BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Lee County by Spring Creek Village, Ltd.	DOCKET NO. 961447-WU ORDER NO. PSC-97-0931-FOF-WU ISSUED: August 5, 1997

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST
AND
NOTICE OF PROPOSED AGENCY ACTION ORDER
APPROVING INCREASED WATER RATES
AND MISCELLANEOUS SERVICE 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, subject to refund, in the event of a protest, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Spring Creek Village, Ltd. (utility or Spring Creek) is a Class C utility located in Lee County. The utility was organized in October 1970. By Order No. 7436, issued September 20, 1976, in Docket No. 760388-WS, the Commission granted the utility operating Certificate Nos. 271-W and 213-S.

In July 1993, Spring Creek discontinued operation of its wastewater treatment facilities and interconnected with Bonita Springs Utilities (BSU). BSU is a non-profit corporation and is

exempt from the Commission's regulation. On February 23, 1994, under Docket No. 940192-SU, Spring Creek filed an application pursuant to Section 367.022(8), Florida Statutes, requesting that its wastewater operation be acknowledged as exempt from the Commission's regulation and requesting cancellation of its Certificate No. 213-S. In the above-referenced docket, it was established that Spring Creek is a member of the BSU cooperative, and is paying the same rates to BSU as it is charging its wastewater customers. The utility will continue to own and maintain the wastewater collection lines and lift stations at no expense to its customers, and will not pass on administrative costs for providing wastewater service to its customers. By Order No. PSC-94-1003-FOF-SU, issued August 18, 1994, the Commission acknowledged the interconnection of Spring Creek with BSU, granted exempt status to Spring Creek with respect to its wastewater system, and canceled its Certificate No. 213-S.

The utility's existing rates were approved in Docket No. 760388-WS when its operating certificates were granted by the Commission. The utility has not had a prior rate case, nor have its rates been adjusted through the price index and pass through applications.

On December 4, 1996, Spring Creek applied for this staff assisted rate case pursuant to section 367.0814, Florida Statutes. In its application, the utility requested an increase in water rates. An audit of the utility's books and an engineering investigation have been done to provide information required for setting rates. We have selected a historical test year ended December 31, 1996, for this case. Our adjusted test year revenues are $17,092 and adjusted expenses are $41,342. This results in an adjusted net operating loss of $24,250.

The Commission has a memorandum of understanding with the Florida Water Management Districts. This memorandum recognizes that a joint cooperative effort is necessary to implement an effective, statewide water conservation policy. Water use in the area is under the jurisdiction of the South Florida Water Management District. The utility is not required to have a consumptive use permit since the sizes of its wells fall below the minimum permitting requirements. Based on the billing analysis for the test year, customer consumption is not excessive. However, as addressed below in the body of this Order, we have determined that the utility shall employ the base facility and gallonage charge

rate structure. We consider this rate structure a conservation rate structure.

The utility's customer base is seasonal and includes a mobile home park only. Based on the test year billing analysis, the utility provided water service to approximately 302 residential customers and 5 general service customers, totaling 307 customers.

QUALITY OF SERVICE

The customer meeting was held on May 7, 1997, at the Spring Creek Recreation Hall in Bonita Springs. There were approximately 89 customers who attended the meeting. Of the five customers who spoke, two addressed quality of service concerns. The major concerns addressed were frequent water outages (without notice), excessive chlorine and sediment, water pressure, odor, taste and mismanagement of the system.

The president of the homeowners association was the first customer who spoke. She commented about service outages, overchlorination problems, and water quality concerns. She noted that water service was lost 5 times over the last year without adequate notice to the customers, and twice with notice. She desires water supply to be more consistent. In reference to the overchlorination problems, she indicated that residents have complained that on occasion, dark clothes when washed have been bleached white. In the area of water quality safety, this customer said that the water was high in solids. She noted that the installation of a reverse osmosis plant would be expensive and that the customers could not afford it. In summary, she said that the majority of the customers found no problem with the rate increase, but would like the quality of water and service to be better.

The next customer who spoke complained about the failure of management to keep the water system going. He said that without isolation valves, every minor break shuts the system down. Although a recent plant modification has improved operations, the customer stated that the system was so bad before the improvements, it had to be manually operated.

In addition to the comments made at the customer meeting, several letters from customers have been received. These customers complained about service interruptions due to line leaks and system break-downs, deferred maintenance causing unreliable service, sediment particles found in ice cubes, foul tasting water with

odor, pressure problems, corrosion and staining of fixtures, and excessive chlorination. One customer who wrote wanted to know what assurances are there that they will receive a constant supply of water at a consistent pressure, and free of excessive sodium and chlorine. Another customer wanted to know that if there were a rate increase, whether the quality of water the customers are paying for would at least be brought up to second class standards.

The Commission also received a letter dated May 2, 1997, from Mr. Gidman, addressing concerns about the methodology used by the Commission for calculating rates in this case. By letter dated May 14, 1997, we explained the methodology used for calculating rates. No additional correspondence has been received from Mr. Gidman addressing this issue.

We believe the customer concerns about quality of service have merit. It appears that deferred maintenance over an extended period of time has caused operational problems with the water system. Problems with electrical equipment can be blamed for most of the recent water outages. Unreliable service has resulted from the lack of upkeep over the years.

The utility is rehabilitating the treatment plant. In its staff assisted rate case application, an $18,300 cost proposal by an electrical contractor was included. This proposal included rewiring, repiping and reinstallation of control devices at the water treatment plant. In addition, in order to help improve service, the utility is also in the process of completing other post test year improvements. The improvements include a new air compressor, replacement of high service pumps and motors, additional electrical repairs, ground storage replacement roofing, solenoid valve replacement at the hydropneumatic tank, well rewiring, and the addition of backflow detection devices. The total cost for all of the above mentioned improvements is $31,851.

With the above improvements completed, the customers should see enhancement in service reliability in the areas of outages and chlorination fluctuations. The working status of the controls affect pumping reliability and the chlorination process. However, some of the outages are due to control valve breakage caused by the customers. The customers unintentionally cause damage when they attempt to shut off service before leaving for the summer. The system outages in these cases are necessary in order to make repairs, because certain areas within the service area could not be valved off and isolated from the rest of the system. The utility

has informed the customers not to use these valves since they are utility property. The problem about not having isolations valves in some of the areas is considered difficult to correct. When asked about installing valves, the utility responded by stating that the older sections of the system do not have isolation valves, and it would be a major undertaking to dig up paved sections in order to install the valves. With plant improvements and customer education, the utility believes that further downtime will be kept to a minimum and, therefore, the expense of installation is not warranted. We agree with the utility's position.

In the area of water quality, a recent letter to the utility from the Lee County Public Health Unit of the Florida Department of Health (DOH) referred to the high levels of Chlorides and Total Dissolved Solids. These elements are included as secondary standards that are related mostly to aesthetic qualities. For Chlorides, the testing results were in the range of 174 to 307 mg/l, with the guideline standard at 250 mg/l. For Total Dissolved Solids, the testing value range was between 623 and 1,076 mg/l, with the guideline standard at 500 mg/l. The letter stated that DOH has not determined that public health is affected to a degree that would call for enforceable mandated action. However, DOH did recommend that all elements should meet standards and that the utility should give some thought in planning for corrective action.

To correct the problem, the utility could do two things: It could shut down its plant and get water service from BSU, a nearby water and sewer service cooperative; or, it could improve its treatment capability at the plant. The possible interconnection is estimated to cost $115,000, plus $1,550, per connection impact fee. The alternative treatment process of reverse osmosis/membrane softening treatment would probably be necessary to improve the water quality in this situation. DOH has estimated it would cost between $100,000 to $200,000 to do this. The present treatment at the utility's treatment plant is aeration and chlorination. Although the aesthetic quality of the water is less than desirable, it does not present a health hazard, and it would be cost prohibitive at this time for the utility to correct this situation. Moreover, the DOH is not proceeding with enforcement action against the utility. In an attempt to reduce the amount of sediment the utility does routinely flush its lines. We find it appropriate that the utility continue with this procedure.

In light of the customers' apparent dissatisfaction with the quality of service provided by the utility in the recent past, we

cannot give the utility a satisfactory quality of service rating. However, we believe that improved service should be noted after the above mentioned improvements are completed. The utility appears to be addressing the problems that have inconvenienced the customers; accordingly, we will take no corrective action at this time. However, we believe that a continued review of service rendered to the customers is necessary. Therefore, the utility shall file quarterly reports for a period of one year after the date of this Order. These reports shall include a description of customer complaints, how the complaints were resolved, the number of outages, how long service was interrupted, and the nature of the problems that caused the outages.

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 1A. 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

Used and useful for this utility has not been previously determined by the Commission. As discussed more specifically below, we find that the utility's water treatment and distribution systems are 100% used and useful.

Water Treatment Plant

The water treatment plant has a design treatment capacity of 86,000 gallons per day. The maximum daily flow that occurred during the test year is 59,000 gallons per day. With fire flow considered, we find that the water treatment plant is 100% used and useful. Since the service area is built out, there was no margin reserve consideration. Review of the amount of water produced versus water consumed by the utility's customers during the test year, shows the unaccounted for water to be approximately 35%. Anything above 10% is considered excessive. However, we do not believe that the 35% level is accurate. It appears that the plant flow meter was giving erroneous figures. In addition, water used for the chlorination process at the plant was not being accounted for. The utility has recently corrected both of these problems. The plant meter has been rebuilt, and the water used for

chlorination is now metered. With less than one month's data, the unaccounted for water has been reduced to 22%. In addition, the utility has implemented a customer meter replacement program to replace older, less accurate meters, and will account for water used for flushing purposes, and line breaks. The accounting for all of the above should help reduce the amount of unaccounted for water to an acceptable level. Accordingly, no adjustment shall be ordered at this time. See Attachment A.

Water Distribution System

The water distribution system is at capacity with 303 residential connections. We therefore find that the water distribution system is 100% used and useful. See Attachment B.

Test Year Rate Base

As mentioned previously in this Order, the utility has not had a prior rate case. The utility's existing rates were approved in Docket No. 760388-WU, when the Commission granted the utility its operating certificates. The appropriate components of the utility's rate base include utility plant in service, land, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of CIAC and working capital. A discussion of each component of rate base follows.

Utility Plant in Service (UPIS)

The utility recorded a plant balance of $92,087 at December 31, 1996 for its water plant. The recorded plant does not include balances for lines, services and meters. In addition, the utility could not provide original cost documentation for all of the recorded plant. In instances where original cost documentation cannot be provided, our staff completes an original cost study to determine plant value for rate setting purposes.

For this rate case, an original cost study was completed using some available construction estimates, comparative costs from similar plants, and actual available invoices trended to the year of installation. We used the original cost study as a beginning point. The estimated original cost for the water treatment facility is $34,696 and $69,464 for the water distribution facility. The total estimated cost for plant at December 31, 1996 is $104,160.

The utility provided invoices for pump replacement costs for 1989 and 1994. Plant was decreased by $348 in 1989 and 1994 to retire two pumps. It was increased by $1,052 in 1989 and by $559 in 1994 to reflect replacements. The total retirement value is $696 and the total replacement cost is $1,611.

The utility completed some plant improvements after the test year and requested that the cost be included in rate base. We have determined that the improvements were necessary and the costs are reasonable. Plant has been increased by $31,851 to include post test year additions. We therefore find the appropriate total adjustment for UPIS is an increase of $32,766.

Land

In Docket No. 760388-WU, we granted the utility operating certificates under the name "Spring Creek Village, Ltd." In Docket No. 940122-SU, we acknowledged the interconnection of the utility's wastewater system with BSU, canceled the utility's wastewater certificate and approved exempt status for wastewater under the name "Spring Creek Village Utilities, Ltd.". The Secretary of State's office lists the name of the partnership as "Spring Creek Village, Ltd." The utility represents that the partnership, Spring Creek Village, Ltd. owns the recreation park and utility and that there is not a separate utility company. The utility filed this rate case under the name "Spring Creek Village Utilities, Ltd." There is no record of our approving a name change for this utility. Spring Creek Village, Ltd. owns the land on which the water facility is located. Since Spring Creek Village, Ltd. and the utility are one and the same, we find that the utility owns the land on which the water facility is located.

The Spring Creek Village, Ltd. partnership owns the water and wastewater facilities and a recreation facility. The physical area of land on which the water facility is located has been measured and it is estimated that the water facility is located on approximately 2/10 of an acre. An attempt was made to establish the value of this land at the time it was first dedicated for utility use in the late 1960's, but actual records were not available. We find it reasonable and appropriate to estimate an original cost of $1,000 for this value of land.

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

The utility's existing tariff authorizes the utility to collect a system capacity charge of $200 per customer for water. The utility did not record CIAC on its books for water. We have imputed CIAC based on the authorized $200 charge multiplied by the number of connections from the beginning of operation through December 31, 1996. The imputed CIAC is $60,600. CIAC has been increased by $60,600 to reflect the imputed CIAC total. The CIAC balance remained constant before and during the test year. Based on the foregoing, we find that an averaging adjustment is not necessary.

Accumulated Depreciation

We have calculated accumulated depreciation using rates prescribed by Rule 25-30.140, Florida Administrative Code. Adjustments have been made to include the plant retirements and replacements. Accumulated depreciation on plant determined by the original cost study is $61,540 at December 31, 1996. Depreciation on post test year plant is $1,695. The averaging adjustment is $1,897. We find it appropriate to increase this account by $1,695 and decrease it by $1,897 to reflect average accumulated depreciation of $61,338.

Amortization of CIAC

Accumulated amortization of CIAC at December 31, 1996 is $33,449. The averaging adjustment is $1,094. We therefore find it appropriate to increase this account by $32,355 to reflect average amortization of CIAC.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we find it appropriate that the one-eighth of operation and maintenance expense (O&M) formula approach be used for calculating working capital allowance. Applying that formula, we have determined a working capital allowance of $4,599 (based on O&M expense of $36,789). Based on the foregoing, we find it appropriate to increase working capital by $4,599 to reflect one-eighth of the determined O&M expense.

Rate Base Summary

Based on the foregoing, we find that the appropriate rate base is $52,942.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule 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 capital structure include partners' capital, which is common equity, of $246,580 only. Therefore, the utility's capital structure is 100% equity. Using the current leverage formula approved by Order No. PSC-96-0660-FOF-WS, issued June 10, 1997, in Docket No. 970006-WS, the rate of return on common equity is 9.21%. Since the utility's capital structure is 100% equity, we find that the overall rate of return is also 9.21% and the range is 8.21% - 10.21%. Following Commission practice, we have reconciled the utility's capital structure with the determined rate base.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, and our adjustments are itemized on Schedules Nos. 3A and 3B. 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 Revenues

During the test year the utility provided water service to approximately 302 residential customers and 5 general service customers totaling 307 customers. The utility's recorded revenue was for residential customers only.

During the test year the utility did not bill its 5 general service customers. We find that the revenue should have been billed and collected from these customers based on usage and existing rates. We have determined that the calculated revenue for the general service customers is $436. We have increased revenues by $436 to reflect the appropriate amount for the test year.

Test Year Operating Loss

The utility's test year revenue is $17,092. The corresponding test year operating expenses are $43,038 (these figures do not include revenue increase and taxes). This results in a test year operating loss of $25,946.

Test Year Operating Expenses

The utility's recorded operating expense include operation and maintenance expense, depreciation and taxes other than income. We have made adjustments to reflect annual operating costs on a going forward basis.

Spring Creek Village, Ltd. owns recreation facilities located in the Spring Creek subdivision in addition to a water and wastewater utility. As discussed previously in this Order, the wastewater system is exempt from Commission regulation. During the test year the utility allocated one-third of costs to the water utility. These allocations have been tested for reasonableness and adjustments have been made to some expenses to reflect the appropriate cost specific to the water operation. A summary of adjustments follows.

Operation and Maintenance Expenses (O&M)

Salaries and Wages

The utility shares three maintenance employees that are employed by the related recreation park. They include the park manager who spends 2 hours each day conducting utility business, a full time maintenance person that spends 2 hours each day conducting utility business, and a part-time maintenance person who performs weekend maintenance and spends 2 hours each week conducting utility business. During the test year the park manager earned $11.35 per hour, the full-time maintenance person earned $6.85 per hour and the part-time maintenance person earned $6.26 per hour. The utility requested a 3% increase in salaries for the maintenance employees, which results in an hourly rate of $11.69 for the park manager, $7.06 for the full-time maintenance person and $6.45 for the part-time maintenance person. We have determined that these hourly rates are reasonable for the duties performed by these employees, and accordingly find it appropriate to allow an annual salary of $6,079 (520 hrs. x $11.69) for the park manager,

$3,671 (520 hrs. x $7.06) for the full-time maintenance person and $671 (104 hrs. x $6.45) for the part-time maintenance person.

The utility also employs a secretary who spends 8 hours each week conducting utility business. The secretary earned $4.80 per hour during the test year. The utility requested a 3% increase in this salary also, which results in an hourly rate of $4.94 per hour. We find it appropriate to allow an annual salary of $2,055 (416 hrs. x $4.94) for the secretary.

The total allowance for employee salaries is $12,476. The utility recorded employee salaries of $16,714. This expense has been decreased by $4,238 to reflect the approved salaries.

Purchased Power

During the test year, the utility recorded a purchased power expense of $4,035. Lights for the Spring Creek Village residential area, which include approximately nine lights, are connected with the power supply source for the water treatment facility. We have estimated that the nine lights, which burn up to 10 hours each night, use approximately $18 of power each month. Therefore, we find it appropriate to decrease this expense by $216 (12 mos. x $18) in order to remove a non-utility expense.

Materials and Supplies

The utility recorded $1,002 in this expense. This total includes $479 for miscellaneous materials and supplies and $523 for meters. The utility has a meter replacement program which provides the replacement of 24 meters annually at a cost of $1,000 is appropriate. We believe that this meter replacement program should continue and we find that an annual allowance of $1,000 is appropriate. We have increased this expense by $477 to reflect the approved allowance for meters.

Contractual Services

The utility recorded $9,010 in this expense. This total includes $4,869 for a contractual management fee, $1,441 for DEP required testing expense and $2,700 for contractual operator service.

Management services are provided by Flordeco, an affiliated company. This company handles all administrative duties to include

regulatory matters, prepares financial statements, reconcile bank statements, handle payroll, taxes, deposits, accounts payable and prepares the annual report. The management duties are performed by Flordeco's controller and accountant. The cost is based on the controller spending 16 hours each month conducting utility business and the accountant spending 26 hours each month conducting utility business. In addition, employee benefit costs for the controller, and accountant are also included based on the number of hours conducting utility business. The utility also requested a 3% increase in this expense. We have calculated an annual management allowance of $6,750 based on the number of hours spent conducting utility business, with a 3% increase. The utility recorded a management fee of $4,869. We have increased this expense by $1,881 to reflect the approved annual management fee.

The utility recorded DEP required water testing expense of $1,441. We find it appropriate to decrease this expense by $74 to reflect annual DEP required testing expense of $1,367. A schedule of the required test, frequency and costs follows:

Description	Frequency	Annual Cost
Bacteriological	Annually	$ 600
Nitrate/Nitrite	Annually	80
Lead/Copper	3 Years	117
Primary Inorganics	3 Years	52
Pesticides	3 Years	183
Radionuclides	3 Years	260
Secondary	3 Years	45
VOCs	3 Years	30
	TOTAL EXPENSE	$1,367

We therefore find that the appropriate total adjustment for contractual service expense is an increase of $1,807.

Insurance Expense

The utility recorded insurance expense of $582. This total includes insurance cost of $275 for commercial property, $272 for worker's compensation and $637 for auto insurance. We find it appropriate to increase this expense by $172 to adjust worker's compensation insurance and auto insurance expense based on approved employee salaries and the number of hours spent conducting utility business.

Regulatory Commission Expense

The utility recorded $2,794 in this expense for accounting and legal services provided for this rate case filing. The utility also paid a $1,000 rate case filing fee to the Commission. We therefore find that the total rate case expense is $3,794. This expense has been amortized over four years allowing an annual expense of $949. We find it appropriate to decrease this expense by $1,845 to reflect the rate case expense amortized over four years.

O&M Summary

We have made adjustments of $3,843. The utility recorded $40,632 O&M expense for the test year. After making the appropriate adjustments, we find that the O&M expenses total $36,789.

Depreciation Expense

We have calculated test year depreciation expense using the rates prescribed by Rule 25-30.140, Florida Administrative Code. Test year depreciation is $3,794. Depreciation on post test year plant is $1,695. The utility recorded a depreciation expense of $3,577. We find it appropriate to increase this expense by $1,912 to reflect our calculated depreciation expense of $5,489.

Amortization of CIAC

Amortization of CIAC has a negative impact on depreciation expense. The utility did not record an amortization expense. We have calculated amortization of CIAC using the rate prescribed by Rule 25-30.140, Florida Administrative Code. We have adjusted this expense by $2,188 to reflect our approved test year amortization expense.

Taxes Other Than Income

The utility recorded $2,258 in this expense. This total includes $1,512 for payroll taxes, and $746 for regulatory assessment fees. We increased this expense by $526 to reflect the appropriate payroll taxes on the approved salaries, by $23 to reflect the appropriate regulatory assessment fee on test year revenue, and by $141 to reflect property taxes for the land on

which the water treatment plant is located. The total adjustment for this account is an increase of $690.

Increase in Operating Revenues and Expenses Summary

Operating Revenue - Revenue has been increased by $32,274 to reflect the increase required to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income - This expense has been increased by $1,452 to reflect regulatory assessment fees at 4.5% on the required increase in revenue.

The application of the approved adjustments to the utility's recorded operating expenses results in approved operating expenses of $44,490.

REVENUE REQUIREMENT

Based on our review of the utility's books and records, and based upon the adjustments discussed above, we find that the utility shall be allowed an annual increase in revenue of $32,274 (188.83%) for water. This will allow the utility the opportunity to recover its expenses and earn a 9.21% return on its investment. The revenue requirement is shown on Schedule No. 3.

RATES AND TARIFF CHARGES

The utility currently employs a declining block gallonage charge rate structure. This is an converstation inappropriate structure for promoting conservation. We find it appropriate that the utility change to the base facility and gallonage charge rate structure without a declining rate for increased usage levels. A base facility and gallonage charge rate structure promotes conservation and is designed to provide equitable sharing by the ratepayers of both the fixed and variable costs for providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs to 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).

During the test year the utility provided water to approximately 302 residential customers and 5 general service customers for a total of 307 customers.

Rates have been calculated using the number of customers and consumption for the test year ended December 31, 1996. A schedule of the new rates and rate structure follows:

MONTHLY WATER RATES
Residential and General Service

Meter Size	Base Facility Charge
5/8" x 3/4"	$ 7.62
3/4"	11.43
1"	19.05
1 1/2"	38.09
2"	60.95
3"	121.90
4"	190.46
6"	380.92

Gallonage Charge	
Per 1,000 gals.	$ 2.13

The average water usage for a residential customer with a 5/8" x 3/4" meter is approximately 2,549 gallons per month. A schedule of an average bill based on existing and the new rates follows:

Average bill using approved rates	$13.05
Average bill using existing rates	(4.00)
Increase in bill	$ 9.05
Percentage increase in bill	226.25%($9.05/$4.00)

The percentage increase in the average bill is greater than the percentage increase in revenue, because of the approved change in rate structure. The utility's existing rate structure allows customers to pay a minimum charge that includes gallons and pay a two-step declining gallonage charge for usage over the number of gallons included in the minimum charge. The approved base facility and gallonage charge rate structure will require customers to pay one rate for all consumption in addition to a base facility charge.

The approved rates are designed to produce revenue of $49,366. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to

Rule 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

MISCELLANEOUS SERVICE CHARGES

The utility's existing tariff does not authorize the utility to collect miscellaneous service charges. We find it appropriate that the utility be authorized to collect charges consistent with Commission practice. The approved 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 rate paying body as a whole. A schedule of the approved service charges follows:

Approved Miscellaneous Service Charges

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

When both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

The approved 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(1), Florida Administrative Code. The charges 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.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of the revenues associated with the amortization of rate expense and the

gross-up for regulatory assessment fees, which is $994. The reduction in revenues will result in the rates approved on Schedule No. 4.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a timely 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 Commission 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 $22,321. 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, the letter shall contain the following conditions:

1) The letter of credit is irrevocable for the period it is in effect; and

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; and

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 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.

CLOSING OF DOCKET

As addressed previously in this Order, post test year plant improvements have been included in rate base for setting rates. We find that this docket shall remain open for 90 days from the issuance date of this Order to allow Commission staff to verify the completion of all post test year plant improvements. Upon expiration of the protest period, if all post test year plant improvements have been completed within the 90 day time frame, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Spring Creek Village, Ltd.'s application for increased water rates and charges is hereby approved as set forth in the body of this Order. It is further

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

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

ORDERED that Spring Creek Village, Ltd. is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Spring Creek Village, Ltd.'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 proper notice. It is further

ORDERED that Spring Creek Village, Ltd. shall provide proof that customers have received notice within ten days of the date of the notice. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Spring Creek Village, Ltd. 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 Spring Creek Village, Ltd. first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that, prior to implementation of the rates and charges approved herein, Spring Creek Village, Ltd. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Commission staff's verification that the pages are consistent with our decision herein, and that the customer notice is adequate and that any required security has been provided. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case amortization period, consistent with our decision herein. The utility 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 prior to its implementation of the rates and charges approved herein, Spring Creek Village, Ltd. shall submit and have approved a bond or letter of credit in the amount of $22,321 as a guarantee of any potential refund of revenue collected on a temporary basis. Alternatively, the utility may establish an escrow agreement with an independent financial institution. It is further

ORDERED that Spring Creek Village, Ltd. shall submit monthly reports no later than 20 days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that the provisions of this Order regarding the increase of rates and charges for water 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, 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 this docket shall remain open for 90 days from the issuance date of this Order to allow Commission staff to verify the completion of all post test year plant improvements. Upon expiration of the protest period, if no timely protest is received from a substantially affected person, and if all post test year plant improvements have been completed within the 90 day time frame, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission, this 5th day of August, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

JSB

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 approving increased water rates and miscellaneous service 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 August 26, 1997. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. 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.

Attachment "A"

WATER TREATMENT PLANT — USED AND USEFUL DATA

Docket No. 961447-WU Utility Spring Creek Village Date Mar 97

1) Capacity of Plant 86,000 gallons per day

2) Maximum Daily Flow pk.5day ave 59,000 gallons per day

3) Average Daily Flow pk. mo. 2/96= 47,870 gallons per day

4) Fire Flow Requirements 120,000 gallons per day

5) Margin Reserve System built out gallons per day
*Not to exceed 20% of present customers

Res. Connections

a) Test Year Customers in ~~ERC's~~ Begin 303 End 303 Av. 303

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 $\left[\frac{3}{(a)}\right]$ = NA gallons per day

6) Excessive Infiltration Meter problems, could not determine 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

$$\frac{[(2)+(5)+4a]-6}{1} = 100 \%$$ Used and Useful

Attachment "B"

WATER DISTRIBUTION SYSTEM — USED AND USEFUL DATA

Docket No. 961447-WU Utility Spring Creek Village Utilities Date Mar 97

Res. Connections

1) Capacity 303 ~~ERC's~~ (Number of potential customers without expansion)

Res.Connections

2) Number of TEST YEAR Connections 303 ~~ERC's~~

Res. Connection

a) Begin Test Year 303 ~~ERC's~~

Res. Connection

b) End Test Year 303 ~~ERC's~~

Res. Connection

c) Average Test Year 303 ~~ERC's~~

Res. Connection

3) Margin Reserve (Not to exceed Built out ~~ERC's~~
20% of present customers)

a) 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 Years

(a) x (b) = 0 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = 100\ \%$$ Used and Useful

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 1
DOCKET NO. 961447-WU

	BALANCE PER ORIGINAL COST STUDY	COMM. ADJUST. TO COST STUDY		BALANCE PER COMM.
UTILITY PLANT IN SERVICE	$ 104,160	$ 32,766	A	$ 136,926
LAND/NON-DEPRECIABLE ASSETS	1,000	0		1,000
PLANT HELD FOR FUTURE USE	0	0		0
ACQUISITION ADJUSTMENT	0	0		0
CWIP	0	0		0
CIAC	0	(60,600)	B	(60,600)
ACCUMULATED DEPRECIATION	(61,540)	202	C	(61,338)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0		0
AMORTIZATION OF CIAC	0	32,355	D	32,355
WORKING CAPITAL ALLOWANCE	0	4,599	E	4,599
WATER RATE BASE	$ 43,620	$ 9,322		$ 52,942

SPRING CREEK VILLAGE UTILITIES, LTD.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 1A
DOCKET NO. 961447-WU

		WATER
A.	UTILITY PLANT IN SERVICE	
1.	To remove plant retirements	$ (696)
2.	To reflect plant replacements	1,611
3.	To reflect post test year additions	31,851
		$ 32,766
B.	CONTRIBUTIONS IN AID OF CONSTRUCTION(CIAC)	
1.	To reflect imputed CIAC	$ (60,600)
C.	ACCUMULATED DEPRECIATION	
1.	Depreciation on post test year plant	$ (1,695)
2.	Averaging adjustment	1,897
		$ 202
D.	AMORTIZATION OF CIAC	
1.	Amortization of CIAC @ 12/31/96	$ 33,449
2.	Averaging adjustment	(1,094)
		32,355
E.	WORKING CAPITAL ALLOWANCE	
1.	To reflect 1/8 of operation and maintenance expense	$ 4,599

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 2
DOCKET NO. 961447-WU

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
COMMON EQUITY	$ 246,580	$ (193,638)	$ 52,942	100.00%	9.21%	9.21%
LONG-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
RETAINED EARNINGS	0	0	0	0.00%	0.00%	0.00%
CAPITAL STOCK	0	0	0	0.00%	0.00%	0.00%
PAID IN CAPITAL	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	$ 246,580	$ (193,638)	$ 52,942	100.00%		9.21%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	8.21%	10.21%
OVERALL RATE OF RETURN	8.21%	10.21%

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 3
DOCKET NO. 961447-WU

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	$ 16,656	$ 436 A	$ 17,092	$ 32,274 F	$ 49,366
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	$ 40,632	$ (3,843) B	$ 36,789	$ 0	36,789
DEPRECIATION (NET)	3,577	1,912 C	5,489	0	5,489
AMORTIZATION (CIAC)	0	(2,188) D	(2,188)	0	(2,188)
TAXES OTHER THAN INCOME	2,258	690 E	2,948	1,452 G	4,400
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$ 46,467	$ (3,429)	$ 43,038	$ 1,452	$ 44,490
OPERATING INCOME/(LOSS)	$ (29,811)		$ (25,946)		$ 4,876
WATER RATE BASE	$ 43,620		$ 52,942		$ 52,942
RATE OF RETURN	-68.34%		-49.01%		9.21%

SPRING CREEK VILLAGE UTILITIES, LTD.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 3A
DOCKET NO. 961447-WU

		WATER
A.	OPERATING REVENUES	
1.	To reflect annualized revenue to include all test year customers	$ 436
B.	OPERATION AND MAINTENANCE EXPENSES	
1.	Salaries and Wages (Employees)	
a.	To reflect an annual salary for employees	$ (4,238)
2.	Purchased power	
a.	To remove a non-utility expense	$ (216)
3.	Material and Supplies	
a.	To reflect annual meter replacement program	$ 477
4.	Contractual Services	
a.	To reflect annual management fee	$ 1,881
b.	To reflect annual DEP required testing expense	(74)
		$ 1,807
5.	Insurance Expense	
a.	To reflect annual insurance allowance	$ 172
6.	Regulatory Commission Expense	
a.	To reflect rate case filing fee amortized over 4 years	$ (1,845)
	TOTAL O & M ADJUSTMENTS	$ (3,843)
C.	DEPRECIATION EXPENSE	
1.	To reflect test year depeciation expense	$ 217
2.	Depreciation on post test year additions	1,695
		$ 1,912
D.	AMORTIZATION EXPENSE (CIAC)	
1.	To reflect test year amortization of CIAC	$ (2,188)
E.	TAXES OTHER THAN INCOME	
1.	To reflect payroll taxes on recommended salaries	$ 526
2.	To reflect regulatory assessment fee @ 4.5% on test year revenue	23
3.	To reflect property taxes	141
		$ 690
F.	OPERATING REVENUES	
1.	To reflect increase in revenue required to cover expenses and allow recommended rate of return	$ 32,274
G.	TAXES OTHER THAN INCOME	
1.	To reflect regulatory assessment fee at 4.5% on increase in revenue	$ 1,452

SPRING CREEK VILLAGE UTILITIES, LTD.
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 3B
DOCKET NO. 961447-WU

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM
#601 SALARIES AND WAGES - EMPLOYEES	$ 16,714	$ (4,238)[1]	$ 12,476
#603 SALARIES AND WAGES - OFFICERS	0	0	0
#604 PENSIONS AND BENEFITS	802	0	802
#610 PURCHASED WATER	0	0	0
#615 PURCHASED POWER	4,035	(216)[2]	3,819
#616 FUEL FOR POWER PRODUCTION	0	0	0
#618 CHEMICALS	1,957	0	1,957
#620 MATERIALS AND SUPPLIES	1,002	477 [3]	1,479
#630 CONTRACTUAL SERVICES	9,010	1,807 [4]	10,817
#640 RENTS	0	0	0
#650 TRANSPORTATION EXPENSE	657	0	657
#655 INSURANCE EXPENSE	582	172 [5]	754
#665 REGULATORY COMMISSION EXPENSE	2,794	(1,845)[6]	949
#670 BAD DEBT EXPENSE	0	0	0
#675 MISCELLANEOUS EXPENSES	3,079	0	$ 3,079
	$ 40,632	$ (3,843)	$ 36,789

SPRING CREEK VILLAGE UTILITIES, LTD.
SCHEDULE OF RATE CASE EXPENSE RATE
REDUCTION AFTER FOUR YEARS
TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 4
DOCKET NO. 961447-WU

MONTHLY RATES

RESIDENTIAL AND GENERAL SERVICE	COMM. APPROVED RATES	COMM. APPROVED DECREASE
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	$ 7.62	$ 0.15
1"	11.43	0.22
1-1/4"	19.05	0.37
1-1/2"	38.09	0.73
2"	60.95	1.17
3"	121.90	2.34
4"	190.46	3.66
6"	380.92	7.32
RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	$ 2.13	$ 0.04