

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff- ) DOCKET NO. 940558-WU  
assisted rate case in Pasco ) ORDER NO. PSC-95-0142-FOF-WU  
County by FLORALINO PROPERTIES, ) ISSUED: January 31, 1995  
INC. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING 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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Floralino Properties, Inc. (Floralino or utility) is a Class C water utility, located in Pasco County. By Order No. 5846, issued September 11, 1973, this Commission granted the utility Certificate No. 153-W. The utility's existing rates are those approved through the application for the 1994 price index.

On May 18, 1994, the utility applied for this staff-assisted rate case. Our staff audited the utility's records for compliance with Commission rules and orders and determined those components necessary for setting rates. Our engineer conducted a field investigation, which included an inspection of the water treatment facilities and certificated territory. We selected a historical

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test year ended April 30, 1994. Water use in the utility's service area is under the jurisdiction of the Southwest Water Management District and is located in a water usage caution area. The utility's existing rate structure is considered a conservation rate structure. Based on our audit and adjustments, the utility's test year revenues were \$113,723 and its expenses were \$117,469, resulting in an operating loss of \$3,746.

The utility's service area consists of three subdivisions, Colonial Manor, Colonial Manor Annex, Eastwood Acres and Holiday Mall. The utility has a contract with Pasco County for back up water service. Based on our audit, the utility provides service to approximately 697 residential customers and 30 general service customers for a total of 727 customers. The utility is built out and there has been no customer growth since 1987.

#### QUALITY OF SERVICE

On November 9, 1994, a customer meeting was held in the utility's service area so the customers could discuss the utility's quality of service. One customer attended the meeting, but he did not testify about the utility's quality of service. However, following the customer meeting, we received two customer complaints.

The first customer stated that his water had been shut off three times in the past 18 months, once for four hours. This customer also stated that he never received advanced notice of the outages. The customer further stated that the utility took a considerable amount of time responding to his complaints. The customer stated that the utility took one and one-half hours to come and stop the water leak. In response, the utility stated that it had no record of this particular occurrence, but assuming that the customer was correct, the occurrence was an exception because the utility always responded quickly to all outages. In our follow-up with the customer, the customer expressed more concern about the utility's lack of advanced notice regarding the outage since it involved the well/treatment plant(s), as opposed to the repair of broken lines.

The second customer complained about his low water pressure and, on several occasions, the complete loss of water. The second customer also stated that the utility billed him for 59,200 gallons of water when he was not at home. The utility investigated and found no problems with its equipment. The utility told the customer to have his plumber check the lines and equipment immediately. The customer complied, but the plumber did not find any leak. Our staff has been unable to locate the customer for purposes of following up. Our staff tried to contact the customer

at the address listed on his correspondence, but another party resides there and he does not know the correct address or telephone number of the customer who wrote us.

The utility has assured us that its top management always investigates complaints of excessive charges. Further, the utility states that it encourages its customers to participate in field testing of their meters, and if they are still dissatisfied or not convinced of the test accuracy, then the utility bench tests the suspicious meter.

In the past, the utility has not complied with the requirement that all requests for bench testing be written, nor has it collected a fee to be held pending the conclusion of the test, pursuant to Rule 25-30.266, Florida Administrative Code. Rather, the utility has performed tests following verbal requests and has absorbed the costs. While the utility has kept accurate records of those events, the utility is hereby ordered to comply with Rule 25-30.266, Florida Administrative Code, regarding written requests for bench testing and collecting fee pending the conclusion of the test.

Upon investigation, we have found that the occasional low water pressure problems came from an unusually lengthy drought and the fact that two wells were not working. In a later portion of this Order, we have directed the utility to install a new motor/pump in well number 5. This should stabilize the water level and reduce or eliminate the problem of low water pressure. While the water level in the tank, alone, does not cause low pressure, the fact that air has to be added to off-set the lower water level, as well as, the fact that the utility uses one portable air compressor in maintaining the pressure for all 5 of its tanks, make maintaining the pressure on all of the individual systems very difficult or nearly impossible. Using one compressor causes delays in maintaining adequate pressure during peak or difficult periods because it must be moved from one plant to another. However, since it is rare for a drought to occur and the utility is practically built out, it would be impractical to require the utility to keep individual, automated air compressors at each treatment plant.

The utility has failed to do routine maintenance on its tanks, valves and pump houses. Therefore, we hereby require the utility to perform early detection and rust removal, followed by the necessary painting which will increase the equipment's life expectancy. The utility also has a problem with maintaining its easement. As a result of prolonged neglect, several customers have planted trees on the easement. Many of the trees have developed roots to the extent that these roots have distorted the utility's

buried distribution lines. In one case, the roots caused a broken line.

The utility has legitimate legal and financial reasons for failing to maintain its easement. In addition, the utility did not anticipate any damage from the trees planted on its easement. The utility wants to avoid any additional problems to its easement and equipment. In a later portion of this Order, we have approved expenses for removing the trees and maintaining the utility's easement.

With the exception of the required pro forma improvements listed above, we find that the utility's quality of service is satisfactory. However, we order the utility to maintain its plant equipment and respond more quickly to its customers' complaints.

#### RATE BASE

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 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

##### Water Treatment Plant

The utility's actual permitted water treatment capacity is unknown. In our discussion with the Department of Environmental Protection (DEP), DEP stated that the permits that it issues never list the utility's capacity. However, in an earlier rate case, we accepted 489,600 gallons per day (gpd) as the utility's permitted capacity. We will continue to accept 489,600 gpd as the utility's permitted capacity for the water treatment plant.

The utility's treatment plant consists of five wells with depths ranging from 125 to 180 feet. Each well has its own treatment plant and pressurized hydropneumatic storage tank. All plants are interconnected. It appears that the size of all of the tanks is 5,000 gallon units.

Well number 5 was not in operation for the entire test year and, according to DEP records, for a considerable period of time prior to the test year. However, the associated hydropneumatic storage tank has remained operative. According to DEP and our

records, the utility has a history of operating only 4 of its 5 permitted wells. Further, during routine rotation, one of the remaining four treatment plants is removed from service.

We selected May 1993 through April 1994 as the test year. During the test year, the utility's records show that the utility produced 48,393,955 gallons of drinking water. This averages 132,566 gallons per day. Using the utility's methodology, we have found it nearly impossible to determine the utility's maximum daily flow. Our best computation states that it is 193,900 gallons per day, which is the amount we used for computing the facility's used and useful percentage. We arrived at 193,900 by using the actual recorded flows for December 1993, the month with the heaviest usage; then, we picked the day with highest flow for the month, which was December 2, 1993. As stated earlier, pursuant to an earlier rate case, we have accepted 489,600 gpd as the utility's permitted capacity.

The utility can operate with only 4 treatment plants since most of its customers are senior citizens with few family members and its general service customers are mainly stores with light usage. However, as stated earlier, in the event of a long drought, the limited number of wells plus the low level of the water table generally produce low pressure. In a later portion of this Order, we have approved pro forma expenses for the utility to purchase and install a new motor/pump in well number 5.

With the exception of the well and plant number 5 which were not working, the water treatment plant is operating satisfactorily. Since the service area is built out, the water treatment plant is 100% used and useful.

#### Water Distribution System

The distribution system currently serves 717 active connections. The water distribution system operates satisfactorily. However, the distribution lines have aged and deteriorated and considerable expenditure will be required to maintain the system. The utility also needs funding to remove shrubbery on its easement as well as maintain the easement to prevent future damage. Since the water distribution system is completely built out, the used and useful is 100%.

#### Service Lines

In the past, the utility installed many of its service lines up to the customers' homes. Since many homeowners have not honored the utility's easement, the customers' meters are being moved near



the customers' property boundary. With the removal of the meters near the customers' property boundary, the service lines become the property and responsibility of the customers. The moving cost for each meter is \$100.00.

#### Test Year Rate Base

Our audit of the utility's books shows that the utility has not reconciled its books to agree with balances approved by Order No. 20653, issued January 24, 1989. We have made adjustments to reconcile the utility's balances with those approved by Order No. 20653, issued January 24, 1989. In addition, all rate base components have been updated from July, 1988 through April 30, 1994. After making those adjustments, we find the appropriate test year rate base is \$70,112. Below is a discussion of each component:

#### Utility Plant-in-Service

The utility recorded utility plant-in-service of \$151,364. We increased utility plant-in-service by \$113,882 to reconcile the utility's balance with the amount approved by Order No. 20653, issued January 24, 1989. We have also increased plant additions by \$27,085 for July, 1988 through 1994.

As stated earlier, we have ordered the utility to install a new motor and pump at well number 5. The utility has provided us with a signed contract showing that the motor and the pump cost \$3,911. These scheduled improvements should be completed by January 31, 1995. We find that these costs are reasonable and, therefore, we have increased utility plant-in-service by \$1,956 to include the average pro forma plant addition for the motor and pump. There has been no change in plant during the test year. So, an averaging adjustment is not necessary. The total adjustment for utility plant-in-service is an increase of \$142,923.

#### Land

The utility owns the land on which the water system is located. By Order No. 20653, issued January 24, 1989, we approved land value of \$16,272 as of June 30, 1988. The utility has recorded land value of \$11,565. We have increased land value by \$4,707 to reconcile it with the utility's recorded amount in Order No. 20653, issued January 24, 1989. There has been no addition to land since June 1988. Therefore, land value is \$16,272 as of April 30, 1994.

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

By Order No. 20653, issued January 24, 1989, we established year end CIAC of \$173,559 as of June 30, 1988. CIAC has a negative impact on rate base. The utility has not recorded any CIAC on its books. Therefore, we have increased CIAC by \$173,559 to reconcile it with the utility's balance in Order No. 20653, issued January 24, 1989. The utility has been built out and there have been no additional connections. The CIAC balance is still the same and there is no averaging adjustment.

Accumulated Depreciation

By Order No. 20653, issued January 24, 1989, we established year end accumulated depreciation of \$145,455 as of June 30, 1988. The utility has recorded accumulated depreciation of \$100,491. We have made adjustments increasing accumulated depreciation by \$44,964 and \$72,898 to reconcile the utility's balance with Order No. 20653, January 24, 1989, and reflect accumulated depreciation from July 1988 through April 30, 1994. An additional increase of \$72.00 has also been made to include depreciation on pro forma plant. An averaging adjustment of \$6,954 has also been made. The total adjustment is an increase of \$110,980.

Amortization of CIAC

By Order No. 20653, issued January 25, 1989, we established amortization of CIAC of \$96,899 as of June 30, 1988. The utility has not recorded any amortization of CIAC on its books. We have increased amortization of CIAC by \$96,899 to reconcile the utility's balance with Order No. 20653, issued January 24, 1989, by \$37,783 to reflect amortization CIAC through April 30, 1994, and we have decreased amortization CIAC by a \$3,240 averaging adjustment. The total adjustment is \$131,442.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we find that working capital should be calculated using the formula method, or one-eighth of operation and maintenance expense. Applying that formula, we find that a working capital allowance of \$13,141 for water is appropriate for this utility. Accordingly, we have decreased the utility's working capital allowance by \$790 to reflect the appropriate working capital allowance.

### CAPITAL STRUCTURE

The utility's capital structure includes recorded common equity of \$32,240 as of April 30, 1994. The utility will fund the pro forma plant cost of \$3,911. Therefore, we have increased common equity by \$3,911. This increase results in a common equity balance of \$36,151, which is 49.12% of the utility's capital structure. Following the guidelines of Order No. PSC-94-1051-FOF-WS, issued August 29, 1994, the utility's return on common equity is 10.86% with a range of 9.86% and 11.86%.

The utility's capital structure also includes long-term debt of \$21,865 with a cost of 10.05% and customer deposits of \$14,846 with a cost of 6%. We have reconciled the utility's capital structure with our approved rate base. Applying the cost of each capital component times the weight of each component results in an overall rate of return of 9.59% for the utility, with a range of 9.10% and 10.08%. 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 shown on Schedule 3-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.

#### Test Year Operating Revenue

Based on the test year billing analysis, the utility provided water service to approximately 727 customers. The utility recorded test year revenue of \$118,255. A revenue check was done based on the number of customers and consumption in the test year billing analysis. Using the rates in effect during the test year, the revenue check resulted in test year revenue of \$108,446. We have decreased test year revenue by \$9,809 to reflect revenue based on the test year billing analysis.

Effective June 27, 1994, the Commission has authorized the utility to increase its rates through the application of the 1994 price index. We have calculated test year annualized revenue using the test year customers, consumption, and the rates that became effective June 27, 1994. Our calculated annualized revenue is \$113,723. We have increased test year revenue by \$5,277 to reflect test year annualized revenue.



Test Year Operating Loss

The test year operating loss is \$7,238. The test year revenue is \$113,723. The corresponding test year operating expenses are \$120,961 (these figures do not include our approved revenue increase and corresponding taxes), resulting in a test year operating loss of \$7,238.

Operating Expense

The appropriate amount for test year operating expense is \$121,618. Test year operating expenses include operation and maintenance expense, depreciation expense, amortization of CIAC, and taxes other than income.

Some of the utility's recorded expenses were not maintained in conformity with the National Association of Regulatory Utility Commissioners (NARUC) system of accounts. We have traced the utility's recorded expenses to cancelled checks and we have reclassified the expenses accordingly. We have made adjustments reflecting the appropriate account and amount for test year operating expenses. Below is a summary of each adjustment:

Operation and Maintenance Expense

- 1) Employee Salaries and Wages (Acct. 601) - The utility has recorded a salary of \$6,606 for its employees. Based on our audit, the utility owner represents that the utility has no salaried employees and all utility labor is provided by a contractual management service. Therefore, we have decreased this expense by \$6,606 reflecting a reclassification to Account No. 630.
- 2) Officer Salaries and Wages (Acct. 603) - The utility has recorded a salary of \$27,380 for the utility owner. Based on our audit, the utility owner represents that he is not a salaried employee and that his service is provided by a contractual management service. Therefore, we have decreased this expense by \$27,380 reflecting a reclassification to Account No. 630.
- 3) Pensions and Benefits (Acct. 604) - We have decreased this expense by \$248 reflecting a reclassification of a miscellaneous expense to Account No. 675.
- 4) Chemicals (Acct. 618) - The utility has recorded chemical expense of \$5,093. We have decreased this expense by \$1,312 reflecting a reclassification of DEP

required testing expense to Account No. 630. We have also decreased this expense by \$1,791 to adjust the remaining chemical expense to \$1,990 annually as determined by our engineer.

- 5) Materials and Supplies (Acct. 620) - The utility has recorded \$22,649 in this expense. We have decreased this expense by \$17,060 reflecting a reclassification to Account No. 630 for contractual operator and maintenance expense, contractual groundskeeping service and contractual meter reading service. We have also decreased this expense by \$1,877 and \$1,215, to reclassify miscellaneous repair and maintenance expense and meter replacement expense, respectively, to Account No. 675.
  
- 6) Contractual Services (Acct. 630) - The utility has recorded \$3,450 in this expense. Based on our audit, the utility represents that the utility does not have any salaried employees and that ITM Investments provides contractual management service for the utility. This management service includes administrative duties, billing and collection, groundskeeping service, meter reading, repairs and maintenance and accounting. The utility provides service to approximately 727 customers. This system was installed around 1964 and requires a substantial amount of repairs and maintenance. Since the utility represents that it has no salaried employees, we have reclassified recorded salaries for employees, an officer, a groundskeeper, and a meter reader for a total of \$51,046 to this expense. Therefore, we have increased this expense by \$51,046 reflecting reclassification. Based on our audit, the utility's president, co-owner of ITM, states that ITM charges the utility \$42.50 per hour for management services. The utility has requested an hourly allowance ranging from \$50.00 to \$85.00 per hour for management services. We believe that a management fee of \$25.00 per hour is reasonable for a utility of this size. Since the utility requires a substantial amount of repairs and maintenance, we believe that 40 hours per week is reasonable. Therefore, we approve a management allowance of \$52,000 annually to cover all administrative duties, billing and collection, groundskeeping service, meter reading, repairs and maintenance and accounting. In addition, the utility will be granted a contractual operator allowance of \$5,760. We have increased this expense by \$6,714 to

allow an annual management allowance of \$52,000 and an annual contractual operator allowance of \$5,760.

We have also increased this expense by \$1,312 reflecting a reclassification of DEP required water testing expense from Account No. 618. Our engineer has determined that the appropriate annual DEP required testing expense is \$5,924. Therefore, we have increased this expense by \$4,612 reflecting an annual DEP required testing expense of \$5,924. Below is a schedule of DEP required testing expenses and frequencies:

<u>Description</u>	<u>Cost per Test times No. of Test</u>	<u>Annual Cost</u>
Primary inorganics	125.00 x 8	1000.00
Secondaries	75.00 x 8	600.00
TTHM's	35.00 x 8	280.00
Gross Alpha	25.00 x 16	400.00
Unregulated 1 & 2	300.00 x 4	1200.00
VOC	75.00 x 4	300.00
Total coliform	7.00 x 72	504.00
NO2	4.00 x 48	192.00
NO3	7.00 x 48	336.00
Lead	10.00 x 12	120.00
Copper	10.00 x 12	120.00
Handling charge	20.00 x 4	80.00
Chlorides	6.00 x 36	216.00
SO4	10.00 x 36	360.00
TD5	6.00 x 36	216.00
Total annual testing costs		\$5924.00

- 7) Rents (Acct. 640) - The utility has recorded \$3,804 in this expense including \$208 interest paid to customers that was earned on customer deposits. We have decreased this expense by \$208.
- 8) Regulatory Commission Expense (Acct. 665) - We have increased this expense by \$250 to reflect the rate case filing fee paid by the utility of \$1,000 amortized over four years.
- 9) Miscellaneous Expense (Acct. 675) - The utility has recorded miscellaneous expense of \$12,790. We have increased this expense by \$248 and \$1,877 reflecting reclassification from Accounts Nos. 604 and 620, respectively.

The utility has requested funds to relocate the customers' meters from the utility's easement to an area near the customers' property boundary. The utility has requested a relocation cost of \$100 per meter. Out of the original 177 meters, 55 meters have been relocated, leaving 122 meters to be relocated. We believe that the \$100 cost per meter is reasonable and that the cost should be amortized over a four year period. Therefore, we have increased this expense by \$3,050 ( $122 \times \$100 = \$12,200/4$  years) reflecting an annual meter relocation allowance.

Years ago, several customers planted trees near or on the utility's easement. The roots from the trees have caused the utility unnecessary outages, which have been costly. The utility has requested \$2,500 annually to cut the trees and eliminate the problem before further damage is done. We believe that \$2,500 annually is adequate for maintenance of the utility's right-of-way. Therefore, we have increased this expense by \$2,500.

We have decreased this expense by \$2,465 to remove customer deposit refunds, by another \$3,039 to remove non-utility street light charges and, further, by \$1,813 to remove a non-utility medical expense.

The utility has a problem with non-operative meters due to the scale forming composition of its water. By Order No. 17907, issued July 27, 1987, we approved a meter replacement program allowing \$3,900 annually. This amount allows the utility to replace 60 meters annually. The utility has recorded an expense for meter replacement of \$1,215. We believe \$3,900 annually is a reasonable expense for a meter replacement program. Therefore, we have increased this expense by \$2,685 reflecting an annual meter replacement program cost of \$3,900.

During the test year, the utility performed numerous plant repairs. We have approved a pro forma repair expense of \$900 annually to cover additional repairs. Therefore, we have increased this expense by \$900.

Depreciation Expense - Using the rates prescribed by Rule 25-30.140, Florida Administrative Code, we have calculated the test year depreciation expense. The utility has not recorded a depreciation expense. We have increased this expense by \$14,060 to reflect test year depreciation expense.

Amortization of CIAC - Amortization of CIAC offsets depreciation expense. Our calculated amortization of CIAC for the test year is a negative \$6,481. Therefore, our adjustment for amortization of CIAC is a negative \$6,481.

Taxes Other Than Income - The utility has recorded taxes other than income of \$17,721. We have decreased this expense by \$4,936 to remove a prior period expense, and by \$4,636 to remove a non-utility expense. We have increased this expense by \$109 to reflect regulatory assessment fee at 4.5% on test year annualized revenue.

Operating Revenue - We have adjusted revenue by \$14,619 reflecting the increase in revenue required to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income - We have increased this expense by \$657 to reflect regulatory expense at 4.5% on the required increase in revenue. Applying our adjustments to the utility's recorded operating expense results in approved operating expenses of \$121,618.

#### REVENUE REQUIREMENT

Based upon our review of the utility's books and records and the adjustments made herein, we find it appropriate to approve an annual increase in revenue of \$14,619 (12.85%) for this utility. Therefore, the appropriate revenue requirement is \$128,342. This annual increase in the utility's revenue allows it to recover operating expenses and earn a 9.59% return on its investment. The revenue requirement is shown on Schedule No. 3.

#### RATES AND RATE STRUCTURE

The utility uses the base facility/gallongage charge rate structure. This rate structure is considered a conservation rate structure. Therefore, we find that the base facility/gallongage rate structure is appropriate. Our rates for residential and general service have been calculated using test year customers and consumption.

The utility's existing private fire protection charge is \$145.69 per month per fire hydrant. The utility provides private fire protection for the Holiday Mall. The methodology for the calculation of this charge cannot be determined from the prior rate case. Rule 25-30.465, Florida Administrative Code, has established guidelines for calculating private fire protection rates. This rule requires that private fire protection charges be based on the size of the connections and the rate should be one-twelfth of the current base facility charge of the utility's meter sizes. We have calculated the utility's private fire protection charge, pursuant to Rule 25-30.465, Florida Administrative Code.



Below is a schedule of our approved rates:

Commission Monthly Rates  
General Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Commission</u> <u>Approved</u> <u>Rates</u>
5/8" x 3/4"	\$ 7.02
3/4"	10.53
1"	17.55
1-1/2"	35.10
2"	56.16
3"	112.32
4"	175.50
6"	351.00

Gallorage charge  
per 1,000 gallons \$ 1.41

Bi-Monthly Rates  
Residential Service

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Commission</u> <u>Approved</u> <u>Rates</u>
5/8" x 3/4"	\$ 14.04
3/4"	21.06
1"	35.10
1-1/2"	70.20
2"	112.32
3"	224.64
4"	351.00
6"	702.00

Gallorage charge  
per 1,000 gallons \$ 1.41

Monthly Rates  
Private Fire Protection Charge

	<u>Commission</u> <u>Approved</u> <u>Charge</u>
Charges per hydrant	\$ 14.63

These approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof that notice was given within 10 days after the date of the notice.

#### Statutory Rate Reduction and Recovery Period

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$262. The reduction in revenues will result in the rates approved by the Commission on Schedule No. 4.

The utility shall be required to file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall be required to 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 for the reduction in the rates due to the amortized rate case expense.

#### 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 protest filed by a party other than the utility, we find it appropriate to permit the utility to charge the rates approved herein as temporary rates. The approved rates collected by the utility shall be subject to the refund provision discussed below.

The utility shall be 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 \$10,092. 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 approved the rate increase, or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

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, all interest earned by the escrow account shall be distributed to the customers.
- 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 Cosentino 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 agreement.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should 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 are paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

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.

#### Water Conservation

Floralino is located within the jurisdiction of the Southwest Water Management District. The Highlands Ridge, where the utility is located, is in a water usage caution area; therefore, conservation methods are applicable. However, the utility has lowered its water usage to a level acceptable to the Water Management District, and our approved conservation rates will help it maintain the conservation levels. Accordingly, the utility does not have to take further conservation action at this time.

This docket shall remain open for 60 days from the issuance date of this Order to allow our staff an opportunity to verify completion of all pro forma plant improvements. If all pro forma plant improvements have been completed within the 60 day time frame and if we have not received a timely protest, this docket shall be closed administratively.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Floralino Properties, Inc., for an increase in its water rates for Pasco County is hereby 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 and in the schedules attached hereto are by references incorporated herein. It is further

ORDERED that all matters contained in the body of this Order are hereby approved in every respect. It is further

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

ORDERED that prior to the implementation of the approved rates and charges, Floralino Properties, Inc., shall submit and have approved revised tariff sheets. It is further

ORDERED that the approved rates and charges shall become effective for service rendered 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, that the proposed customer notice is adequate, and that any required security is provided. In no event shall the rates and charges be effective for service rendered prior to the stamped approval date. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof that notice was given within 10 days after the date of the notice. It is further

ORDERED that the water rates shall be reduced to remove \$262 rate case expense grossed-up for regulatory assessment fees which are being amortized over a four year period. It is further

ORDERED that Floralino Properties, Inc., shall file revised tariffs 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. It is further

ORDERED that if Floralino Properties, Inc., 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 for the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that Floralino Properties, Inc., shall perform routine maintenance on its tanks, valves, and pump house, followed by the necessary painting on its equipment. It is further

ORDERED that Floralino Properties, Inc., shall maintain its easement to prevent further damage. It is further

ORDERED that Floralino Properties, Inc., shall respond more quickly to its customers' service complaints. It is further



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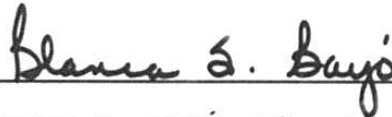
ORDERED that all pro forma improvements shall be completed within 60 days of the issuance date of this Order. It is further

ORDERED that all 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 101 East Gaines Street, Tallahassee, Florida 32399-0807, by the date set forth in the Notice of Further Proceeding below. It is further

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

ORDERED that this docket shall remain open for 60 days from the issuance date of this Order so that staff may verify that the pro forma plant improvements have been completed. If all pro forma plant improvements have been completed within the sixty days time frame and if no timely protest is received, this docket may be closed administratively.

By ORDER of the Florida Public Service Commission, this 31st day of January, 1995.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

ELS

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 in the event of 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 21, 1995.

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 substantially 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.

FLORALINO PROPERTIES, INC.  
 SCHEDULE OF WATER RATE BASE  
 TEST YEAR ENDED APRIL 30, 1994

SCHEDULE NO. 1  
 DOCKET NO. 940558-WU

	<u>BALANCE PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BALANCE</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	151,364	142,923 A	294,287
LAND/NON-DEPRECIABLE ASSETS	11,565	4,707 B	16,272
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	0	0	0
CWIP	0	0	0
CIAC	0	(173,559) C	(173,559)
ACCUMULATED DEPRECIATION	(100,491)	(110,980) D	(211,471)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	131,442 E	131,442
WORKING CAPITAL ALLOWANCE	<u>13,931</u>	<u>(790) F</u>	<u>13,141</u>
WATER RATE BASE	76,369	(6,257)	<span style="border: 1px solid black; padding: 2px;">70,112</span>

FLORALINO PROPERTIES, INC.  
ADJUSTMENTS TO RATE BASE  
TEST YEAR ENDED APRIL 30, 1994

SCHEDULE NO. 1A  
DOCKET NO. 940558-WU

A. <u>UTILITY PLANT IN SERVICE</u>	<u>WATER</u>
1. To agree the utility's plant balance at June 30, 1988 with Order No. 20653.	\$ 113,882
2. To reflect plant additions from July 1988 through April 1994.	27,085
3. To reflect average pro forma plant	1,956
	<u>\$ 142,923</u>
B. <u>LAND</u>	
1. To agree the utility's land value with amount approved by Order No. 20653	\$ <u>4,707</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. To agree the utility's CIAC balance with amount approved by Order No. 20653.	\$ <u>(173,559)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. To adjust the utility's recorded accumulated depreciation to the year end total of \$145,455 at June 30, 1988 per Order No. 20653.	\$ (44,964)
2. To reflect accumulated depreciation for the period July 1988 through April 1994.	(72,898)
3. To reflect average depreciation on pro forma plant	(72)
4. To reflect averaging adjustment.	6,954
	<u>\$ (110,980)</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. To agree amortization of CIAC @ June 30, 1988 as approved by Order No. 20653.	\$ 96,899
2. To reflect amortization of CIAC from July 1988 through April 1994.	37,783
3. To reflect averaging adjustment	(3,240)
	<u>\$ 131,442</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expenses	\$ <u>(790)</u>

FLORALINO PROPERTIES, INC.  
 SCHEDULE OF CAPITAL STRUCTURE  
 TEST YEAR ENDED APRIL 30, 1994

SCHEDULE NO. 2  
 DOCKET NO. 940558-WU

	<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>
COMMON EQUITY	\$ 36,151	(1,715)	34,436	49.12%	10.86%	5.33%
LONG-TERM DEBT	21,865	(1,035)	20,830	29.71%	10.05%	2.99%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	14,846	0	14,846	21.17%	6.00%	1.27%
RETAINED EARNINGS	0	0	0	0.00%	0.00%	0.00%
CAPITAL STOCK	0	0	0	0.00%	0.00%	0.00%
PAID IN CAPITAL	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 72,862	(2,750)	70,112	100.00%		9.59%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.86%	11.86%
OVERALL RATE OF RETURN	9.10%	10.08%



FLORALINO PROPERTIES, INC.  
SCHEDULE OF WATER OPERATING INCOME  
TEST YEAR ENDED APRIL 30, 1994

SCHEDULE NO. 3  
DOCKET NO. 940558-WU

	<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>118,255</u>	<u>(4,532) A</u>	<u>113,723</u>	<u>14,619 F</u>	<u>128,342</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	93,729	11,395 B	105,124	0	105,124
DEPRECIATION	0	14,060 C	14,060	0	14,060
AMORTIZATION (CIAC)	0	(6,481) D	(6,481)	0	(6,481)
TAXES OTHER THAN INCOME	17,721	(9,463) E	8,258	657 G	8,915
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>111,450</u>	<u>9,511</u>	<u>120,961</u>	<u>657</u>	<u>121,618</u>
OPERATING INCOME/(LOSS)	<u>6,805</u>		<u>(7,238)</u>		<u>6,724</u>
WATER RATE BASE	<u>76,369</u>		<u>70,112</u>		<u>70,112</u>
RATE OF RETURN	<u>8.91%</u>		<u>-10.32%</u>		<u>9.59%</u>

FLORALINO PROPERTIES, INC.  
ADJUSTMENTS TO OPERATING INCOME  
TEST YEAR ENDED APRIL 30, 1994

<u>A. OPERATING REVENUES</u>	<u>WATER</u>
1. To reflect test year revenue based on test year billing analysis.	\$ (9,809)
2. To reflect annualized revenue based on test year billing analysis and existing rates.	5,277
	<u>\$ (4,532)</u>
<u>B. OPERATION AND MAINTENANCE EXPENSES</u>	
1. <u>SALARIES AND WAGES – EMPLOYEES</u>	
a. To reclassify to Account No. 630.	\$ <u>(6,606)</u>
2. <u>SALARIES AND WAGES – OFFICERS</u>	
a. To reclassify to Account No. 630.	\$ <u>(27,380)</u>
3. <u>EMPLOYEE PENSIONS AND BENEFITS</u>	
a. To reclassify miscellaneous expense to Account No. 675.	\$ <u>(248)</u>
4. <u>CHEMICALS</u>	
a. To reclassify DEP required testing expense to Account No. 630.	\$ (1,312)
b. To adjust remaining chemical cost to \$1,990 annually.	(1,791)
	<u>\$ (3,103)</u>
5. <u>MATERIALS AND SUPPLIES</u>	
a. To reclassify contractual operator and maintenance expense to Account No. 630.	\$ (13,676)
b. To reclassify contractual groundskeeping expense to Account No. 630.	(2,430)
c. To reclassify contractual meter reader expense to Account No. 630.	(954)
d. To reclassify miscellaneous repair and maintenance expenses to Account No. 675.	(1,877)
e. To reclassify meter replacement expense to Account No. 675.	(1,215)
	<u>\$ (20,152)</u>
6. <u>CONTRACTUAL SERVICES</u>	
a. To reclassify Employee & Officer Salaries from Account Nos. 601 and 603.	\$ 33,986
b. To reclassify contract operator & maintenance expense from Account No. 620.	13,676
c. To reclassify groundskeeping expense from account No. 620.	2,430
d. To reclassify meter reading expense from account No. 620.	954
e. To reflect an annual contractual operator allowance of \$5,760 and a contractual management allowance of \$52,000.	6,714
f. To reflect reclassification of DEP required testing expense from Account No. 618.	1,312
g. To reflect annual DEP required testing expense	4,612
	<u>\$ 63,684</u>

FLORALINO PROPERTIES, INC.  
ADJUSTMENTS TO OPERATING INCOME  
TEST YEAR ENDED APRIL 30, 1994

SCHEDULE NO. 3A  
Page 2 of 2  
DOCKET NO. 940558-WU

7.	<u>RENTS</u>	
a.	To remove a recorded interest expense paid to customers for interest earned on customer deposits	\$ <u>(208)</u>
8.	<u>REGULATORY COMMISSION EXPENSE</u>	
a.	To reflect rate case filing fee amortized over 4 years (\$1,000/4).	\$ <u>250</u>
9.	<u>MISCELLANEOUS EXPENSES</u>	
a.	To reflect reclassification of miscellaneous expense from Account No. 604.	\$ 248
b.	To reflect reclassification of miscellaneous expense from Account No. 620.	1,877
c.	To reflect pro forma meter relocation expense.	3,050
d.	To reflect right-of-way maintenance annual allowance.	2,500
e.	To remove customer deposit refunds.	(2,465)
f.	To remove non-utility street light charges.	(3,039)
g.	To remove non-utility medical expenses.	(1,813)
h.	To reclassify meter replacement expense from Account No. 620.	1,215
i.	To adjust meter replacement expense to \$3,900 as approved by Order No. 17907.	2,685
j.	To adjust repair and maintenance expense to the appropriate annual amount.	900
		\$ <u>5,158</u>
	TOTAL O & M ADJUSTMENTS	\$ <u>11,395</u>
C.	<u>DEPRECIATION EXPENSE</u>	
1.	To reflect test year depreciation expense	\$ <u>14,060</u>
D.	<u>AMORTIZATION EXPENSE (CIAC)</u>	
1.	To reflect test year amortization of CIAC	\$ <u>(6,481)</u>
E.	<u>TAXES OTHER THAN INCOME</u>	
1.	To remove a prior period expense	\$ (4,936)
2.	To remove a non-utility expense	(4,636)
3.	To reflect regulatory assessment fee of 4.5% on test year annualized revenue.	109
		\$ <u>(9,463)</u>
F.	<u>OPERATING REVENUES</u>	
1.	To reflect increase in revenue required to cover expenses and allow recommended rate of return	\$ <u>14,619</u>
G.	<u>TAXES OTHER THAN INCOME</u>	
1.	To reflect regulatory assessment fee at 4.5% on increase in revenue	\$ <u>657</u>

FLORALINO PROPERTIES, INC.  
ANALYSIS OF WATER OPERATION AND  
MAINTENANCE EXPENSE  
TEST YEAR ENDED APRIL 30, 1994

SCHEDULE NO. 3B  
DOCKET NO. 940558-WU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM</u>
#601 SALARIES AND WAGES – EMPLOYEES	\$ 6,606	\$ (6,606)[1]	0
#603 SALARIES AND WAGES – OFFICERS	27,380	(27,380)[2]	0
#604 PENSIONS AND BENEFITS	248	(248)[3]	0
#610 PURCHASED WATER	2,691	0	2,691
#615 PURCHASED POWER	5,324	0	5,324
#616 FUEL FOR POWER PRODUCTION	0	0	0
#618 CHEMICALS	5,093	(3,103)[4]	1,990
#620 MATERIALS AND SUPPLIES	22,649	(20,152)[5]	2,497
#630 CONTRACTUAL SERVICES	3,450	63,684 [6]	67,134
#640 RENTS	3,804	(208)[7]	3,596
#650 TRANSPORTATION EXPENSE	1,800	0	1,800
#655 INSURANCE EXPENSE	1,894	0	1,894
#665 REGULATORY COMMISSION EXPENSE	0	250 [8]	250
#670 BAD DEBT EXPENSE	0	0	0
#675 MISCELLANEOUS EXPENSES	<u>12,790</u>	<u>5,158 [9]</u>	<u>17,948</u>
	\$ 93,729	\$ 11,395	\$ <u>105,124</u>

FLORALINO PROPERTIES, INC.  
 SCHEDULE OF RATE CASE EXPENSE RATE  
 REDUCTION AFTER FOUR YEARS  
 TEST YEAR ENDED APRIL 30, 1994

SCHEDULE NO. 4  
 DOCKET NO. 940558-WU

MONTHLY RATES

<u>GENERAL SERVICE</u>	<u>COMM. APPROVED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"x3/4"	\$ 7.02	0.01
3/4"	10.53	0.02
1"	17.55	0.04
1-1/2"	35.10	0.07
2"	56.16	0.11
3"	112.32	0.23
4"	175.50	0.36
6"	351.00	0.72
GENERAL SERVICE GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.41	0.00

<u>BI-MONTHLY RATES</u>	<u>COMM. APPROVED BI-MONTHLY RATES</u>	<u>RATE DECREASE</u>
<u>RESIDENTIAL SERVICE</u>		
BASE FACILITY CHARGE:		
Meter Size:		
5/8"x3/4"	\$ 14.04	0.03
3/4"	21.06	0.04
1"	35.10	0.07
1-1/2"	70.20	0.14
2"	112.32	0.23
3"	224.64	0.46
4"	351.00	0.72
6"	702.00	1.43
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.41	0.00

<u>PRIVATE FIRE PROTECTION SERVICE</u>	<u>COMM. APPROVED RATES</u>	<u>RATE DECREASE</u>
	\$ 14.63	0.03