BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff-Assisted Rate Case in Washington County by HOLMES CREEK WATER UTILITIES	DOCKET NO. 960145-WU ORDER NO. PSC-96-1262-FOF-WS ISSUED: October 8, 1996

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
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.

CASE BACKGROUND

Holmes Creek Water Utilities (HCWU or utility) is a Class C water only utility in Washington County providing service to approximately 80 customers. The utility has taken advantage of the price index and pass through rate increases over the last 4 years.

The utility began operation in 1969, and came under the ownership of Ms. Inez Hombroek in 1971. In March 1991, Ms. Hombroek conveyed the utility to Florence and Ronald Strickland, her daughter and son-in-law. The Stricklands began operating the utility as Well Water Works and in May 1991, advised its customers of a rate increase. We learned of the utility through a customer inquiry concerning that rate increase, and advised the utility to file for an original certificate. The Stricklands agreed not to implement the rate increase and filed an application for an original certificate. While the application was pending, the

Stricklands sold the utility to Mr. Richard Peterson on August 1, 1991. Mr. Peterson renamed the utility Holmes Creek Water Utilities and filed his application for a certificate on September 23, 1991. We granted an original certificate to the utility on February 24, 1992, by Order No. 25786, in Docket No. 910979-WU.

On April 7, 1996, the utility applied for this staff assisted rate case and paid the appropriate filing fee. We have reviewed the utility's books and records and conducted an engineering field investigation. A review of the utility's operating expenses, maps, files, and rate application was also performed to obtain information about the physical plant and operating costs. Several customers chose to give quality of service testimony at the customer meeting held on July 24, 1996.

The test year for this case is the historical year ending December 31, 1995. During the test year, as a result of a severe storm in the utility service area, 2 lots served by the utility were condemned reducing HCWU's customer base to 80 customers. The utility has test year revenues of $7,650 and operating expenses of $14,985. These amounts result in a test period operating loss of $7,335 for the water system.

QUALITY OF SERVICE

A review of the Department of Environmental Protection's (DEP) records revealed that the water facilities are in compliance with the appropriate environmental regulations. Our Division of Consumer Affairs had one registered complaint which has been resolved.

HCWU consists of two water treatment facilities and a water distribution system. Recently, a DEP service evaluation revealed that the volume of iron in the utility's finished product exceeded the action level. Although iron is not a primary contaminant, DEP required the utility to take corrective action to resolve the situation. DEP did not initiate any enforcement action against the utility. HCWU has implemented a corrosion control program that should correct the situation concerning excessive iron content.

On July 24, 1996, a customer meeting was held in Ebro, Florida, to determine the quality of service provided by HCWU. Although the customers voiced concerns about frequent line breaks, muddy water, and high chemical content in the water, the discussion

focused on the proposed rate increase, metering and subsidization.

The residents' water connections are unmetered and, therefore, billed at a flat rate. Some customers alleged that there is excessive consumption by other customers and that there are frequent line breaks. Several customers desired the installation of meters so that they would pay only for what they consume. Customers were also concerned that some of the utility's water lines were exposed.

After investigating the customer concerns regarding metering, we find that the potential benefits of metering are not justified by its cost. The cost of metering all 80 connections totals approximately $12,000. This amount will have a significant rate impact even if we require installations over a four-year period. Each customer would pay an additional three dollars and thirteen cents ($3.13) per month for four years. However, this cost does not include additional expenses associated with meter installations. In addition, the average customer water consumption is less than 1,000 gallons per month, indicating that a water conservation problem does not exist.

We were unable to find evidence concerning broken water lines. The DEP has also stated that its field inspections uncovered no evidence of broken lines. The utility has two areas where the topographies are inclined and the structural make up is clay. During periods of excessive rainfall the pipes located at the base of the incline become exposed. To resolve this situation, the utility has covered the pipes with clay and on one occasion lowered the lines. However, because of erosion, Washington County's road construction crew uses a grader to level the roads causing the lines to be uncovered. (Heavy rains will also expose the lines.)

Although the exposed lines concern DEP, it has not filed any enforcement action against the utility. We are also concerned about exposed pipes, however, the only solution appears to be relocation of the pipes, which would be cost prohibitive. The utility has handled this problem in the past by covering the pipes after exposure. Since there is not a significant problem with line breakage, we are satisfied that the appropriate action is being taken. Therefore, we find that the quality of service provided by HCWU is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the water system is depicted on Schedule No. 1. 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

Based upon the used and useful formula set forth in Attachment "A", we find that the water plant is 24.3% used and useful. Based upon the used and useful formula set forth in Attachment "B", we also find that the water distribution system is 31% used and useful.

Because this is the utility's first staff assisted rate case, and rate base has never been established for HCWU Utilities, we performed an original cost study. The appropriate components of rate base consist of plant, land, accumulated depreciation, and working capital allowance. We have used the amounts set forth in the original cost study as a base for the rate base components. Further adjustments are necessary to reflect test year changes.

Utility Plant-in-Service

The utility recorded a plant-in-service balance of $6,132. We increased utility plant-in-service by $17,545 to reflect the correct balance as established by the staff engineer in the original cost study. We find that the total utility plant in service is $23,677.

Non-Used and Useful

Non-used and useful plant reduces rate base. As stated earlier, we found that the water treatment plant is 24.3% used and useful and the water distribution system is 31% used and useful. We applied the non-used and useful percentages to calculate non-used and useful plant of $16,421. Non-used and useful accumulated depreciation is $11,332. Thus, we find a net average non-used and useful plant of $5,089.

Accumulated Depreciation

The utility recorded accumulated depreciation of $4,320 on its books for the test year. We calculated accumulated depreciation using the prescribed rates in Rule 25-30.140, Florida Administrative Code. We made an adjustment to increase the utility's recorded balance by $12,210 to reflect accumulated depreciation from 1969 through 1995. We also made an adjustment of $350 to reduce accumulated depreciation to reflect an average balance. We find that the appropriate average accumulated depreciation is $16,155.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we utilized the formula method to calculate working capital. The formula method calculation results in a figure that is one-eighth of operation and maintenance expense. In a later section of this Order, we find that the appropriate operation and maintenance expense is $14,265. Therefore, we have included one-eighth of that amount, $1,783, in the rate base as the utility's working capital allowance.

Test Year Rate Base

Based on the foregoing, we find that the test year rate base amount is $5,216.

CAPITAL STRUCTURE

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2 attached to this Order. 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 utility's debt consists of a business loan for $936 with an interest rate of 4.00%. We adjusted common equity by $4,280 to reconcile the capital structure to rate base as established by the Original Cost Study. Using the leverage formula approved in Order No. PSC-95-0982-FOF-WS, effective on September 1, 1995, the rate of return on common equity is 10.43% with a range of 9.43% - 11.43%. In instances when the rate base is greater than the balance in the utility's capital structure, we have increased the utility's equity

to reflect its investment. For example, see Order. No. PSC-95-0474-FOF-WU, issued in Docket No. 941107-WU, on April 12, 1995.

Applying the weighted average method to the total capital structure yields an overall rate of return of 9.27% with a range of 8.45% to 10.10%.

NET OPERATING INCOME

Our calculation of net operating income for the water system is depicted on Schedule No. 3. Our adjustments are itemized on Schedule No. 3-A and Schedule No. 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:

Test Year Operating Revenue

The utility recorded revenues of $6,528 during the test period. We performed a billing analysis and revenue check using the utility's most recent rates in effect and determined the appropriate test year revenue to be $7,650. We made an adjustment of $1,122 to reflect the correct test year revenue.

Test Year Operating Loss

The test year operating revenues for this utility are $7,650, while the corresponding test year operating expenses are $14,985. This results in a test year operating loss of $7,335.

Test Year Operating Expenses

The utility recorded operating expenses of $8,032. The components of these expenses include operation and maintenance expenses, depreciation expense and taxes other than income. We traced the utility's test year operating expenses to invoices. We then made adjustments to reflect the annual expenses for plant operations of $15,353.

Operation and Maintenance (O & M) Expenses

Operation and maintenance expenses reflected in the utility's records were traced to invoices and test year canceled checks for verification of the appropriate account, amount, and for

reasonableness. Our adjustments are itemized on Schedule No. 3-B. A summary of the adjustments are discussed below:

1) Salaries & Wages - The utility recorded test year salaries and wages of $1,800. We made an adjustment to reduce that amount by $900. We find that an annual salaries and wages expense of $900 is reasonable.

2) Chemicals - The utility recorded $292 for chemicals expense. DEP requires the utility to add polyphosphate to its water because of high iron content in the ground water. This requirement increases chemicals expense by $2,000. We also made an adjustment of $25 per the engineer to reflect annualized chemicals expense. Therefore, we find a chemicals expense of $2,317 appropriate.

3) Contractual Services - The utility recorded test year contractual services expense of $1,257. DEP requires the utility to have an operator five days a week to obtain samples and perform tests; consequently, we made an adjustment of $4,800 to reflect an operator expense of $400 per month. Therefore, we find that a contractual service expense of $6,057 is reasonable.

3) Rent Expense - The utility did not record anything for test year rent expense, however, the utility owner uses part of his home as office space for the utility. We find that an allowance of $25 dollars a month rent expense is reasonable, for an annual rent expense of $300.

4) Regulatory Commission Expense - The utility did not record anything for regulatory commission expense. We made an adjustment of $250 to reflect rate case expense of $1,000, amortized over four years.

5) Miscellaneous Expenses - The utility recorded a miscellaneous expenses balance of $445. We made two adjustments to: a) remove double booking of property taxes of $57; and b) reflect an allowance for miscellaneous repairs for an adjustment of $500. We find that $888 for miscellaneous expenses is reasonable.

We increased O & M expenses by $6,918 and we find that the appropriate O & M expenses are $14,265.

Depreciation Expense

The utility recorded depreciation expense of $296 for the test year. We applied the prescribed depreciation rates described in Rule 25-30.140, Florida Administrative Code, which result in a reduction of $57 for depreciation expense. We find $239 to be the appropriate depreciation expense for the test year.

Taxes Other than Income

The utility recorded $389 in this account during the test year. We made an adjustment of $92 to reflect annual payroll taxes. Total taxes other than income are $481 for the test year.

Increases in Operating Expenses for Ratesetting Purposes

Operating Revenues

Revenue has been increased by $8,187 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn a reasonable return on its investment.

Taxes Other Than Income Taxes

This expense has been increased by $368 to reflect regulatory assessment fees at 4.5% on the revenue increase granted herein.

Based on the foregoing adjustments, we find the utility's test year operating expenses to be $15,353.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is $15,837. This represents an annual increase in revenue of $8,187 or 107.02%. These revenue requirements will allow the utility to recover its expenses and allow it an opportunity to earn a 9.27% return on its investment.

RATES AND CHARGES AND RATE STRUCTURE

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow the utility to recover its expenses and the opportunity to earn a 9.27% return on its investment.

Monthly Service Rates

During the test year, HCWU provided water service to approximately 26 residential and 56 camper customers. In addition, the utility billed 25 vacant lot customers. As stated in the background, the utility will lose approximately 2 customers, thus reducing the utility's customer base.

In the past the utility has charged three different flat rates for residential, camper and vacant lot customers. Our analysis determined that the utility billed on a per lot basis as well as charged customers who owned multiple lots a flat rate for each lot. The utility has been advised that a customer should not be billed unless he/she has an active connection to the utility. We therefore changed the utility's rate structure to eliminate vacant lot billings, allowing the utility to charge only residential and camper flat rates. The camper flat rate allows the utility to recover the fixed costs associated with operating the system, as well as take into account that there is some level of consumption by the campers.

Furthermore, during the July 24, 1996, customer meeting, one of the customers stated that the utility bills quarterly in advance. We have since informed the utility that it cannot bill customers for service not yet rendered and suggested that the utility bill on a monthly basis.

Other major issues discussed at the customer meeting were the high rate increase, subsidization and metering. Due to the significant rate increase, customers were concerned that a part of the increase provided for subsidization of excessive consumption by some customers, and as a result, requested that meters be installed. Our analysis included bid requests from the utility for installing and repairing meters by different vendors. We evaluated the costs to not only install the meters, but also, costs associated with reading and maintaining the meters once installed. We performed a complete analysis of what the utility's rate base, cost of capital, revenue requirement, total operating expenses and rates would be if meters were installed over a four year period and compared it to the rate base, cost of capital, revenue requirement, total operating expenses and rates for the utility without meters. Installing meters would increase rates an additional $5.70 for residential and $3.58 for camper customers over our approved rates. In determining the feasibility of installing meters, we considered not only the severe financial burden customers would incur, but

also that the average consumption per connection was less than 1,000 gallons per month. We therefore concluded that the costs to install and the expenses related to reading and maintaining meters would exceed any anticipated savings.

We have calculated rates based on the percent increase in revenues. We applied the percent increase, 107.02%, to the utility's current residential and camper rates to calculate our approved rates. The flat rates have been calculated to generate our approved revenue requirement for the utility. The utility's current rates and our approved rates are as follows.

RESIDENTIAL MONTHLY RATES

Flat Rate	Existing Rates
Residential	$ 10.79
Camper	$ 6.76
Vacant lot	$ 2.69

RESIDENTIAL MONTHLY RATES

Flat Rate	Commission Approved Rates
Residential	$ 22.34
Vacation	$ 13.99

In accordance with Rule 25-30.475, 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. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the our decision, that the customer notice is adequate, and that any required security has been provided. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

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

Miscellaneous Service Charges

Currently, no provision exists in the utility's tariff for miscellaneous service charges. We find that the utility is authorized to collect charges consistent with Staff Advisory Bulletin No. 13. These approved miscellaneous service charges are designed to defray the costs associated with each service and place the responsibility of the cost on the person creating it rather than on the ratepaying body as a whole. A schedule of our approved charges follows:

	Commission Approved Charges
Initial Connection	$15.00
Normal Reconnection	$15.00
Violation Reconnection	$15.00
Premises Visit (in lieu of disconnection)	$10.00

Definition of each charge is provided for clarification:

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

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

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

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

The miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. The rates shall not be implemented until

proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

Service Availability Charges

The owner requested service availability charges when the utility applied for this staff assisted rate case. However, the utility was built in 1969 and is almost fully depreciated. Furthermore, the utility losses some of its certificated service area each year due to severe flooding. For the last five years, the utility has not experienced any growth. Therefore, we do not approve any service availability charges at this time.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

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

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

At the end of four years, HCWU's rates shall be reduced by $261.78 annually. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is stated on Schedule No. 4.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund provided that the utility first furnish and have approved by Commission staff, adequate security for a potential refund through a bond, letter of credit in the amount of $5,656, or an escrow account, and a proposed customer notice, and revised tariff sheets.

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

1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.

2) The escrow account shall be an interest bearing account.

3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.

4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to 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 shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Water no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Holmes Creek Utilities, Inc. for an increase in its water rates in Washington County is approved as set forth in the body of this Order. It is further

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

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

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final, unless an appropriate petition by a substantially affected person other than Holmes Creek Utilities, Inc., in the form provided by Rule 25-222.029, Florida Administrative Code, is received by the Director of Records and Reporting at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the date set forth in the Notice of Further Proceedings below. It is further

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

ORDERED that prior to its implementation of the rates and charges approved herein, Holmes Creek Utilities, Inc. shall submit revised tariff sheets which shall be approved upon Staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that an appropriate customer notice has been submitted. 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. It is further

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

ORDERED that the utility shall provide proof of the date notice was given within 10 days after the date of the notice.

ORDERED that, in the event of a protest by any substantially affected person other than the utility, Holmes Creek Utilities, Inc. 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 Holmes Creek Utilities, Inc. 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, in the event of such protest, prior to its implementation of the rates and charges approved herein, Holmes Creek Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of $5,656 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that in the event no timely protest is received, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 8th day of October, 1996.

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BLANCA S. BAYO, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action, except for the granting of temporary rates in the event of protest, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code.

Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 29, 1996. 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 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.

HOLMES CREEK UTILITIES
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 1
DOCKET NO. 960145-WU

SCHEDULE OF WATER RATE BASE

	COMPONENT	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION APPROVED BALANCE
1.	UTILITY PLANT IN SERVICE	$ 6,132	$ 17,545	$ 23,677
2.	LAND / NON-DEPRECIABLE ASSETS	1,000	0	1,000
3.	NON-USED AND USEFUL PLANT	0	(5,089)	(5,089)
4.	ACCUMULATED DEPRECIATION	(4,320)	(11,835)	(16,155)
5.	WORKING CAPITAL ALLOWANCE		1,783	1,783
	WATER RATE BASE	$ 2,812	$ 2,404	$ 5,216

HOLMES CREEK UTILITIES
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 2
DOCKET NO. 960145-WU

SCHEDULE OF CAPITAL STRUCTURE

DESCRIPTION	PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION APPROVED BALANCE	% OF TOTAL	COST	WEIGHTED COST
Small Business Administration Loan	$ 936	$ 0	$ 936	17.94%	4.00%	0.72%
Long Term Debt		0	0	0.00%		0.00%
EQUITY	0	4,280	4,280	82.06%	10.43%	8.56%
Short Term Debt		0	0	0.00%		0.00%
Short Term Debt		0	0	0.00%		0.00%
TOTAL	$ 936	$ 4,280	$ 5,216	100.00%		9.27%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.43%	11.43%
OVERALL RATE OF RETURN	8.45%	10.10%

HOLMES CREEK UTILITIES
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 3
DOCKET NO. 960145-WU

SCHEDULE OF WATER OPERATING INCOME

DESCRIPTIONS	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
OPERATING REVENUES	$ 6,528	$ 1,122	7,650	$ 8,187	$ 15,837
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 7,347	6,918	14,265		14,265
DEPRECIATION (NET)	296	(57)	239		239
AMORTIZATION	0	0	0		0
TAXES OTHER THAN INCOME	389	92	481	368	849
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 8,032	$ 6,953	$ 14,985	$ 368	$ 15,353
OPERATING INCOME / (LOSS)	$ (1,504)		$ (7,335)		$ 484
WATER RATE BASE	$ 2,812		$ 5,216		$ 5,216
RATE OF RETURN	-53.49%		-140.62%		9.27%

HOLMES CREEK UTILITIES
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 3B
DOCKET NO. 960145-WU

ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE

DESCRIPTION	TOTAL PER UTIL.	COMM. ADJUST.	COMMISSION APPROVED BALANCE
(601) SALARIES AND WAGES - EMPLOYEES	$ 1,800	$ (900)	$ 900
(603) SALARIES AND WAGES - OFFICERS		0	
(604) EMPLOYEE PENSIONS AND BENEFITS			
(610) PURCHASED WATER			
(615) PURCHASED POWER	1,141	0	1,141
(616) FUEL FOR POWER PRODUCTION		0	
(618) CHEMICALS	292	2,025	2,317
(620) MATERIALS AND SUPPLIES	220	0	220
(630) CONTRACTUAL SERVICES	1,257	4,800	6,057
(640) RENTS	0	300	300
(650) TRANSPORTATION EXPENSE	2,192	0	2,192
(655) INSURANCE EXPENSE		0	
(665) REGULATORY COMMISSION EXPENSES	0	250	250
(670) BAD DEBT EXPENSE		0	
(675) MISCELLANEOUS EXPENSES	445	443	888
UNCLASSIFIED DISBURSEMENTS			
	$ 7,347	$ 6,918	$ 14,265

COMMISSION APPROVED RATE REDUCTION SCHEDULE

HOLMES CREEK UTILITIES
TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. - 4
DOCKET NO. 960145-WU

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

RESIDENTIAL SERVICE	MONTHLY RATES	MONTHLY RATE REDUCTION
Residential	$ 22.34	0.37
Camper	13.99	0.23

DOCKET NO. 960145-WU
DATE: September 4, 1996

ATTACHMENT A

WATER TREATMENT PLANT — USED AND USEFUL DATA

Docket No. 960145-WU Utility Holmes Creek Date April 96

1) Capacity of Plant 36,000 gallons per day

2) Maximum Daily Flow 8,760 gallons per day

3) Average Daily Flow 3,900 gallons per day

4) Fire Flow Capacity NOT APPLICABLE gallons per day

5) Margin Reserve NOT APPLICABLE gallons per day
*Not to exceed 20% of present customers

a) Test Year Customers - Begin 106 End 92 Av. 99

b) Customer Growth Using Regression Analysis in ERC's for most recent 5 years including test year 0 ERC's

c) Construction Time for Additional Capacity 1.5 Years

(b) x (c) x $\left[\frac{2}{(a)}\right]$ = 0 gallons per day Margin Reserve

5) Excessive Unaccounted for Water N/A gallons per day

a) Total Amount _____ gallons per day _____% of Av. Daily Flow

b) Reasonable Amount _____ gallons per day _____% of Av. Daily Flow

c) Excessive Amount _____ gallons per day _____% of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$\frac{[(2 + 5) + 4a - 6]}{1}$ = 24.3 % Used and Useful)

Gerald Edwards - Engineer

DOCKET NO. 960145-WU
DATE: September 4, 1996

ATTACHMENT B

WATER DISTRIBUTION SYSTEM

USED AND USEFUL DATA

Docket No. 960145-WU Utility Holmes Creek, Inc. Date April 96

1) Capacity 257 ERC's (Number of potential customers without expansion)

2) Number of TEST YEAR Connections 107 ERC's per day

a) Begin Test Year 107

b) End Test Year 80

c) Average Test Year 93.5

3) Margin Reserve 0
*Not to exceed 20% of present customers

a) Customer Growth using regression analysis in ERC's for the most recent 5 years including the test year 0

c) Construction Time for Additional Capacity 1.5 Years

(a) x (b) = 0 Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = 31.0\% \text{ Used and Useful}$$

Gerald Edwards - Engineer