

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 941107-WU
assisted rate case in Lake) ORDER NO. PSC-95-0474-FOF-WU
County for Forty-Eight Estates) ISSUED: April 12, 1995
Water System, by J. Swiderski)
Utilities, Inc., as receiver)
_____)

The following Commissioners participated in the disposition of this matter:

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 APPROVING INCREASED RATES AND CHARGES

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, with the exception of the authorization of temporary rates in the event of 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.

BY THE COMMISSION:

BACKGROUND

On October 17, 1994, J. Swiderski Utilities, Inc. (JSU), as receiver, filed an application for a staff-assisted rate case for Forty Eight Estates Water System (48 Estates or Utility). Forty-Eight Estates, organized in 1971, is a Class C water utility serving 72 customers in Lake County. Although Lake County came under Commission jurisdiction on June 13, 1972, this utility did not come to the attention of the Commission until a customer inquiry in December, 1986. Stanley Busk became owner of the Utility in 1985. On January 22, 1987, 48 Estates applied for a water system certificate. We granted Certificate 498-W in Order No. 18839, issued February 10, 1988.

DOCUMENT NUMBER-DATE

03689 APR 12 1995

FPSC-RECORDS/REPORTING

The Utility has never submitted an annual report to the Commission. We have brought show cause actions against the Utility for failure to file 1988, 1989, 1990 and 1991 annual reports. Past due regulatory assessment fees amount to \$1071.11 for 1988, 1989, 1990, 1992 and 1993. On August 9, 1994, Judge Jerry T. Lockett in the Circuit Court of the Fifth Judicial Circuit in Lake County issued an order in Case No. 88-1353-CA-01, declaring 48 Estates to be abandoned and appointing JSU receiver of the Utility. The abandonment was precipitated by a Department of Environmental Protection (DEP) suit against the owner, Mr. Busk, for not maintaining required plant and operating standards. DEP ordered immediate repairs and upgrades to the water system to bring it into compliance within 30 days, which the utility owner failed to do.

We acknowledged JSU as receiver for the Utility in Order No. 94-1356-FOF-WU, issued November 7, 1994. JSU is a utility operating two other systems in Lake County, Summit Chase, which serves 219 water and 218 wastewater customers and Kings Cove, which serves 148 water and 143 wastewater customers under Certificate Nos. 441-W and 371-S. Forty-Eight Estates' tariff, unchanged since its certification, at the time of the application, included no base facility charge, only a gallonage charge of \$1.16 per 1,000 gallons with a minimum charge of \$6.25.

We granted the receiver's request for emergency rate relief in Order No. PSC-94-1556-FOF-WU, issued December 13, 1994. The order authorized a 79.27% increase in rates, which consisted of a base facility charge of \$7.79 and gallonage charge of \$1.23. We required the receiver to provide security in the form of a bond or letter of credit in the amount of \$5,102, or establish an escrow agreement with an independent financial institution. The receiver objected to the security ruling and submitted a letter, dated December 28, 1994, requesting us to waive the security requirement. In Order No. PSC-95-0347-FOF-WU, issued March 13, 1995, we declined to waive the security requirement, but we considered \$8,100 in funds of JSU then committed to the obligations of 48 Estates to be an acceptable form of the required security.

JSU paid the appropriate filing fee. The official filing date of this staff-assisted rate case was December 19, 1994.

We have audited the Utility's records for compliance with Commission rules and orders and determined all components necessary for rate setting. We have also conducted a field investigation of the Utility's water plant and service area.

Water use in the Utility's service area, designated a critical use area, is under the jurisdiction of the St. Johns River Water

Management District. However, 48 Estates' customers' average monthly usage of 8,641 gallons is not excessive and no further conservation measures are necessary.

QUALITY OF SERVICE

A customer meeting was held in Leesburg, near the Utility's service area, on March 2, 1995. No customers appeared to provide quality of service testimony.

Quality of service provided to the customers by the Utility appears to be satisfactory. However, we require the Utility to make the following improvements, which we recognize below as pro forma plant-in-service:

- 1) Install an automatic air volume control on the storage tank, including the necessary electrical service and wiring, at a cost of \$3,025; and
- 2) Install 64 additional new meters, at a total cost of \$6,400, consisting of a meter cost of \$75 and installation labor of \$25.

We will permit this docket to remain open for 180 days from the effective date of this order so that the Utility can accomplish these improvements, subject to our verification.

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 Plant

Water Treatment Plant

The total capacity of the treatment plant is 115,000 gallons per day. Applying the percent used and useful gallons-per-minute (gpm) formula recommended by the American Water Works Association (AWWA), we find that the water treatment plant is operating at 100% used and useful.

Water Distribution System

The water distribution system has an estimated 87 possible customers without expansion. At the end of the test year, 71 customers were connected to the Utility. Applying the percent used and useful formula recommended by the AWWA, and allowing a margin reserve of 1.5 equivalent residential connections (ERC), we find the water distribution system to be 82.20% used and useful, not including meters, which we consider 100% used and useful.

Depreciable Plant-in-Service

The water treatment plant consists of one 4 inch steel cased well with a depth of 230 feet. It includes a 5 horsepower submersible pump capable of 80 gpm which feeds a ground level, steel, fiberglass-lined hydropneumatic storage tank with a capacity of 3,000 gallons. A portable air compressor maintains from 40 to 60 pounds pressure per square inch. The treatment plant uses liquid chlorine for disinfectant which is injected by an auto-metered (demand) pump capable of 30 gpd, but with an average flow of about 3.5 gallons per week.

The receiver is having drawings prepared to determine the length and composition of the water transmission and distribution system, but, at this time, they are not sufficiently useful for this purpose. It can be safely stated that, for the most part, the transmission and distribution lines are 4 inch PVC, breaking down to 2 inch for larger areas of distribution and subsequently to 1 inch for less dense distribution points.

The Utility's books reflected a plant-in-service balance of \$41,540 at the end of the test year. We have reclassified \$27 of cost for an electrical switch timer from contractual services to plant-in-service.

We have included \$9,425 of pro forma plant in this account for the two required improvements previously mentioned (a storage tank air volume control and a number of meter replacement installations). An averaging adjustment of (\$676) was also made. Therefore, we find the appropriate average amount of test year plant-in-service to be \$50,316.

Plant Held for Future Use

As we determined above, the water distribution system is 82.20% used and useful, exclusive of meters. To determine the average amount of plant held for future use, the nonused and useful percentage of 17.80% was applied to the corresponding average

balances of plant-in-service and accumulated depreciation. Thus, we determine the average plant held for future use test year balance to be (\$3,145).

Land

The Utility's books reflect a land value of \$1,430, which agrees with Order No. 18839. An Internal Revenue Service lien in the amount of \$5,462 encumbers the Utility's property. We determine the land value to be \$1,430 at this time.

Contributions-in-Aid-of-Construction

The Utility's books reflect contributions-in-aid-of-construction in the amount of (\$11,900) at the end of the test year. We have increased this amount by \$3,850 to reflect the application of the approved service availability charge of \$275 to 14 additional customers since the Utility's certification. Allowing an averaging adjustment of \$138 and a further adjustment of (\$413) to reflect contributions-in-aid-of-construction for margin reserve, we find the contributions-in-aid-of-construction average test year balance to be (\$16,025).

Accumulated Depreciation

The Utility's books reflect accumulated depreciation of (\$17,839) for the test year. Based on the accumulated depreciation we approved in Order No. 18839 of (\$10,657) and the guideline rates set forth in Rule 25-30.140, Florida Administrative Code, we determine that amount carried forward to December 31, 1994, to be (\$21,029). Therefore, we have made an adjustment of (\$3,190) to bring accumulated depreciation to the proper amount. Allowing an adjustment of (\$468) for one year of depreciation on pro forma plant and an averaging adjustment of \$664, we determine the appropriate accumulated depreciation test year balance to be (\$20,833).

Accumulated Amortization of Contributions-in-Aid-of-Construction

The Utility's books reflect accumulated amortization of contributions-in-aid-of-construction of \$4,334. Based on the accumulated amortization we approved in Order 18839 and a composite plant amortization rate, pursuant to Rule 25-30.140(8)(a), Florida Administrative Code, we have calculated an adjustment of \$699 to reflect amortization of contributions-in-aid-of-construction through December 31, 1994. Allowing an adjustment of \$20 to reflect amortization of contributions-in-aid-of-construction associated with margin reserve and an averaging adjustment of

(\$277), we determine the accumulated amortization of contributions-in-aid-of-construction test year balance to be \$4,776.

Working Capital Allowance

Pursuant to our current practice and Rule 25-30.443, Florida Administrative Code, we have applied the formula method (one-eighth of operation and maintenance expense) to determine a working capital allowance of \$2,668.

Rate Base Summary

Based on the foregoing, we find the appropriate rate base test year balance for rate setting purposes to be \$19,187.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

The Utility's debt consists only of an Internal Revenue Service lien in the amount of \$5,462, which pre-existed receivership. Upon consultation with the Internal Revenue Service, we have included this amount in the Utility's capital structure at a cost of 9.00%. We then adjusted common equity by \$13,725 to reconcile the capital structure to rate base. Using the leverage formula we approved in Order No. PSC-94-1051-FOF-WS, issued August 29, 1994, we find the appropriate rate of return on common equity for 48 Estates to be 10.22%. Applying the weighted average method to the total capital structure, we further find the appropriate overall rate of return for the Utility to be 9.87%, with a range of 9.16% to 10.59%.

NET OPERATING INCOME

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

Operating Revenues

The Utility recorded water system revenues of \$2,071 collected from August 9, 1994, the date of the receiver's appointment, to December 31, 1994. Through a billing analysis, the number of present customers and DEP water production records, we have determined the appropriate amount of test year revenue to be \$8,540, as annualized. Thus, we adjusted the Utility's books by \$6,469 to bring test year revenues to the proper amount.

Operating Expenses

The Utility recorded water system operating expenses of \$3,281 in the partial year under receivership. These expenses include operation and maintenance expenses of \$3,145, and depreciation expense (net of contributions-in-aid-of construction amortization) of \$136. The Utility recorded no taxes other than an income tax liability.

Operation and Maintenance Expenses

- 1) The Utility recorded a \$1,950 salary for the officer of the corporation for the partial year, which we eliminated in view of JSU's management contract reflected in contractual services.
- 2) The Utility recorded \$203 for purchased power for the partial year. Based on actual electric bills for the test year, we have adjusted this expense by \$1,144 to bring it to the proper amount, \$1,347, as annualized.
- 3) The Utility recorded no chemical expense in the receivership period. We have adjusted this expense to \$540, based on our estimate of 425 gallons of liquid chlorine annual use.
- 4) The Utility recorded \$963 for contractual services in the receivership period. We have made adjustments of \$16,981 in total, reflecting a) the contract operator cost, an increase in the amount of \$2,106; b) the JSU management contract, an increase in the amount of \$10,080 to the amount of \$10,200; c) a lawn maintenance contract, in the amount of \$600; d) an accounting contract, in the amount of \$700; e) DEP-required water testing, an increase in the amount of \$770 to the amount of \$1,413; f) repairs and maintenance, an increase in the amount of \$2,751 to the amount of \$2,925; and g) reclassification of an electric timer switch to utility plant-in-service in the

amount of (\$26). Thus, we have determined test year contractual services to be \$17,944.

- 5) The Utility did not record any insurance expense during the receivership period. JSU obtained liability insurance for the Utility at a cost of \$373 after the test year. Hence, we have made a test year pro forma adjustment in that amount.
- 6) The Utility recorded no regulatory expenses for the test year. Hence, we have made an adjustment of \$125 to allow for the staff-assisted rate case filing fee of \$500 to be amortized over 4 years, pursuant to Section 367.0816, Florida Statutes.
- 7) The Utility recorded \$29 for postage in miscellaneous expenses in the receivership period. We have made an adjustment of \$733 for an operating permit in the amount of \$2,200, amortized over 3 years. We have made a further adjustment of \$251 to reflect the proper amount of postage based on the billing analysis. Thus, we determine appropriate test year miscellaneous expenses to be \$1,013.

As a result of total adjustments to operation and maintenance expenses of \$18,197, we find appropriate test year operation and maintenance expenses to be \$21,342.

Depreciation Expense

The Utility recorded depreciation expense of \$210 for the receivership period. In applying the depreciation rates specified in Rule 25-30.140, Florida Administrative Code, to the test year plant-in-service account balances, we determine the test year depreciation expense to be \$1,796.

The Utility recorded an amortization expense of (\$74) for the receivership period. Using a composite test year rate, pursuant to Rule 25-30.140(8)(a), Florida Administrative Code, we determined a test year amortization expense of (\$555). Therefore, we find the appropriate test year depreciation expense (net of amortization of contributions-in-aid-of-construction) to be \$1,241.

Taxes other than Income Tax

The Utility did not record any taxes other than an income tax liability. We have made adjustments in the total amount

of \$486, consisting of an amount of \$384 for the regulatory assessment fee for the test year revenues determined above and an amount of \$102 for an ad valorem tax, which is owed Lake County.

Increases in Operating Expenses for Ratesetting Purposes

As we show below, we have increased operating revenues by \$17,197 to reflect the revenues required to cover operating expenses as determined herein and to allow the Utility the opportunity to earn a fair rate of return on rate base. Accordingly, we have increased taxes other than income tax by \$774 to reflect the regulatory assessment fee of 4.5% on this increase in operating revenues.

Operating Expense Summary

We find it appropriate to apply adjustments to the Utility's test year operating expenses resulting in operating expenses for ratesetting purposes in the amount of \$23,843.

Revenue Requirement

We have found test year operating revenues for 48 Estates to be \$8,540, and the corresponding test year operating expenses to be \$23,069. Thus, as shown in Schedule No. 3, we find a test year operating loss for the Utility in the amount of \$14,529.

Accordingly, we find it appropriate to authorize an annual increase in revenues of \$17,197, or 201.37%, for the Utility, allowing it the opportunity to recover its operating expenses and earn a 9.87% return on its investment.

RATES AND CHARGES

Rates and Rate Structure

The Utility's current tariff provides a base facility and gallonage charge rate structure. Rule 25-30.443, Florida Administrative Code, requires for Class C utilities that the base facility and usage (gallonage) charge rate structure be utilized for metered service. This is the preferred rate structure, because it is designed to provide for equitable sharing by the rate payers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs of providing service (through the usage or gallonage charge) and also pay their

share of the fixed costs of providing service (through the base facility charge).

Furthermore, the base facility and usage charge rate structure is the appropriate rate structure for 48 Estates for conservation reasons. As noted previously, even though actual usage is reasonable, the Utility is located in a critical water use area. We find it appropriate, therefore, to retain the existing rate structure.

Based on the test year billing analysis, the Utility provided water service to approximately 71 residential customers. We have calculated final rates based on the number of test year customers and test year usage levels. The Utility's original rates and rate structure, the temporary emergency rates and rate structure we earlier approved, and the final rates and rate structure we herein approve are as follows:

MONTHLY WATER RATES

Residential and General Service and Multi Residential

<u>Base Facility Charge</u>	<u>Utility's Original Rates</u>	<u>Temporary Emergency Rates</u>	<u>Commission Approved Final Rates</u>
<u>Meter Sizes:</u>			
5/8" x 3/4"	\$ N/A	\$ 7.79	\$ 13.87
3/4"	N/A	N/A	20.80
1"	N/A	N/A	34.67
1 1/2"	N/A	N/A	69.34
2"	N/A	N/A	110.95
3"	N/A	N/A	221.90
4"	N/A	N/A	346.72
6"	N/A	N/A	693.44
<u>Gallonage Charge</u>			
Per 1,000 Gallons	\$ 1.16*	\$ 1.23	\$ 1.89

* Minimum Charge of \$6.25

Based on the 71 test year residential water customers with average monthly water usage of 8,641 gallons, an average residential monthly water bill comparison would be as follows:

	Average Monthly Bill Using Original Rates	Average Monthly Bill Using Final Rates	Percent Increase
Base Facility Charge	\$ 0.00	\$ 13.87	
Gallorage Charge	<u>\$10.02</u>	<u>\$ 16.33</u>	
Total	\$10.02	\$ 30.20	201.40%

In accordance with Rule 25-30.475(1), Florida Administrative Code, the rates shall be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. 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 or after the effective date of the new rates.

Service Availability Charges

The Utility's current tariff contains a system capacity charge of \$275 that was approved in Order No. 18839. We approved this charge following our standard policy of approving the rates and charges in effect at the time of Commission certification. This charge includes the installation of a meter.

The cost of future growth must be borne by future customers. Present customers may not be required to pay for plant that will serve new customers. Most of the cost of new construction is to be recouped through service availability charges.

Rule 25-30.580 (1) (a), Florida Administrative Code, sets guidelines for minimum and maximum contributions-in-aid-of-construction levels for jurisdictional utilities. Forty-Eight Estates' current contributions-in-aid-of-construction level is 36.39%, which does not exceed the maximum 75% level. The Utility has 71 test year customers with buildout projected at 87 customers. Based on this information, we have calculated a system capacity charge and main extension charge for future connections that will not cause the Utility's contribution level to exceed 75%. We also establish a separate meter installation charge. We find it appropriate to approve the following service availability charges:

<u>DESCRIPTION</u>	<u>CHARGE</u>
System Capacity Charge	\$ 125.00
Main Extension Charge	\$ 200.00

METER INSTALLATION CHARGE

<u>Meter Size</u>	
5/8" x 3/4"	\$ 100.00
All over 5/8" x 3/4"	Actual Cost

In accordance with Rule 25-30.475 (2), Florida Administrative Code, the charges shall be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice.

Miscellaneous Service Charges

The Utility's current tariff contains miscellaneous service charges that were approved in Order No. 18839. We approved these charges following our standard policy of approving the rates and charges in effect at the time of Commission certification. We find it appropriate to approve the following revised miscellaneous service charges in accordance with Staff Advisory Bulletin No. 13 (2d Rev.):

	<u>Existing</u> <u>Charges</u>	<u>Revised</u> <u>Charges</u>
Initial Connection	-0-	\$15.00
Normal Reconnection	-0-	\$15.00
Violation Reconnection	\$10.00*	\$15.00
Premises Visit (in lieu of disconnection)	-0-	\$10.00

* also includes after hours charge of \$25.00.

Staff Advisory Bulletin No. 13 (2d Rev.), entitled "Tariff Provisions for Miscellaneous Service Charges," defines the four categories of charges, contains an example of an approved level of charges, and provides guidance as to the timing and procedures for including or revising the tariff provisions for these items.

The four types of miscellaneous service charges are:

- 1) Initial Connection, to be levied for service initiation at a location where service did not exist previously.
- 2) Normal Reconnection, to 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.

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

These charges are designed to reflect the actual costs associated with each service and to place the burden of payment on the person who causes the service to be required, rather than on the ratepaying body as a whole.

In accordance with Rule 25-30.475 (2), Florida Administrative Code, the charges shall be effective for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice.

As concerns the base facility and usage rates, the service availability charges, and the miscellaneous service charges, the tariff sheets will be approved upon our verification that the tariffs are consistent with this order, that the customer notice is adequate, and that any required security has been provided. The Utility shall provide proof that notice was given within 10 days after the date of the notice. In no event shall the rates or charges be effective for service rendered prior to the stamped approval date.

OTHER ISSUES

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 timely protest filed by a party other than the Utility, pursuant to Section 367.0814, Florida Statutes, and Rule 25-30.360, Florida Administrative Code, we hereby authorize the Utility to collect the rates we approve herein, on a temporary

basis, subject to refund, provided that the Utility first obtain the Commission's approval of security for potential refund and of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$11,929. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

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

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to 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 may 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 result of the rate increase shall be maintained by the Utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

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.

Rate Reduction After Rate Case Expense Amortization

Section 367.0816, Florida Statutes, requires that rates be reduced immediately following the expiration of the statutory four year amortization period by the amount of the 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 the corresponding regulatory assessment fee. The revenue reduction will amount to \$131 annually. We find it appropriate to authorize the reduction in rates after full amortization of rate case expense that is shown in Schedule No. 4.

The Utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility shall also file a proposed customer notice setting forth the reduced 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.

NARUC Uniform System of Accounts Conformity

During the test year, the Utility's books were not maintained in conformity with the 1984 NARUC Uniform System of Accounts. Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities," states:

Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

We believe that 48 Estates has the expertise necessary to convert and maintain its records in conformity with Rule 25-30.115, Florida Administrative Code. The Utility may call upon the Commission for assistance if necessary. Therefore, we find it appropriate to require the Utility to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

Docket Status

We have required the Utility to install a storage tank air volume control and to make a number of further meter replacement installations. If no timely protest is received, upon expiration of the protest period, this docket shall remain open for an additional 180 days from the effective date of this order to give the Utility sufficient time to complete this pro forma plant, subject to our verification. After we have verified that the Utility has completed the pro forma plant and after we have approved revised tariff sheets reflecting the new rates, this docket shall be closed administratively.

Based on the foregoing, it is, therefore

ORDERED by the Florida Public Service Commission that the application of J. Swiderski Utilities, Inc., as receiver, for an increase in the water rates of Forty-Eight Estates Water System is approved as set forth in the body of this Order. It is further

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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 hereto are by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order, except for the authorization of temporary rates in the event of protest, 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, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Forty-Eight Estates Water System 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 on or after the stamped approval date on the revised tariff pages, provided that the customers have received notice. It is further

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

ORDERED that Forty-Eight Estates Water System shall provide proof that notice was given within ten days of the date of the notice. It is further

ORDERED that Forty-Eight Estates Water System shall make the specific plant improvements as set forth in the body of this Order. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Forty-Eight Estates Water System shall submit and have approved a bond or letter of credit in the amount of \$11,929 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that prior to its implementation of the rates approved herein, Forty-Eight Estates Water System shall submit and have approved revised tariff pages. The revised tariff pages will be

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approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

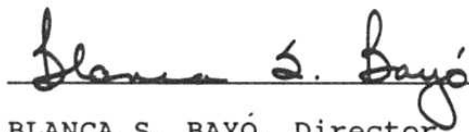
ORDERED that in the event of a protest by any substantially affected person other than the utility, Forty-Eight Estates Water System is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that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

ORDERED that Forty-Eight Estates Water System shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that, upon expiration of the protest period, this docket shall remain open for an additional 180 days from the effective date of this order to give Forty-Eight Estates Water System sufficient time to complete pro forma plant improvements. It is further

ORDERED that upon Staff's verification that the pro forma plant improvements have been completed, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission, this 12th day of April, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

CJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, with the exception of the rate reduction to be effected following amortization of the rate case expense, 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 her office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 3, 1995. 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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DOCKET NO. 941107-WU
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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.

FORTY EIGHT ESTATES WATER SYSTEM
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 1
 DOCKET NO. 941107-WU

	<u>PER UTILITY BOOKS</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 41,540	\$ 8,776 A	\$ 50,316
LAND/NON-DEPRECIABLE ASSETS	1,430	0	1,430
PLANT HELD FOR FUTURE USE	0	(3,145) B	(3,145)
CIAC	(11,900)	(4,125) C	(16,025)
ACCUMULATED DEPRECIATION	(17,839)	(2,994) D	(20,833)
AMORTIZATION OF CIAC	4,334	442 E	4,776
WORKING CAPITAL ALLOWANCE	<u>1,573</u>	<u>1,095 F</u>	<u>2,668</u>
WATER RATE BASE	\$ 19,138	\$ 49	\$ 19,187

FORTY EIGHT ESTATES WATER SYSTEM
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 1A
DOCKET NO. 941107-WU

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reclassify electric switch from Account #630.	\$ 27
2. To reflect pro forma plant.	9,425
3. To reflect averaging adjustment.	(676)
	<u>\$ 8,776</u>
B. <u>PLANT HELD FOR FUTURE USE</u>	
1. To reflect non-used and useful plant.	\$ (5,542)
2. To reflect average non-used and useful accumulated depreciation associated with non-used and useful plant.	2,397
	<u>\$ (3,145)</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. To bring utility books to proper amount.	\$ (3,850)
2. To reflect averaging adjustment.	138
3. To reflect CIAC for margin reserve.	(413)
	<u>\$ (4,125)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. To bring utility balance to correct amount.	\$ (3,190)
2. To include 1 year depreciation expense on pro forma plant.	(468)
3. To reflect averaging adjustment.	664
	<u>\$ (2,994)</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. To bring utility books to proper amount.	\$ 699
2. To reflect averaging adjustment.	(277)
3. To reflect amortization of CIAC associated with margin reserve.	20
	<u>\$ 442</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expenses.	<u>\$ 1,095</u>

FORTY EIGHT ESTATES WATER SYSTEM
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 2
 DOCKET NO. 941107-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>
LONG-TERM DEBT	\$ 0	\$ 5,462	\$ 5,462	28.47%	9.00%	2.56%
COMMON STOCK	0	0	0	0.00%	0	0.00%
COMMON EQUITY	0	13,725	13,725	71.53%	10.22%	7.31%
RETAINED EARNINGS	0	0	0	0.00%	6.00%	0.00%
PAID IN CAPITAL	0	0	0	0.00%	0	0.00%
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>
TOTAL	\$ 0	\$ 19,187	\$ 19,187	100.00%		9.87%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.22%	11.22%
OVERALL RATE OF RETURN	9.16%	10.59%

FORTY EIGHT ESTATES WATER SYSTEM
 SCHEDULE OF WATER OPERATING INCOME
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 3
 DOCKET NO. 941107-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>2,071</u>	\$ <u>6,469</u> A	\$ <u>8,540</u>	\$ <u>17,197</u> F	\$ <u>25,737</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	3,145	\$ 18,197 B	\$ 21,342	\$ 0	\$ 21,342
DEPRECIATION	210	1,586 C	1,796	0	1,796
AMORTIZATION	(74)	(481) D	(555)	0	(555)
TAXES OTHER THAN INCOME	0	486 E	486	774 G	1,260
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>3,281</u>	\$ <u>19,788</u>	\$ <u>23,069</u>	\$ <u>774</u>	\$ <u>23,843</u>
OPERATING INCOME/(LOSS)	\$ <u>(1,210)</u>		\$ <u>(14,529)</u>		\$ <u>1,894</u>
WATER RATE BASE	\$ <u>19,138</u>		\$ <u>19,187</u>		\$ <u>19,187</u>
RATE OF RETURN	<u>-6.32%</u>		<u>-75.72%</u>		<u>9.87%</u>

FORTY EIGHT ESTATES WATER SYSTEM
 ADJUSTMENTS TO OPERATING INCOME
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 3A
 DOCKET NO. 941107-WU

<u>A. OPERATING REVENUES</u>	<u>WATER</u>
1. To annualize revenue per billing analysis.	\$ <u>6,469</u>
<u>B. OPERATION AND MAINTENANCE EXPENSES</u>	
1. (603) Salaries and Wager – Officers	
a. To remove officers salary which is now in a mgt. contract.	\$ <u>(1,950)</u>
2. (615) Purchased Power	
a. To annualize purchased power expense.	\$ <u>1,144</u>
3. (618) Chemicals	
a. To include proper amount of chemicals needed.	\$ <u>540</u>
4. (630) Contractual Services	
a. To include contract operator cost.	\$ 2,106
b. To increase management contract to correct amount.	10,080
c. To include lawn maintenance agreement.	600
d. To include a C.P.A. accounting contract.	700
e. To include all required DEP testing per commission.	770
f. To increase R & M to engineer recommended cost per year.	2,751
g. To reclassify Electric switch to account # 311.	<u>(26)</u>
	\$ <u>16,981</u>
5. (655) Insurance Expense	
a. To include pro forma insurance expense.	\$ <u>373</u>
6. (665) Regulatory Commission Expenses	
a. To reflect rate case filing fee amortized over 4 years	\$ <u>125</u>
7. (675) Miscellaneous Expenses	
a. To include operating permit amortized over 3 years.	\$ 733
b. To allow proper postage amount per billing analysis.	251
	\$ <u>984</u>
TOTAL O & M ADJUSTMENTS	\$ <u>18,197</u>
<u>C. DEPRECIATION EXPENSE</u>	
1. To reflect commission's calculated test year depreciation expense net of non-used and useful depreciation expense.	1,118
2. To include 1 year depreciation expense on pro forma plant.	<u>468</u>
	\$ <u>1,586</u>
<u>D. AMORTIZATION EXPENSE (CIAC)</u>	
1. To reflect commission's calculated test year amortization expense.	\$ <u>(481)</u>
<u>E. TAXES OTHER THAN INCOME</u>	
1. To correct test year regulatory assessment fee amount.	\$ 384
2. To include real estate tax.	<u>102</u>
	\$ <u>486</u>
<u>F. OPERATING REVENUES</u>	
1. To reflect increase in revenue required to cover expenses and allow recommended rate of return.	\$ <u>17,197</u>
<u>G. TAXES OTHER THAN INCOME</u>	
1. To reflect regulatory assessment fee at 4.5% on increase in revenue.	\$ <u>774</u>

FORTY EIGHT ESTATES WATER SYSTEM
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 3B
 DOCKET NO. 941107-WU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(601) SALARIES AND WAGES – EMPLOYEES	\$ 0	\$ 0	\$ 0
(603) SALARIES AND WAGES – OFFICERS	1,950	(1,950)[1]	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	203	1,144 [2]	1,347
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	0	540 [3]	540
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES	963	16,981 [4]	17,944
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	373 [5]	373
(665) REGULATORY COMMISSION EXPENSE	0	125 [6]	125
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	29	984 [7]	1,013
	<u>\$ 3,145</u>	<u>\$ 18,197</u>	<u>\$ 21,342</u>

FORTY EIGHT ESTATES WATER SYSTEM
 SCHEDULE OF RATE CASE EXPENSE RATE
 REDUCTION AFTER FOUR YEARS
 TEST YEAR ENDING DECEMBER 31, 1994

SCHEDULE NO. 4
 DOCKET NO. 941107-WU

MONTHLY RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 13.87	0.07
1"	20.80	0.11
1-1/4"	34.67	0.18
1-1/2"	69.34	0.35
2"	110.95	0.56
3"	221.90	1.13
4"	346.72	1.76
6"	693.44	3.53
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS		
	\$ 1.89	0.01