

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-) DOCKET NO. 950647-WS
assisted rate case in Volusia) ORDER NO. PSC-97-0096-FOF-WS
County by Tymber Creek) ISSUED: JANUARY 27, 1997
Utilities, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
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 INCREASED WATER RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein regarding our granting of increased rates and charges 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

Tymber Creek Utilities, Inc. (TCU or utility), is a Class C water and wastewater utility serving approximately 384 residential customers and 12 general service customers in Volusia County. The utility was certificated on April 6, 1978. During the years of 1987, 1988, and 1989, TCU made successful application of price index rate adjustments. In 1990, the utility filed for a staff-assisted rate case to adjust its rates and charges for both the water and wastewater systems. By Order No. 24206, issued March 7, 1991, in Docket No. 900501-WS, wastewater rates were increased by 82% and water rates were left unchanged. On June 12, 1995, TCU submitted a second staff-assisted rate case application. However, that application was withdrawn and the utility instead applied for and received an index and pass-through rate adjustment.

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FPSC-RECORDS/REPORTING

The utility applied for the instant staff-assisted rate case on August 2, 1995, for its water system only. By letter dated November 29, 1995, the utility requested waiver of the fifteen-month statutory period for completing this case in order to negotiate a purchased water contract with the City of Ormond Beach (City). We have selected a historical test year ended August 31, 1995, for rate setting purposes. During this fiscal year, TCU's books reflected unaudited operating revenue of \$45,750 for the water system. The utility recorded unaudited net operating income of \$4,626.

TCU is within the St. John's River Water Management District (SJRWMD). The SJRWMD was notified of the rate case application and has indicated that the utility is currently within prescribed consumption levels. We have audited the utility's records for compliance with Commission rules and orders and have determined all components necessary for rate setting. Moreover, we have conducted an engineering field investigation of TCU's service area and water treatment and distribution systems. We have also performed a review of the utility's operation expenses, maps, files, and rate case application to obtain information about the systems and operating costs.

On July 30, 1996, TCU entered into a purchased water contract with the City to purchase potable water for resale to its customers, which contract, by its own terms and conditions, was to become effective upon the annexation of the utility's service area to the City. On December 19, 1996, the City held an election to determine whether the residents would agree to the proposed annexation. The residents, including TCU's customers, voted for the annexation by an overwhelming margin, with 471 votes in favor of, and only 19 votes against the annexation. TCU will therefore retire its existing water treatment plant and become a consecutive water system by purchasing bulk treated water from the City.

QUALITY OF SERVICE

TCU operates under Consumptive Use Permit Number 2-1270564NR, issued on October 13, 1992, by the SJRWMD. TCU's service area is in a critical use/water caution area and qualifies for conservation rates. The permit places the restriction at 0.17 million gallons per year (MGY). According to monthly operational reports, the utility has not exceeded its annual withdrawal quota.

A customer meeting was held in the service area on August 15, 1996, at the Pine Trail Elementary School, 300 Airport Road, Ormond Beach, Florida. Prior to the customer meeting, numerous complaints were received from the utility's 396 customers. At the customer

meeting, the customers represented a strong showing of opposition to the utility. The primary concerns of these customers regarded outages, low water pressure, sand and grit in the water, the hardness of the water, high chlorine taste and odors, and the corrosive damage the water caused to their pipes and fixtures.

The customers who attended the customer meeting were very unhappy with the quality of the service they were receiving from the utility and were strongly in favor of being served by the City. The City had recently installed a main near the service area and was the provider of preference for the customers. The utility originally began this rate case by seeking a rate structure that would allow it to completely replace the existing plant with a new plant. At the time, although an interconnection to the City was a consideration, the utility's first option was to replace the plant. This option met with strong opposition from the customers. It appears that after the customer meeting, the utility made a more serious effort to interconnect with the City.

The overall quality of service provided by the utility is derived from the evaluation of three separate components of water utility operations: 1) quality of the utility's product; 2) operational conditions at the plant facilities; and 3) customer satisfaction.

The latest sanitary survey of the water treatment plant was performed in October, 1996, by the Volusia County Public Health Unit, which enforces water standards for the Department of Environmental Protection. The survey for the water plant listed sixteen plant-in-service violations. The utility is currently up-to-date with its required testing and analysis, but chemical analysis results for lead and copper were not satisfactory and indicated that the water contains minerals that classify it as corrosive water. The treated water provided by TCU failed to meet all the requirements for safe drinking water.

While housekeeping at the plant is considered normal, operational conditions at the water plant are considered below normal. The corrosive nature of the water has taken its toll on the treatment equipment, and has resulted in several plant-in-service violations. It was noted during our field investigation that some components of the plant have deteriorated to the extent that they are considered hazardous to maintenance personnel. We find that by all appearances, operational conditions are not satisfactory.

In consideration of the foregoing, we hereby find that the quality of service provided by TCU is unsatisfactory. The utility shall be given sixty days from the effective date of this order to interconnect its water distribution mains to the City and be reclassified as a consecutive water system.

RATE BASE

Our calculation of the appropriate rate base for the water system is shown 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

As previously noted, during the processing of this rate case, the utility signed an agreement with the City to purchase potable water for resale to its customers in the Tymber Creek subdivision. The existing treatment plant equipment will be dismantled and removed from the plant site. The two wells will be abandoned and properly sealed.

The distribution system is calculated to be 88.86% used and useful by using the approved formula approach, which is an indicator used in determining useful plant. In this case, the used and useful percentage calls for a closer look at the dispersion ratio of existing customers to future customers to evaluate the total usefulness. It is believed that no less of a system can serve the existing customer base. Therefore, we find that the distribution system shall be considered to be 100% used and useful.

Test Year Rate Base

The appropriate components of the utility rate base include depreciable plant-in-service, contributions-in-aid-of-construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and the working capital allowance. Plant, depreciation, and CIAC balances were determined by audit. We find that further adjustments are necessary to reflect test year changes and pro forma plant. A discussion of each component follows.

Plant-in-Service

We find it appropriate to make audit adjustments to water plant to reflect unrecorded additions of \$7,105, less an averaging adjustment of (\$1,093), a pro forma adjustment for a generator of \$3,180, with a corresponding averaging adjustment of (\$1,590), an adjustment to retire the water plant in furtherance of the interconnection with the City of (\$36,984), a pro forma addition of a master meter costing \$9,000, a pro forma addition of the interconnection to City services of \$49,834, and lastly, an adjustment of \$5,335 for software and computer upgrades, along with a corresponding averaging adjustment of (\$2,668). These adjustments result in a net increase in water plant-in-service of \$32,119.

Based on the foregoing, we find that the appropriate average amount of test year water plant-in-service is \$225,076.

Land

We find that the utility has land holdings valued at \$1,131.

Non-Used and Useful Plant

Based on the used and useful percentages approved herein (see Attachment A), we find it appropriate to consider all water treatment plant to be 100% used and useful. We have also found herein that the distribution system and services shall be considered 100% used and useful. Based on the foregoing, we find that no adjustment for nonused and useful plant is necessary.

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

Finding it appropriate to adjust the CIAC level to reflect an averaging adjustment of \$250 for the test year, we find that the appropriate CIAC balance is (\$149,943).

Accumulated Depreciation

We calculated accumulated depreciation using the rates prescribed by Rule 25-30.140, Florida Administrative Code. The accumulated depreciation balances have been adjusted to reflect an averaging adjustment, \$3,437, to adjust accumulated depreciation to approved levels, \$2,688, and to reflect the accumulated depreciation reserve adjustment necessary to account for the retirement of the water treatment plant, \$36,984.

Based on the foregoing, we find that the appropriate accumulated depreciation balance is (\$38,056).

Accumulated Amortization

We have calculated accumulated amortization of CIAC using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Based on these rates, we have adjusted the utility's filing by (\$2,507) for an averaging adjustment and by \$3,634 to true accumulated amortization to approved levels.

Based on the foregoing, we find that the appropriate balance of accumulated amortization of CIAC is \$60,865.

Working Capital Allowance

Consistent with Rule 25-30.433, Florida Administrative Code, we find it appropriate to use the one-eighth of operation and maintenance (O&M) expense formula approach to calculate the working capital allowance. Applying this formula, a working capital allowance of \$9,195, based on O&M expense of \$73,561, shall be approved.

Based on the foregoing, we find that the appropriate balance for the working capital allowance is \$9,195.

Rate Base Summary

Based on the foregoing, we find that the appropriate test year rate base balance is \$108,268.

COST OF CAPITAL

Our calculation of the appropriate cost of capital and our adjustments is shown 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.

Return on Equity

Based on the audit performed in this docket, the utility's capital structure includes long-term debt at an interest rate of 10.25%, equity, and customer deposits. Using the current leverage formula approved by Order No. PSC-96-0729-FOF-WS, issued May 31, 1996, in Docket No. 960006-WS, we find that the rate of return on common equity is 11.88%. Applying the weighted average method to

the total capital structure yields an overall rate of return of 10.47%. The utility's debt and equity have been adjusted to match the total allowance of rate base as approved herein.

TEST YEAR REVENUE

TCU recorded revenues of \$45,750 for the test year water system. A review of the billing analysis indicates that an adjustment is appropriate to increase annual revenues by \$532. We hereby find that the appropriate test year operating revenue for the water system is \$46,282.

NET OPERATING INCOME

Our calculation of net operating income is shown on Schedule No. 3-A, and our adjustments are itemized on 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.

The utility recorded operating expense of \$41,124 for the water system in the test year. The components of this expense include O&M, depreciation expense (net of related amortization of CIAC), and taxes other than income taxes.

The utility's test year operating expenses have been traced to supporting invoices. We find it appropriate to make adjustments to reflect unrecorded test year expenses and to reflect the allowances approved herein for system operations based on the contractual purchase of treated water from the City.

Operation and Maintenance Expenses (O&M)

The utility charged \$33,001 of O&M expense to the water system during the test year. Explanations of the utility's recorded expenses and our approved allowances are as follow:

Salaries and Wages - Employees

There are no specific expenditures for in-house personnel, as the utility is charged a management fee for all services (see contractual services).

Salaries and Wages - Officers

The utility recorded \$7,572 for this expense. We find it appropriate to make an adjustment of (\$142) to true this amount to that actually spent in the test year. We hereby approve a salaries and wages for officers expense in the amount of \$7,430.

Purchased Water

The utility included no provision for the purchase of bulk water. As previously noted, subsequent to the filing of this rate case and the end of the test year, the utility entered into an agreement to purchase bulk water from the City. According to that agreement, the wholesale rate for water purchases will be \$1.32 per 1,000 gallons. Using the test year billing analysis, we have determined that purchased water costs, based on the current City bulk rate, will be \$45,264 (34,291 K gallonage usage x \$1.32 = \$45,264). Relying on historical production records and the current rate being offered by the City, we find that an adjustment of \$45,264 is appropriate to reflect bulk water purchases.

Based on the foregoing, we find that a purchased water expense of \$45,264 is appropriate.

Purchased Power

The utility included \$4,912 in purchased power expense in its application. We have adjusted this amount by (\$269) for amounts actually spent during the test year, by \$276 to reflect unrecorded fuel expenditures, and lastly, by (\$3,719) to true this expense to a level of \$100 per month to reflect the status of the utility as a bulk water customer.

Based on the foregoing, we find that a purchased power expense of \$1,200 is appropriate.

Chemicals

The utility recorded chemical expense of \$4,237. We have adjusted this account to reflect actual purchases for the test year, an increase of \$293, and to adjust the total amount by (\$4,280) to reflect that the City will be responsible for providing chemicals to treat the water. Based on these adjustments, the utility will have an allowance of \$250 for the purchase of chemicals to be used in day-to-day maintenance and sanitation.

Based on the foregoing, we find that a chemical expense of \$250 is appropriate.

Materials and Supplies

The utility recorded materials and supplies expense of \$3,715 for the test year. We have adjusted this amount by (\$1,403) to reflect the audited amount for the test period.

Based on the foregoing, we find that a materials and supplies expense for the water system of \$2,312 is appropriate.

Contractual Services

The utility recorded contractual service expense of \$12,165. We have made adjustments to reflect the audited amount in the test year, a reduction of (\$610), to eliminate testing costs no longer required under a purchased water agreement, (\$2,373), to include a pro forma adjustment for a meter change-out program with an annual cost of \$1,300 (\$65 per meter change-out cost; 20 meters replaced each year), and to include the amortized cost of capping the existing wells in furtherance of the purchased water agreement of \$1,000 (\$5,000 cost amortized over five years).

Based on these audit adjustments, a total of (\$683), we hereby approve a total water contractual services expense of \$11,482. A chart detailing the composition of these contractual services is as follows:

Repairs/Mowing	\$2,697
Meter Reading/Misc. Maint.	2,286
Operator Services	2,400
Accounting	1,800
Insurance	1,000
Testing	725
Other	574
Total	\$11,482

For additional detail on these adjustments, see Schedule No. 3-C.

Based on the foregoing, we find that an allowance for contractual services of \$11,482 is appropriate.

Rents

The utility included \$400 of rent expense in its application. Based on the audit, we find it appropriate to increase this amount by \$800 for amounts actually spent during the test year, and to increase this amount by another \$1,039 to reflect the market value of rental space in the service territory. Based on these adjustments, we find that a rental allowance of \$2,239 per year, \$187 per month, to be reasonable.

Based on the foregoing, we find that a rental allowance of \$2,239 is appropriate.

Transportation Expenses

The utility included no transportation expense in its filing. Based on a review of the size of the service area, we find it appropriate to make an allowance of \$1,740 for transportation expense (500 miles per month x 12 months x \$.29 per mile = \$1,740).

Insurance Expense

The utility included the insurance expense in contractual services (see above table).

Regulatory Commission Expense

The utility recorded no regulatory commission (rate case) expense in the test year. We find it appropriate to make an adjustment of \$250 to include an amortized portion of the instant rate case filing fee (\$1,000 amortized over four years).

Based on the foregoing, we find that a \$250 regulatory commission (rate case) expense is appropriate.

Miscellaneous Expense

The utility recorded no miscellaneous expense in the test year. Based on the audit, we find that this expense account shall be adjusted by \$1,394 to reflect expenditures made in the fiscal year and supported by audited invoices.

Based on the foregoing, we find that a total miscellaneous expense of \$1,394 is appropriate.

Operation and Maintenance Expenses (O&M) Summary

Based on the foregoing, total O&M adjustments for TCU are \$40,560. Based on these adjustments, we find that a total O&M expense of \$73,561 is appropriate. O&M expenses are shown on Schedule No. 3-C.

Depreciation Expense (Net of Amortization of CIAC)

We have made an adjustment of (\$1,544) to reconcile the utility expense level with the NARUC approved rates for depreciation. We have also adjusted this expense for the depreciation associated with the proposed retirement of water plant in the amount of (\$411) and to include depreciation of \$1,048 for the addition of pro forma plant.

Based on these adjustments, we hereby approve a total depreciation expense, net of CIAC amortization, of \$2,495.

Taxes Other Than Income Tax

The utility recorded \$4,721 of taxes other than income in the test year. We have adjusted this expense account by (\$84) to reflect actual test year regulatory assessment fees, by (\$29) to adjust property taxes, by (\$419) to adjust tangible property taxes, by (\$903) to adjust payroll taxes, and by \$460 to adjust total other tax to the audited amount.

Based on the foregoing, we hereby approve \$3,746 for water taxes other than income in the test year, prior to any adjustment for a rate increase.

Operating Revenue

Revenues have been adjusted by \$46,975 to reflect the increase in revenue required to cover utility expense and to allow the recommended rate of return on investment.

Taxes Other Than Income Tax

This expense has been increased by \$2,114 to reflect the regulatory assessment fee of 4.5% on the increase in revenue approved herein.

Operating Expense Summary

We find that the application of the adjustments approved herein to the utility's test year operating expenses results in an operating expense of \$81,916 for the water system.

REVENUE REQUIREMENT

We find it appropriate to allow TCU an annual increase in revenue of \$46,975 (101.5%) for the water system. This will allow the utility an opportunity to recover its expenses and to earn a 10.47% return on investment.

RATES AND CHARGES

The Commission has a memorandum of understanding with the Florida Water Management Districts which recognizes that a joint cooperative effort is necessary to implement an effective, statewide water conservation policy. While water usage at this utility is within reasonable levels, we believe that rates determined by meter size and usage (i.e., no allowance for gallonage in the base facility charge) will encourage continued conservation by utility customers.

During the test year, TCU provided water service to approximately 384 residential customers and 12 general service customers. We have calculated a base facility/gallonage charge for water customers based on test year data. The base facility/gallonage charge rate structure is the preferred rate structure because it is designed to provide for the 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 rate payers pay their share of the costs of providing service, through the consumption or gallonage charge, and also pay their share of the fixed costs of providing service, through the base facility charge.

Approximately 34.80% (or \$32,457) of the water revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on the number of factored equivalent residential connections. The remaining 65.20% (or \$60,800) of the water revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period.

Schedules of the utility's existing rates and our approved rates are as follows:

Tymer Creek Utilities, Inc.

WATER RATES
GENERAL SERVICE AND RESIDENTIAL SERVICE

<u>Meter Size</u>	<u>Base Facility Charge</u>	
	<u>Existing Rate</u>	<u>Approved Rate</u>
5/8" x 3/4"	\$ 5.19	\$ 7.02
3/4"	7.78	10.53
1"	12.97	17.55
1-1/2"	25.93	35.10
2"	41.49	56.17
3"	82.98	112.33
4"	129.66	175.52
6"	259.33	351.03
Gallage Charge Per 1,000 gallons	\$.65	\$ 1.77

Using the 383 test year 5/8" x 3/4" metered residential water customers with an average water use of 7,438 gallons per month, an average residential water bill comparison would be as follows:

	<u>Average Bill Using Existing Rates</u>	<u>Average Bill Using Approved Rates</u>	<u>Percent Increase</u>
Base Facility Charge	\$ 5.19	\$ 7.02	
Gallage Charge	<u>4.83</u>	<u>13.17</u>	
Total	\$10.02	\$20.19	101.5%

The rates approved herein 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, provided the customers have received notice. The tariff sheets will be approved upon our staff's verification that the tariffs are consistent with our decision herein, 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 ten days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rates may be prorated. The old charges shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charges should 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 on the tariffs.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of a four year 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 regulatory assessment fees. This amount is \$262. The reduction in revenues will result in the rate decreases as shown on Schedule No. 4-A.

The utility shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also 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 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 hereby authorize the utility to collect the rates approved herein as temporary rates. The rates approved herein shall be collected by the utility subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of the security for potential refund and the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$32,440. Alternatively, the utility may establish an escrow account 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 a 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 funds 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.

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 twenty days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

Upon expiration of the protest period, if no timely protest is received from a substantially affected person, this docket shall be closed administratively sixty days from the issuance date of this order, upon the utility's filing and our staff's approval of the revised tariff sheets and the customer notice, and upon our staff's verification of the completion of the interconnection with the City of Ormond Beach.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tymber Creek Utilities, Inc.'s, application for increased water rates 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

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

ORDERED that Tymber 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, Tymber Creek Utilities, Inc., shall submit and have approved a proposed customer notice to its customers of the increased rates and charges and reasons therefor. The notice will be approved upon our staff's verification that it is consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that Tymber Creek Utilities, Inc.'s, rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received notice. It is further

ORDERED that Tymber Creek Utilities, Inc., shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Tymber Creek Utilities, Inc., shall submit and have approved a bond or letter of credit in the amount of \$32,440 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 and charges approved herein, Tymber Creek Utilities, Inc., shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Tymber Creek Utilities, Inc., is authorized to collect the rates approved on a temporary basis, subject to refund, in accordance with Rule 25-30-360, Florida Administrative Code, provided that Tymber 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

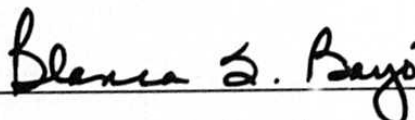
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ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. Tymber Creek Utilities, Inc., shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that 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 and effective unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that, upon expiration of the protest period, if no timely protest is received from a substantially affected person, this docket shall be closed administratively sixty days from the issuance date of this order, upon the utility's filing and our staff's approval of the revised tariff sheets and the customer notice, and upon our staff's verification of the completion of the interconnection with the City of Ormond Beach.

By ORDER of the Florida Public Service Commission, this 27th day of January, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RGC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 granting increased rates and charges 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 February 17, 1997. 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

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DOCKET NO. 950647-WS
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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.

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TYMBER CREEK UTILITIES, INC.
 TEST YEAR ENDING AUGUST 31, 1995
 SCHEDULE OF WATER RATE BASE

SCHEDULE NO. 1
 DOCKET NO. 950647-WS

	BALANCE PER UTILITY 8/31/1995	COMMISSION ADJ. TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$192,957	\$32,119 A	\$225,076
LAND/NON-DEPRECIABLE ASSETS	1,131	0 B	1,131
PLANT HELD FOR FUTURE USE	0	0	0
NON-USED AND USEFUL PLANT	0	0 C	0
CWIP	0	0	0
CIAC	(150,193)	250 D	(149,943)
ACCUMULATED DEPRECIATION	(81,165)	43,109 E	(38,056)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	59,738	1,127 F	60,865
WORKING CAPITAL ALLOWANCE	0	9,195 G	9,195
WATER RATE BASE	\$22,468	\$85,800	\$108,268

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YMBER CREEK UTILITIES, INC.
 TEST YEAR ENDING AUGUST 31, 1995
 ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-A
 DOCKET NO. 950647-WS

	WATER	WASTE- WATER
A. UTILITY PLANT IN SERVICE		
1. To reflect unrecorded additions (PSC 1)	\$ 7,105	\$ 0
2. Reflect averaging adjustment	(1,093)	0
3. To reflect pro forma addition for a generator (PSC 3)	3,180	0
4. Reflect averaging adjustment	(1,590)	0
5. Reflect retirement of water plant	(36,984)	0
6. To reflect pro forma addition of master meter	9,000	0
7. To reflect pro forma addition of line to city services	49,834	0
8. To reflect pro forma addition of software and computer upgrade	5,335	0
9. Reflect averaging adjustment	(2,668)	0
	<u>\$ 32,119</u>	<u>\$ 0</u>
B. LAND		
1. No adjustment	\$ 0	\$ 0
2.	0	0
	<u>\$ 0</u>	<u>\$ 0</u>
C. NON-USED AND USEFUL PLANT		
1. No adjustment	<u>\$ 0</u>	<u>\$ 0</u>
D. CIAC		
1. To reflect averaging adjustment	\$ 250	\$ 0
2.	0	0
3.	0	0
4.	0	0
	<u>\$ 250</u>	<u>\$ 0</u>
E. ACCUMULATED DEPRECIATION		
1. To reflect averaging adjustment	\$ 3,437	\$ 0
2. To adjust to NARUC approved levels	2,688	0
3. Reflect retirement of water plant	36,984	0
4.	0	0
5.	0	0
6.	0	0
7.	0	0
	<u>\$ 43,109</u>	<u>\$ 0</u>
F. AMORTIZATION OF CIAC		
1. To reflect averaging adjustment	\$ (2,507)	\$ 0
2. To adjust to NARUC approved levels (PSC 3)	3,634	0
3.	0	0
4.	0	0
	<u>\$ 1,127</u>	<u>\$ 0</u>
G. WORKING CAPITAL ALLOWANCE		
1. To reflect 1/8 of test year O & M expenses	<u>\$ 9,195</u>	<u>\$ 0</u>

TYMBER CREEK UTILITIES, INC.
 TEST YEAR ENDING AUGUST 31, 1995
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 950647-WS

	PER UTIL. 8/31/1995	COMMISSION ADJ. TO UTIL. BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 176,575	\$ (107,289)	\$ 69,286	63.99%	10.25%	6.56%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
EQUITY	82,362	(50,044)	32,318	29.85%	11.88%	3.55%
PREFERRED STOCK	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	6,664	0	6,664	6.16%	6.00%	0.37%
TOTAL	\$ 265,601	\$ (157,333)	\$ 108,268	100.00%		10.47%
RATE BASE			108,268			

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	10.88%	12.88%
OVERALL RATE OF RETURN	10.18%	10.77%

TYMBER CREEK UTILITIES, INC.
 TEST YEAR ENDING AUGUST 31, 1995
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
 DOCKET NO. 950647-WS

	TEST YEAR PER UTILITY 8/31/1995	COMMISSION ADJ. TO UTILITY	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMMISSION
OPERATING REVENUES	\$ 45,750	\$ 532	\$ 46,282	\$ 46,975 E 101.50%	\$ 93,257
OPERATING EXPENSES					
OPERATION AND MAINTENANCE	33,001	40,560 A	73,561	0	73,561
DEPRECIATION	3,402	(907) B	2,495	0	2,495
AMORTIZATION	0	0 C	0	0	0
TAXES OTHER THAN INCOME	4,721	(975) D	3,746	2,114 F	5,860
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 41,124	\$ 38,678	\$ 79,802	\$ 2,114	\$ 81,916
OPERATING INCOME / (LOSS)	\$ 4,626		\$ (33,520)		\$ 11,341
WATER RATE BASE	\$ 22,468		\$ 108,268		\$ 108,268
RATE OF RETURN	20.59%		-30.96%		10.47%

TYMBER CREEK UTILITIES, INC.
 TEST YEAR ENDING AUGUST 31, 1995
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B (Sheet 1 of 2)
 DOCKET NO. 950647-WS

<u>REVENUE</u>	<u>WATER</u>	<u>WASTE- WATER</u>
a. To adjust income to the billing analysis	532	0
b.	0	0
	<u>\$ 532</u>	<u>\$ 0</u>
A. OPERATION AND MAINTENANCE EXPENSES		
<u>1. Salaries and Wages (Employees)</u>		
a. N/A-cost included in contractual expense	<u>\$ 0</u>	<u>\$ 0</u>
<u>2. Salaries and Wages (Officers)</u>		
a. To adjust to audited levels (PSC 5)	<u>\$ (142)</u>	<u>\$ 0</u>
<u>3. Sludge Removal Expense</u>		
a. N/A-water only SARC	0	0
b.	0	0
	<u>\$ 0</u>	<u>\$ 0</u>
<u>4. Purchased Water</u>		
a. To adjust to Ormond Beach purchased water costs	45,264	0
b.	0	0
c.	0	0
d.	0	0
	<u>\$ 45,264</u>	<u>\$ 0</u>
<u>5. Purchased Power</u>		
a. To adjust to audited levels to invoices for the test period (PSC 5)	(269)	0
b. To adjust to audited levels for fuel purchased (PSC 5)	276	0
c. To adjust out expense related to purchase water agreement	(3,719)	0
d.	0	0
	<u>\$ (3,712)</u>	<u>\$ 0</u>
<u>6. Chemicals</u>		
a. To adjust to audited levels (PSC 5)	293	0
b. To adjust out expense as related to purchase water agreement	(4,280)	0
	<u>\$ (3,987)</u>	<u>\$ 0</u>
<u>7. Materials and Supplies</u>		
a. To adjust to audited levels (PSC 5)	(1,403)	0
	<u>\$ (1,403)</u>	<u>\$ 0</u>
<u>8. Contractual Services</u>		
a. To adjust to audited levels (PSC 5)	(610)	0
b. To adj. out testing expense as related to pur. water agreement	(2,373)	0
c. To adjust for meter change-out program	1,300	0
d. To amortize capping wells (\$5000) over five year period	1,000	0
e.	0	0
	<u>\$ (683)</u>	<u>\$ 0</u>
<u>9. Rents</u>		
a. To adjust to audited levels (PSC 5)	800	0
b. To adjust rent expense to market levels (PSC 5)	1,039	0
c.	0	0
	<u>\$ 1,839</u>	<u>\$ 0</u>
<u>10. Transportation Expenses</u>		
a. To adjust expense to annualized amount	1,740	0
b.	0	0
c.	0	0
	<u>\$ 1,740</u>	<u>\$ 0</u>
<u>11. Insurance Expense</u>		
a. No adjustment necessary	0	0
b.	0	0
c.	0	0
d.	0	0
e.	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

(Continued on Sheet 2)

TYMBER CREEK UTILITIES, INC.
 TEST YEAR ENDING AUGUST 31, 1995
 ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B (Sheet 2 of 2)
 DOCKET NO. 950647-WS

	<u>WATER</u>	<u>WASTE- WATER</u>
12. Regulatory Commission Expense		
a. To include filing fee exp. amortized over 4 years	\$ 250	\$ 0
b.	0	0
c.	0	0
	<u>\$ 250</u>	<u>\$ 0</u>
13. Miscellaneous Expenses		
a. To adjust to audited levels (PSC 5)	1,394	0
b.	0	0
c.	0	0
d.	0	0
e.	0	0
f.	0	0
g.	0	0
h.	0	0
i.	0	0
j.	0	0
k.	0	0
	<u>\$ 1,394</u>	<u>\$ 0</u>
14. Unclassified disbursements		
a. No adjustment necessary	0	0
b.	0	0
c.	0	0
d.	0	0
	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL O & M ADJUSTMENTS		
	<u>\$ 40,560</u>	<u>\$ 0</u>
B. DEPRECIATION EXPENSE		
1. To adj. depr. expense per NARUC rates (PSC 1)	(1,544)	0
2. To adj. depr. (net of CIAC amort.) for water plant retirement	(411)	0
3. To adj. depr. (net of CIAC amort.) for pro forma additions	1,048	0
4.	0	0
5.	0	0
	<u>\$ (907)</u>	<u>\$ 0</u>
C. AMORTIZATION EXPENSE		
1.	<u>\$ 0</u>	<u>\$ 0</u>
D. TAXES OTHER THAN INCOME TAX		
1. To adj. raf's to test year level (PSC 6)	(84)	0
2. To adj. property tax to test year level (PSC 6)	(29)	0
3. To adj. county tangible tax to test year level (PSC 6)	(419)	0
4. To adj. payroll tax to test year level (PSC 6)	(903)	0
5. To adjust other taxes to audited levels (PSC 5)	460	0
6.	0	0
7.	0	0
	<u>\$ (975)</u>	<u>\$ 0</u>
E. OPERATING REVENUES		
1. To reflect COMMISSION's recommended increase in revenue	<u>\$ 46,975</u>	<u>\$ 0</u>
F. TAXES OTHER THAN INCOME		
1. To reflect additional regulatory assessment fee associated with recommended revenue requirement	<u>\$ 2,114</u>	<u>\$ 0</u>

TYMBER CREEK UTILITIES, INC.
TEST YEAR ENDING AUGUST 31, 1995
ANALYSIS OF WATER OPERATION AND
MAINTENANCE EXPENSE

SCHEDULE NO. 3-C
DOCKET NO. 950647-WS

	<u>TOTAL PER UTIL.</u>	<u>COMMISSION ADJUST.</u>		<u>TOTAL PER COMMI</u>
(601) SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	[1]	0
(603) SALARIES AND WAGES - OFFICERS	7,572	(142)	[2]	7,430
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(610) PURCHASED WATER	0	45,264	[4]	45,264
(615) PURCHASED POWER	4,912	(3,712)	[5]	1,200
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	4,237	(3,987)	[6]	250
(620) MATERIALS AND SUPPLIES	3,715	(1,403)	[7]	2,312
(630) CONTRACTUAL SERVICES	12,165	(1,408)	[8]	10,757
DEP REQUIRED TESTING	0	725		725
(640) RENTS	400	1,839	[9]	2,239
(650) TRANSPORTATION EXPENSE	0	1,740	[10]	1,740
(655) INSURANCE EXPENSE	0	0	[11]	0
(655) REGULATORY COMMISSION EXPENSE	0	250	[12]	250
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	0	1,394	[13]	1,394
UNCLASSIFIED DISBURSEMENTS	0	0	[14]	0
	<u>\$ 33,001</u>	<u>\$ 40,560</u>		<u>\$ 73,561</u>

RECOMMENDED RATE REDUCTION SCHEDULE

TYMBER CREEK UTILITIES, INC.
 TEST YEAR ENDING AUGUST 31, 1995
 CALCULATION OF RATE REDUCTION AMOUNT

SCHEDULE NO. 4-A
 DOCKET NO. 950647-WS

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

MONTHLY WATER RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>RECOMMENDED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 7.02	0.02
3/4"	10.53	0.03
1"	17.55	0.05
1-1/2"	35.10	0.10
2"	56.17	0.16
3"	112.33	0.32
4"	175.52	0.49
6"	351.03	0.99
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	\$ 1.77	0.00

Attachment A

WATER TREATMENT PLANT

USED AND USEFUL DATA

Docket No. 960647-WU Utility TYMBER CREEK UTILITIES Date 12/26/96

PERCENT USED AND USEFUL FORMULA

$$\left[\frac{2 + 4 + 5 - 6}{1} \right] = \underline{\text{N/A}} \% \text{ Used and Useful}$$

- 1) Capacity of Plant = N/A GPD
- 2) Maximum Daily Flow = N/A GPD
- 3) Average Daily Flow = N/A GPD
- 4) Fire Flow Capacity = N/A GPD
- 5) Margin Reserve (not to exceed 20%) :
 - a) Average number of customers = N/A
 - b) Average Customer Growth in ERC's for most Recent 5 Years = N/A
 - c) Construction Time for Additional Capacity Years = N/A

$$\text{Margin Reserve} = 5b \times \left(\frac{5c}{12 \text{ MO}} \right) \times \left(\frac{2}{5a} \right) = \underline{\text{N/A}} \text{ GPD}$$

6) Excessive Unaccounted for Water = N/A GPM

- a) Total Amount 0 GPM = 0 % of Av. GMP Flow
- b) Reasonable Amount 0 GPM = 0 % of Av. GMP Flow

DURING THE PROCESS OF THIS RATE CASE, THE UTILITY CONTRACTED WITH THE CITY OF ORMOND BEACH TO PURCHASE WATER FOR RESALE TO ITS CUSTOMERS IN VOLUSIA COUNTY.

WATER DISTRIBUTION SYSTEM

USED AND USEFUL DATA

Docket No. 960647-WU Utility TYMBER CREEK UTILITIES Date 12/26/96

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} \quad * 100\% = \underline{88.86} \% \text{ Used and Useful}$$

1) Capacity (No. of potential customers without expansion) = 431
ERC's

2) Average number of TEST YEAR Connections
= 371 ERC's

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

a) Average yearly customer growth in ERC's
for most recent 5 Years 8
ERC's

c) Construction Time for Additional Capacity 18 Years

$$(3a) \times \frac{(3b)}{12 \text{ MOS.}} = \underline{12} \text{ ERC's Margin Reserve}$$

* NO LESS OF A SYSTEM COULD SERVE THE EXISTING NUMBER OF CUSTOMERS. THIS SYSTEM IS CONSIDERED 100% USED AND USEFUL.