt based on the cost of equity. All of the other components in the utility's capital structure are common equity, therefore, we find the utility's capital structure to be 100% equity.

In Docket No. 930006-WS, Order No. PSC-93-1107-FOF-WS, issued July 29, 1993, we set guidelines to establish the appropriate cost rate to debt. Based on the current leverage graph, for utilities with 100% equity, the cost of common equity is 9.30% and the assigned cost of debt is 9.30%. Therefore, we find the return on equity and the overall rate of return is 9.30%.

The utility's capital structure has been reconciled with rate base and the resulting pro rata adjustments made to the equity and debt balances in the capital structure. The capital structure is shown on Schedule No. 2.

NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedule No. 3, and our adjustments are itemized on Schedule No. 3-A. Those adjustments that are self-explanatory or essentially mechanical in nature are shown on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Operating Revenues

The utility recorded test year revenue of \$5,656. The utility's billing register did not reconcile to the utility's general ledger. Two utility stockholders who reside in the service area were not charged for service although their meters were read quarterly. For the test year ended June 30, 1993, these two residents consumed 505,000 gallons of water. Based on the current rates of \$ 0.75 per month/1,000 gallons and base facility charge of \$24.00/Quarter, we have made an adjustment of \$571. An additional adjustment of \$575 was made to balance revenues with the utility's billing analysis. The total adjustment to test year revenue is \$1,146 resulting in a total test year operating revenue of \$6,802.

Test Year Operating Loss

The test year operating revenue is \$6,802. The corresponding test year operating expenses are (\$11,261). This results in a test year operating loss of \$4,459.

Operation and Maintenance Expenses

The utility's recorded test year expenses include operation and maintenance expense, depreciation expense and taxes other than income. A summary of adjustments to the utility's recorded expenses follows:

A. Operation and Maintenance Expenses

1) Salaries and Wages - Officers - (603) - The utility did not record a salary for the utility's president. The utility's president is responsible for making all administrative decisions and handling all regulatory matters. The utility's president requested a salary of \$6,540. We find that a \$1,000 annual salary is the appropriate salary for an officer of a utility this size and for the duties required of the officer. We have adjusted this account by \$1,000.

2) Fuel for Power Production - (616) - The utility did not record any expense in this account. The utility has an auxiliary power generator and periodic start-ups and idling are necessary for proper maintenance. We have determined that a reasonable expense for emergency power production of \$309 should be included and we have adjusted this expense by that amount.

3) Materials and Supplies - (620) - WBB recorded \$183 in the materials and supplies account for the test year. The utility included a non-utility lock change expense of \$124 and a meter cost of \$59 in this account. The meter cost was reclassified to utility plant and the lock change has been removed. Therefore, we have made an adjustment of (\$183) to this account.

4) Contractual Services - (630) - The utility recorded \$3,070 for contractual services during the test year. Operator services are contracted through Diversified Water Services, Inc. which specializes in operating utility plants in accordance with federal, state and local regulatory standards. The utility recorded operator services of \$1,805. We made an adjustment of \$535 to include all necessary visits to the plant (\$15/visit x 156 visits).

The utility's monthly monitoring is a routine program that includes sampling and testing for bacteria. An adjustment of \$1,363 was made to include all required water testing in accordance with state and local governmental requirements.

Contract expenses for minor repairs and maintenance have been examined and we have included the sum of \$170. as reasonable.

Total adjustments made to this account are \$2,068.

5) Rents - (640) - The utility recorded no rent expense for the test year. Utility business is conducted out of the utility president's home. The utility requested \$25 per month rent expense. We find this amount to be reasonable and have adjusted this expense by \$300 to reflect an annual rent expense.

6) Transportation Expenses - (650) - The utility recorded transportation expenses of \$409. An adjustment of (\$309) was made to remove a non-utility gas expense and an adjustment of (\$100) was made to remove a non-utility tire expense.

In performance of his duties, the utility's president uses his personal vehicle to attend meetings with regulatory personnel, run errands, read meters and tour the service area on a regular basis. This expense has been adjusted by \$125 to reflect an annual allowance for transportation.

The total adjustment for transportation expenses is (\$284).

7) Regulatory Commission Expense - (665) - This expense has been adjusted by \$38 to reflect the \$150 rate case filing fee amortized over four years and adjusted by \$307 to include rate case accounting fees of \$1,228 amortized over four years, which we find reasonable.

The total adjustment for regulatory commission expense is \$345.

8) Miscellaneous Expense - (675) - The utility recorded \$1,402 for miscellaneous expenses. A (\$95) adjustment was made to remove a non-recurring impact fee, and a (\$1,015) adjustment was made to reclassify a generator repair cost to utility plant. This account has also been adjusted by \$300 to reflect a \$25 per month telephone expense as requested by the utility, which we find reasonable.

The total adjustment for miscellaneous expenses is (\$810).

B. Depreciation Expense - The utility recorded a depreciation expense net of amortization of CIAC of \$3,488. Test year depreciation expense has been calculated using rates prescribed by Rule 25-30.140, Florida Administrative Code. We have adjusted the utility's test year depreciation expense by (\$2,453) to reflect our calculation of test year depreciation net of non-used and useful depreciation.

C. Amortization of CIAC - This expense has been adjusted by (\$578) to reflect amortization expense net of non-used and useful amortization.

D. Taxes Other Than Income - The utility recorded taxes other than income of \$1,426. This expense has been adjusted by \$109 to reflect payroll taxes on salary for an officer we have approved herein and by \$35 to reflect the proper amount of regulatory assessment fees for the test year. In addition, this expense has been adjusted by \$249 to reflect the regulatory assessment fees at 4.5% on the increase in operating revenue which we have granted herein, as noted below in the revenue requirement.

Operating Expense Summary

Based on the foregoing, the appropriate amount of expenses is \$11,510.

REVENUE REQUIREMENT

Based on our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$12,344. Accordingly, we find it appropriate to approve an annual increase in revenue of \$5,542 (81.48 percent). This revenue requirement will allow the utility the opportunity to recover its expenses and earn a 9.30% return on its investment.

RATES AND CHARGES

The utility is located within the St. John's River Water Management District, which is considered a critical use or water caution area, and is subject to conservation rates. The utility currently employs the base facility/gallonge charge rate structure. This rate structure is appropriate for conservation purposes, therefore, we shall retain the existing rate structure.

We have calculated new water rates for the utility that are designed to achieve the revenue requirement approved herein. Rates have been calculated based on test year customers and consumption. We find these new rates to be fair, just, and reasonable. The utility's existing rates and the rates we hereby approve are set forth below.

RESIDENTIAL SERVICE

Base Facility Charge

<u>Meter Size:</u>	<u>Existing Quarterly Rates</u>	<u>Approved Quarterly Rates</u>
5/8 x 3/4"	\$ 24.00	\$ 34.38
3/4"	N/A	51.57
1"	N/A	85.95
1 1/2"	N/A	171.87
2"	N/A	275.01
3"	N/A	550.02
4"	N/A	859.41
6"	N/A	1,718.79
<u>Gallonge Charge</u>		
Per 1,000 gallons	\$.75	\$ 1.50

Effective Date

These rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the customer notice is adequate, and that any required security has been provided.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

MISCELLANEOUS SERVICE CHARGES

Currently, the utility's tariff has no provision for miscellaneous service charges. Miscellaneous service charges 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. Therefore, we have approved the following miscellaneous service 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

A definition of each charge is provided for clarification:

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

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

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

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

Effective Date

These approved miscellaneous service charges shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets provided customers have received notice. 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. In no event shall the rates be effective for service rendered prior to the stamped approval date.

SERVICE AVAILABILITY CHARGES

The utility's current tariff calls for no fees or charges to be made to the customer at the time of water hook-up. The cost of the water system is calculated into the cost of the lot in the subdivision. The staff audit indicated that the utility expensed \$20,687 of its plant. We have recognized this plant as CIAC. Rule 25-30.580 (1)(a) and (b) set guidelines for maximum and minimum CIAC levels for jurisdictional utilities. The utility's current CIAC level is 51.68%. This level does not exceed the maximum 75% level and is above the utility's minimum CIAC level of 33.71%. However, the utility expects to complete the Phase II expansion of its certificated area by 1995 and will be providing service to additional customers.

Based on the projected additional costs and number of connections that will be included in the Phase II development, we have calculated a system capacity and main extension charge for future connections that will not cause the utility's contribution to exceed the maximum 75% level. A meter installation charge has also been established. We have approved the following Service Availability Charges:

<u>Description</u>	<u>Approved Service Availability Charges</u>
Plant Capacity Charge	\$ 282.00
Main Extension Charge	\$ 294.00

Meter Installation Charge

Meter Size:

5/8" x 3/4"
All over 5/8" x 3/4"

Approved Service
Availability Charges

\$ 110.00
Actual Cost

Effective Date

These approved service availability charges shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets provided customers have received notice. 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. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Statutory Rate Reduction and Recovery Period

The appropriate recovery period for rate case expense is four years. The appropriate annual reduction at the end of that period is \$361.

Section 367.0816, Florida Statutes, entitled "Recovery of Rate Case Expense" states that:

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 is a \$150 filing fee and a \$1,228 accounting fee totaling \$1,378. Based on the above mentioned statute, the appropriate recovery period for these expenses is four years which allows the utility to recover approximately \$345 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 \$361.

At the end of four years the utility's rates should be reduced by \$361 annually. Using the utility's current revenues, expenses, capital structure and customer base, the rate reduction is an approximate rate reduction of \$.99/quarter in the base facility

charge for a 5/8" X 3/4" meter, and a reduction of \$.04 per 1000 gallons in the gallonage charge for residential service.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility should 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.

Rate reductions after the recovery of rate case expense are shown on Schedule No. 4.

Temporary Rates in the Event of Protest

This Order proposes an increase in water rates. A timely protest might delay what may be a justified rate increase 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 rates approved herein, on a temporary basis, subject to refund, provided that the utility first furnish and have approved by Commission Staff, adequate security for a potential refund through a bond, letter of credit in the amount of \$3,773, or an escrow agreement with an independent financial institution, as well as a proposed customer notice and tariff sheets.

If the utility chooses a bond as security, the bond should 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 should maintain a record of the amount of the bond, and the amount of the revenues that are subject to refund. In addition, after the increased rates are in effect, the utility should 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 should 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 should 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.
- 8) The Director of Records and Reporting must be a signatory to the escrow account.

In no instance shall the maintenance and administrative costs associated with the refund 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 should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of W.B.B. Utilities, Inc. for an increase in its water rates in Lake 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 schedules attached hereto are by reference incorporated herein. It is further

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

ORDERED that the rates and charges approved herein shall be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets provided customers have received notice. It is further

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

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

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, subject to refund, 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 Records and Reporting at his office at 101 East Gaines Street,

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Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, W.B.B. Utilities, Inc. is authorized to collect the rates and charges approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice and the company has submitted adequate security. It is further

ORDERED that in the event of protest, prior to its implementation of the rates and charges approved herein on a temporary basis, subject to refund, W.B.B. Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of \$3,773 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that this docket shall be closed if no timely protest is received from a substantially affected person by the expiration of the protest period.

By ORDER of the Florida Public Service Commission, this 3rd day of March, 1994.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SLE

by: Kay Hagan
Chief, Bureau of Records

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, except for the granting of temporary rates, subject to refund, 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 March 24, 1994. 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 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.

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

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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 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 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.

W.B.B. UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 1

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	55,595	(17,608) A	37,987
LAND/NON-DEPRECIABLE ASSETS	4,100	(2,195) B	1,905
PLANT HELD FOR FUTURE USE	0	(6,308) C	(6,308)
ACQUISITION ADJUSTMENT	0	0	0
CWIP	0	0	0
CIAC	0	(23,606) D	(23,606)
ACCUMULATED DEPRECIATION	(24,944)	20,556 E	(4,388)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	2,224 F	2,224
WORKING CAPITAL ALLOWANCE	0	1,154 G	1,154
WATER RATE BASE	34,751	(25,783)	8,968

W.B.B. UTILITIES, INC.
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 1A

A. UTILITY PLANT IN SERVICE	WATER
1. To remove non-utility assets	(36,323)
2. To remove non-utility operating expense	(1,435)
3. To add unrecorded utility plant additions, (Plant was expensed)	20,687
4. To reflect averaging adjustment	(537)
	(17,608)
B. LAND	
1. To remove non-utility property	(2,195)
C. PLANT HELD FOR FUTURE USE	
1. To reflect non-used and useful plant	(8,500)
2. To reflect non-used and useful accumulated depreciation associated with non-used and useful plant	959
3. To reflect non-used and useful CIAC	1,546
4. To reflect average amortization of non-used and useful CIAC	(313)
	(6,308)
D. CONTRIBUTIONS IN AID OF CONSTRUCTION	
1. To reflect UPIS expensed or included in lot sales	(20,687)
2. To reflect averaging adjustment	537
3. To reflect CIAC for margin reserve	(3,456)
	(23,606)
E. ACCUMULATED DEPRECIATION	
1. To reflect accumulated depreciation on utility plant through 6-30-93	19,888
2. To reflect averaging adjustment	668
	20,556
F. AMORTIZATION OF CIAC	
1. To reflect amortization of CIAC through 6-30-93	2,336
2. To reflect averaging adjustment	(292)
3. To reflect amortization of CIAC associated with margin reserve	180
	2,224
G. WORKING CAPITAL ALLOWANCE	
1. To reflect 1/8 of operation and maintenance expenses	1,154

W.B.B. UTILITIES, INC.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 2

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 23,852	(17,836)	6,016	67.08%	9.30%	6.24%
LONG-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%
RETAINED EARNINGS	(30,133)	30,133	0	0.00%	0.00%	0.00%
CAPITAL STOCK	7,500	(5,609)	1,891	21.09%	9.30%	1.96%
PAID IN CAPITAL	34,341	(33,280)	1,061	11.83%	9.30%	1.10%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 35,560	(26,592)	8,968	100.00%		9.30%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	0.00%	0.00%
OVERALL RATE OF RETURN	9.30%	9.30%

W.B.B. UTILITIES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED JUNE 30, 1993

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	<u>5,656</u>	<u>1,146</u> A	<u>6,802</u>	<u>5,542</u> E	<u>12,344</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	6,489	2,745 B	9,234	0	9,234
DEPRECIATION (NET)	3,488	(2,453) C	1,035	0	1,035
AMORTIZATION	0	(578)	(578)	0	(578)
TAXES OTHER THAN INCOME	1,426	144 D	1,570	249 F	1,819
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>11,403</u>	<u>(142)</u>	<u>11,261</u>	<u>249</u>	<u>11,510</u>
OPERATING INCOME/(LOSS)	<u>(5,747)</u>		<u>(4,459)</u>		<u>834</u>
WATER RATE BASE	<u>34,751</u>		<u>8,968</u>		<u>8,968</u>
RATE OF RETURN	<u>-16.54%</u>		<u>-49.72%</u>		<u>9.30%</u>

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W.B.B. UTILITIES, INC.
 ADJUSTMENTS TO OPERATING INCOME
 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 3A

A.	<u>OPERATING REVENUES</u>	<u>WATER</u>
1.	To reflect test year revenue based on test year customers and consumption	\$ <u>1,146</u>
B.	<u>OPERATION AND MAINTENANCE EXPENSES</u>	
1.	Salaries and Wages – Officers (703)	
a.	To reflect Commission's recommended salary for the utility's president	<u>1,000</u>
2.	Fuel for power production	
a.	To allow fuel charge for auxiliary generator	<u>309</u>
3.	Materials and supplies	
a.	To remove a non-utility lock change	(124)
b.	To reclassify two meters to utility plant	(59)
	subtotal	<u>(183)</u>
4.	Contractual Services	
a.	To adjust operator services to contractual amount	535
b.	To adjust test year DEP required water testing to proper amount	1,363
c.	To reflect annual allowance for repairs and maintenance	170
	subtotal	<u>2,068</u>
5.	Rents	
a.	To reflect rent expense of \$25 per month	<u>300</u>
6.	Transportation Expense	
a.	To remove a non-utility gas expense	(309)
b.	To remove a non-utility tire expense	(100)
c.	To reflect annual transportation allowance	125
	subtotal	<u>(284)</u>
7.	Regulatory Commission Expense	
a.	To reflect rate case filing fee amortized over 4 years	38
b.	To reflect accounting fees for rate case amortized over 4 years	307
		<u>345</u>
8.	Miscellaneous Expenses	
a.	To remove a non-recurring impact fee	(95)
b.	To reclassify R & M expense to utility plant	(1,015)
c.	To reflect telephone expense of \$25 per month	300
	subtotal	<u>(810)</u>
C.	<u>TOTAL O & M ADJUSTMENTS</u>	\$ <u>2,745</u>
	<u>DEPRECIATION EXPENSE</u>	
D.	1. To reflect Commission's calculated test year depreciation expense net of non-used and useful depreciation expense	<u>(2,453)</u>
E.	<u>AMORTIZATION EXPENSE (CIAC)</u>	
1.	To reflect Commission's calculated test year amortization expense	<u>(578)</u>
	<u>TAXES OTHER THAN INCOME</u>	
1.	To reflect payroll taxes on officers salary allowed by Commission	109
2.	To reflect regulatory assessment fee at 4.5% on test year revenue	35
	subtotal	<u>144</u>
	<u>OPERATING REVENUES</u>	
1.	To reflect increase in revenue required to cover expenses and allow recommended rate of return	<u>5,542</u>
	<u>TAXES OTHER THAN INCOME</u>	
1.	To reflect regulatory assessment fee at 4.5% on increase in revenue	<u>249</u>

W.B.B. UTILITIES, INC.
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDED JUNE 30, 1993

	<u>TOTAL PER UTIL.</u>	<u>COMMISSION ADJUST.</u>	<u>TOTAL PER COMM.</u>
SALARIES AND WAGES – EMPLOYEES	\$ 0	\$ 0	0
SALARIES AND WAGES – OFFICERS	0	1,000 [1]	1,000
PENSIONS AND BENEFITS	0	0	0
PURCHASED WATER	0	0	0
SLUDGE REMOVAL EXPENSE	0	0	0
PURCHASED POWER	1,132	0	1,132
FUEL FOR POWER PRODUCTION	0	309 [2]	309
CHEMICALS	293	0	293
MATERIALS AND SUPPLIES	183	(183)[3]	0
CONTRACTUAL SERVICES	3,070	2,068 [4]	5,138
RENTS	0	300 [5]	300
TRANSPORTATION EXPENSE	409	(284)[6]	125
INSURANCE EXPENSE	0	0	0
REGULATORY COMMISSION EXPENSE	0	345 [7]	345
MISCELLANEOUS EXPENSES	1,402	(810)[8]	592
	\$ 6,489	\$ 2,745	\$ 9,234

W.B.B. UTILITIES, INC.
SCHEDULE OF RATE CASE EXPENSE RATE
REDUCTION AFTER FOUR YEARS
TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 4

MONTHLY RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>RECOMMENDED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 11.46	0.33
1"	17.19	0.50
1-1/4"	28.65	0.84
1-1/2"	57.29	1.67
2"	91.67	2.68
3"	183.33	5.35
4"	286.45	8.36
6"	572.93	16.73
RESIDENTIAL GALLONAGE CHARGE		
PER 1,000 GALLONS		
(10,000 GALLON CAP)	\$ 1.50	0.04

ATTACHMENT B

DOCKET NO. 930656-WU DATE: 09/17/93
UTILITY NAME: W.B.B. UTILITIES, INC.
WATER DISTRIBUTION PLANT USED AND USEFUL CALCULATION

$$\% \text{ USED AND USEFUL} = \frac{(2 + 3)}{1} = 90.91 \%$$

=====

(1) Capacity of present distribution system ----- 33 ERC's
=====

(2) Average number of ERC's to the system for the year 24 ERC's
=====

(3) Margin Reserve (not to exceed 20% of present ERC's):

(a) Average yearly customer growth in ERC's for most recent 5 years 4
=====

(b) Construction time for additional capacity (in months) 18
=====

$$\text{Margin Reserve} = 3a \times \frac{3b}{12 \text{ mths}} = 6 \text{ ERC's}$$

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 R.T. DAVIS Engineer