

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of LAKE TARPON	)	DOCKET NO. 890442-WU
HOMES, INC. for a staff-assisted rate	)	ORDER NO. 22160
case in Pinellas County.	)	ISSUED: 11-7-89
	)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 JOHN T. HERNDON

ORDER AUTHORIZING TEMPORARY RATES IN EVENT OF PROTEST OF  
 PROPOSED AGENCY ACTION

AND

NOTICE OF PROPOSED AGENCY ACTION  
 ORDER SETTING FINAL RATES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein, except for the portion authorizing temporary rates in the event of protest, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Lake Tarpon Homes, Inc. (the corporation) owns and operates a Class C water utility (Lake Tarpon or utility) which serves 510 homes and a 40 unit apartment complex near Palm Harbor in Pinellas County. In addition to operating a water utility, the corporation manages the facilities of Lake Tarpon Mobile Village, the community served by the utility, and owns and manages the apartment complex. The corporation is owned by Ron Kimball who, along with members of his family, is actively involved in operating the utility.

Lake Tarpon applied for staff assistance on March 27,

DOCUMENT NUMBER-DATE

10013 NOV-7 1989

FPSC-RECORDS/REPORTING

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1989, and an official filing date of May 26, 1989, was established. This docket represents the first rate case for the utility. The test year for the utility is the twelve-month period ended May 31, 1989.

#### QUALITY OF SERVICE

On September 12, 1989, a customer meeting was held by our Staff at the Lake Tarpon Mobile Village Recreation Center in Palm Harbor, Florida, in order to learn about the utility's quality of service. Approximately 220 customers attended. Several customers complained that the utility failed to maintain its service lines, charged unauthorized rates, and violated covenants in the customers' deeds. These matters are addressed later in this Order.

Seven customers commented on quality of service. Two customers complained that the utility has not been sufficiently responsive to problems occurring after working hours. One customer complained about sediment in his drinking water, while another complained about chlorine taste. One customer complained of water outages, and another complained of water leaks left unattended. We find these problems no longer exist or are being adequately addressed.

Five customers complained of inadequate water pressure. Upon further investigation, we found the source of the problem to be poor service connections, made at the time of installation of the water distribution system, and mineral deposits in the service lines. For years, the utility has disclaimed responsibility for maintaining the service lines within the customers' property boundaries.

Rule 25-30.230(1), Florida Administrative Code, states that the utility shall provide a service pipe from its main up to and including the customer's service control valve and meter box for water service to the customer. The utility may locate the meter, control valve and the meter box at or near the customer's curb or property line. In the mobile home park, the meters are located by the side of the homes. Rule 25-30.231, Florida Administrative Code, requires the utility to maintain in safe, efficient, and proper condition the water distribution facilities up to and including the point of delivery into the piping owned by the customer. Pursuant to the above rules, we find that it is the utility's responsibility to maintain the service lines up to and including the meters, and to pay for

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consequential damages such as to shrubbery, sod, walkways, driveways, or patios. Therefore, we find it appropriate to require Lake Tarpon to provide, within ninety (90) days of this Order, a reasonable, concrete, and time-limited plan to correct the problem. The plan shall include identification of the known, individual problems, the estimated costs to be incurred, and a schedule for completing the task. Providing the service line problem is resolved in compliance with this Order, quality of service is considered satisfactory.

#### DEED RESTRICTIONS AND COVENANTS

At the customer meeting, several customers provided our Staff with property deed restrictions and covenants, arguing that the utility cannot charge rates in violation thereof. The documents purportedly limit the utility's ability to raise its rates to a reasonable level in relation to the purchasing value of the dollar.

Section 367.081(2), Florida Statutes, sets forth how this Commission must set rates. We must consider a fair return on the investment of the utility in property used and useful in the public service in setting rates that are "just, reasonable, compensatory, and not unfairly discriminatory." We would be prevented from carrying out our statutory mandate if we were to be bound by deed restrictions and covenants. Further, varying restrictions and covenants would give rise to unfairly discriminatory rates.

Certain customers argued that ignoring the covenants and restrictions would impair their contracts and take away their vested rights. However, the Supreme Court in Miami Bridge Co. v. Railroad Commission, 1944, 155 Fla, 366, 20 So. 2d 356, stated:

The State as an attribute of sovereignty is endowed with inherent power to regulate the rates to be charged by a public utility for its products or service. Contracts by public service corporations for their services or products, because of the interest of the public therein, are not to be classed with personal and private contracts, the impairment of which is forbidden by constitutional provisions. 16 C.J.S. Constitutional Law, p. 766-773, Section 327.

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Therefore, we would not be unconstitutionally taking away vested rights or impairing contracts of the utility's customers by following our statutory rate-setting mandate.

In Cohee v. Crestridge Utilities Corp., 324 So. 155 (2nd D.C.A 1975), the Second District Court of Appeal acknowledged that the Commission has exclusive jurisdiction to set rates. The Court, however, stated that the homeowners were entitled to an adjudication of whether the utility had breached its contract by increasing rates, and that this could only be done in a court of law. Similarly, the Lake Tarpon homeowners' dispute concerning the covenants and restrictions is a contractual dispute within the exclusive jurisdiction of the courts.

#### RATE BASE

The calculation of Lake Tarpon's water rate base is attached to this Order as Schedule No. 1(a). Adjustments to the rate base are shown on Schedule No. 1(b). Those adjustments that are mechanical in nature are shown on these schedules without further explanation in the text of this Order. The major adjustments are explained below.

#### Original Cost

Lake Tarpon could not provide original cost source documents. The original owner was no longer affiliated with the utility and original cost source documents could not be obtained from the original owner. We could not otherwise verify an amount for utility plant. When original cost source documents have been lost or discarded, it is our policy to allow reasonable estimates of original cost. Using system maps and construction year prices of the components, we estimated the original cost of the plant and land to be \$156,184 and \$6,106, respectively, totalling \$162,290.

#### Plant-in-Service

We find it appropriate to increase plant by \$4,095 for plant additions made during the test year. We further find it appropriate to make a (\$2,047) adjustment to reduce the plant balance to reflect the simple average of beginning of year and end of year plant balances. With the above adjustments to the original cost of \$162,290, we find the proper balance for plant-in-service to be \$158,232.

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### Used and Useful

During the test year, Lake Tarpon used its two water treatment plants and distribution system to full capacity. Since the system is "built-out", we find that a margin reserve is not necessary and that the utility's plants and distribution system are 100 percent used and useful.

### Contributions-in-aid-of-Construction

Rule 25-30.570(1), Florida Administrative Code, reads as follows:

If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

As previously stated, documentation was not available to establish the original cost of the plant or the amount of contributions-in-aid-of-construction (CIAC). We could find no evidence of lines donated as CIAC by a developer. We did find that the utility collected \$1,250 in meter installation fees. Generally, we would impute such fees as CIAC, since meters are part of the transmission and distribution system. However, in the absence of other evidence of CIAC, we imputed as CIAC the entire original cost of the water transmission and distribution system, \$137,940, pursuant to Rule 25-30.570(2), Florida Administrative Code. The \$1,250 is already included in the total CIAC. Therefore, we find the proper amount of CIAC to be \$137,940.

### Working Capital

The balance sheet method of calculating working capital allowance is our preferred method. However, due to the small size of this utility, the cost of maintaining records to support the balance sheet approach would exceed the benefits of such approach and would have a significant impact on rates. Thus, we find that the 1/8 of operating and maintenance (O & M)

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expenses method of calculating working capital allowance, also referred to as the formula method, would be appropriate in this instance. In this case, the formula method results in a working capital allowance of \$6,466. We find \$6,466 to be an appropriate working capital allowance for Lake Tarpon.

#### Rate Base

Based upon the foregoing calculations and adjustments, we find the water rate base to be \$29,576.

#### COST OF CAPITAL

The capital structure of Lake Tarpon Homes, Inc., the corporation, has been used to calculate the cost of capital for Lake Tarpon. The company has several bank loans, the weighted average of which is 9.33%. We, therefore, find that the appropriate cost of debt for the utility is 9.33%.

By Order No. 21775, issued August 23, 1989, this Commission established a leverage formula to be used in calculating equity returns for water and sewer utilities. When applied to Lake Tarpon's capital structure, the leverage formula yields a return on common equity of 12.00%. Therefore, we find that the appropriate cost of equity for Lake Tarpon is 12.00%.

Lake Tarpon's capital structure is comprised 11.11% by common equity, 67.02% by long term debt, and 21.87% by customer deposits. Applying the appropriate weight to the capital components yields an overall rate of return of 9.34%. We find that 9.34% is the appropriate rate of return for Lake Tarpon. The calculation of the rate of return is presented in Schedule No. 2.

#### NET OPERATING INCOME

Our calculations of the utility's net operating income are reflected on Schedule No. 3(a), with adjustments to net operating income on Schedule No. 3(b), and a detailed summary of operating and maintenance expenses on Schedule No. 3(c). Those adjustments which are essentially mechanical in nature or self-explanatory are shown on these schedules without further explanation. The major adjustments are explained below.

#### Operating and Maintenance (O & M) Expenses

We made several adjustments to reclassify expenses, match

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expenses with invoice amounts, and remove out-of-period expenses.

We find it appropriate to adjust O & M expenses to include \$29,068 in salaries for the utility's plant operator and manager and office manager. This adjustment is based on the amount of time the employees of Lake Tarpon Homes, Inc. spend on utility business. Further, we find it appropriate to adjust O & M expenses to include \$1,000 for meter replacement expenses, in order to allow the utility to replace twenty-four meters per year.

#### Depreciation Expense

Using the plant balances and using the rates prescribed in Rule 25-30.140, Florida Administrative Code, we calculated a composite depreciation rate of 3.64% for the test year. This yielded a depreciation expense of \$739. Upon consideration, we find the composite depreciation rate and resulting depreciation expense allowance to be reasonable, and thus are hereby approved.

#### Net Operating Income

Upon due consideration of the above, we find net operating income in the amount of \$2,762 to be reasonable, and is hereby approved.

#### REVENUE REQUIREMENT

In order to allow Lake Tarpon the opportunity to earn a return of 9.34% on its investment, we find that the appropriate total revenue requirement is \$59,341. This represents a \$22,439, or a 61.03%, increase in revenue on an annual basis. However, in order to encourage the utility to make the necessary repairs to its service lines, as discussed above, we find it appropriate to withhold half of the revenue increase until the utility has complied with this Order. The revenue requirement is presented on Schedule No. 3(a).

#### RATES AND CHARGES

The following are the utility's currently billed water rates and its tariff rates:

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Quarterly Water Rates Currently Billed

First 13,000 gallons	\$8.25 minimum charge
14,000 to 25,000 gallons	\$ .55 per 1,000 gallons
Over 25,000 gallons	\$ .45 per 1,000 gallons

Tariff Rates

First 4,000 gallons	\$3.40 minimum Charge
5,000 to 8,000 gallons	.65 per 1,000 gallons
9,000 to 10,000 gallons	.55 per 1,000 gallons
11,000 to 20,000 gallons	.40 per 1,000 gallons
21,000 to 50,000 gallons	.37 per 1,000 gallons
All over 50,000 gallons	.20 per 1,000 gallons

The rates in the current tariff were charged by the prior owners and continued by the present owners, who began operating the utility in 1977. We find that the presently charged rates are lower than the tariff rates, which have never been charged and are not approved by a Commission Order. Though the utility was not charging the rates in its tariff, no harm came to customers since the present rates are lower than the tariff rates.

By letter dated September 25, 1989, the president of Lake Tarpon Mobile Village Association alleged that the utility has increased its minimum charge for water services several times through its monthly maintenance charge. We find that the minimum charge is not itemized or otherwise separated from the monthly maintenance charge. However, we find that the revenue calculated using the test year billing analysis and the utility's current rates results in an amount, \$36,852, which is higher than the amount the utility reports on its books or annual report. Therefore, we find that the utility's stated rates have not increased. We do find it appropriate, though, to require the utility to separate its water billing from nonjurisdictional charges, in order to avoid confusion and procure compliance with our rules.

The following quarterly rates utilize the base facility charge rate structure. Compared to Lake Tarpon's present minimum charge rate structure, the base facility charge rate structure more equitably distributes the cost of service and rewards customers who practice water conservation. We find the following rates to be just, reasonable, and compensatory. These rates are designed to allow Lake Tarpon the opportunity to earn a 9.34% return on its investment. The intermediate rates are designed to allow the utility half of the revenue

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increase, as discussed above, until the utility complies with this Order. Upon Staff's verification of compliance, we will then order the final rates to be implemented.

Commission Approved Quarterly Rates

<u>Residential and General Service</u>	<u>Intermediate *</u>	<u>Final</u>
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$10.09	\$12.13
1"	25.22	30.33
1-1/2"	50.44	60.65
2"	80.71	97.04
3"	161.42	194.08
Gallonage Charge per 1,000 G.	\$ 0.43	\$ 0.52

\* Intermediate rates allow 1/2 of rate increase.

The rates approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decision herein; that the proposed customer notice is adequate, that the protest period has expired and no such protests were filed. The utility will render quarterly bills. The initial bills may be prorated, but in no event shall the new rates be effective for service rendered prior to the stamped approval date on the revised tariff sheets.

Service Availability Charges

Plant Capacity Charges - The utility's current level of CIAC is 80%, which we find to be adequate. Since no growth is expected, we do not find it appropriate to authorize a plant capacity charge.

Meter Installation Charges - For any new connections that might occur and for existing customers who want additional meters, we find the following meter installation charges to be appropriate:

<u>Meter Size</u>	<u>Meter Installation Charge</u>
5/8" x 3/4"	\$75.00
Larger Sizes	Actual Cost

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The foregoing service availability charges shall be effective for connections made on or after the stamped approval date on the revised tariff sheets.

Miscellaneous Service Charges

Rule 25-30.345, Florida Administrative Code, provides that a utility may charge its customers certain miscellaneous service charges. These charges are designed to place the responsibility for the costs associated with miscellaneous services on those who utilize the services, rather than on the general body of ratepayers.

Lake Tarpon presently has no miscellaneous service charges. We find it appropriate to approve four types of miscellaneous service charges, as described below, at the rate levels set forth below:

<u>Service</u>	<u>Charge</u>
Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	\$15.00
Premises Visit Charge (in lieu of disconnection)	\$10.00

For purposes of clarification, the terms are defined below:

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

Normal Reconnect - This charge is to be levied for a transfer of service to a new customer account at a previously served location, or for reinstatement of service subsequent to a customer-requested termination.

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

Premises Visit (in lieu of disconnection) - This charge is to be levied when a service representative visits a premises for the purposes of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service

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because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The foregoing miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheet.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in the utility's water rates. A timely protest could delay the collection by the utility of what may be a justified rate increase pending a formal hearing and final Order in this case, resulting in an unrecoverable loss of revenue to the utility.

Accordingly, in the event that a timely protest is filed by anyone other than the utility, we hereby authorize the utility to collect the intermediate water rates approved herein on a temporary basis, subject to refund, provided that it furnishes security for such potential refund. The security should either be a bond or a letter of credit in the amount of \$11,300, or the utility may establish an escrow account with an independent financial institution pursuant to a written agreement. Any withdrawals of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting.

The utility shall also keep an accurate account, in detail, of all monies received due to said increase, specifying by whom and on whose behalf such amounts were paid. The utility shall also file a report, no later than the twentieth day of each month that the temporary rate is in effect, showing the amount of revenues collected as a result of the temporary rates, and the amount of revenues that would have been collected under the prior rate. Should a refund be required, the refund shall be with interest pursuant to Rule 25-30.360, Florida Administrative Code.

The utility shall be authorized to implement the temporary rates only upon providing the above-discussed security, and upon Staff's approval of the revised tariff sheets and proposed customer notice.

In consideration of the above, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Lake Tarpon Homes, Inc. for an increase in its

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water rates for its customers in Pinellas County is approved as set forth in the body of this Order. It is further

ORDERED that each of the specific findings herein are approved in every respect. It is further

ORDERED that all matters contained herein or attached hereto, whether in the form of discourse or schedules, are by this reference, specifically made integral parts of this Order. It is further

ORDERED that the provisions of this Order, except the portion authorizing temporary rates in the event of protest, are issued as proposed agency action, and as such, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, 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 the utility is hereby authorized to charge the intermediate rates on or after the stamped approval date on the revised tariff sheets. The initial bills at the intermediate rates may be prorated, but in no event shall they be effective for service rendered prior to the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is hereby authorized to charge the new miscellaneous service charges, effective for service rendered on or after the stamped approval date on the revised tariff sheets, and to charge the new service availability charges, effective for connections made on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that in the event a substantially affected person, other than the utility, protests this proposed agency action, the utility may implement the intermediate rates herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. The temporary rate portion of this Order is not issued as proposed agency action. It is further

ORDERED that, in the event this Order becomes final, the utility shall notify each affected customer of the increased

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water rates, approved miscellaneous service and service availability charges, and shall explain the reasons for such increased rates and charges. The form of this notice shall be submitted to this Commission for prior approval. It is further

ORDERED that the revised tariff sheets will be approved upon Staff's verification that the tariffs are consistent with our decision herein; that the proposed customer notice is adequate; that the time for protesting this Order has expired and no such protests were filed; and that the required security has been provided. It is further

ORDERED that the utility shall submit a plan addressing the problem with its service lines, within ninety (90) days of this Order, as set forth in the body of this Order.

By ORDER of the Florida Public Service Commission  
this 7th day of NOVEMBER, 1989.

STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

DCS

by: Kay Hagan  
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions herein, except for the setting of temporary rates in the event

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of protest, are 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 his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on November 28, 1989.

In the absence of such a petition, this order shall become effective the next day, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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, 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 sewer 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 sewer 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

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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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LAKE TARPON HOMES, INC.  
 WATER RATE BASE  
 TEST YEAR ENDED 5/31/89

SCHEDULE NO. 1(a)  
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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 0	\$ 158,232	\$ 158,232
LAND/NON-DEPRECIABLE ASSETS	0	6,106	6,106
PROPERTY HELD FOR FUTURE USE	0	0	0
ADVANCES FOR CONSTRUCTION	0	0	0
C.W.I.P.	0	0	0
C.I.A.C.	0	(137,940)	(137,940)
ACCUMULATED DEPRECIATION	0	(72,319)	(72,319)
NET ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	0	69,031	69,031
WORKING CAPITAL ALLOWANCE	0	6,466	6,466
	-----	-----	-----
RATE BASE	\$ 0	\$ 29,576	\$ 29,576
	=====	=====	=====

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SCHEDULE NO. 1(b)  
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LAKE TARPON HOMES, INC.  
TEST YEAR ENDS 5/31/89  
ADJUSTMENTS TO RATE BASE

	WATER
	-----
1. UTILITY PLANT IN SERVICE	
a.) Includes original cost per staff engineer	\$156,184
b.) Includes audited plant additions	4,095
c.) Reflects average plant balance	(2,047)
	-----
TOTAL ADJUSTMENT	\$158,232
	=====
2. LAND	
Includes original cost of land	\$6,106
	=====
3. CONTRIBUTIONS IN AID OF CONSTRUCTION	
Imputes original cost of transmission and distribution system as CIAC	(\$137,940)
	=====
4. ACCUMULATED DEPRECIATION	
a.) Includes accumulated depreciation for original cost and plant additions	(\$75,237)
b.) Reflects average balance	2,918
	-----
TOTAL ADJUSTMENT	(\$72,319)
	=====
5. ACCUMULATED AMORTIZATION OF CIAC	
a.) Includes accumulated amortization for imputed CIAC	\$71,342
b.) Reflects average balance	(2,311)
	-----
TOTAL ADJUSTMENT	\$69,031
	=====
6. WORKING CAPITAL	
Includes 1/8 of O & M expenses as an allowance for working capital	\$6,466
	=====

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LAKE TARPON HOMES, INC.  
 CAPITAL STRUCTURE  
 TEST YEAR ENDED 5/31/89

SCHEDULE NO. 2  
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	TEST YEAR BALANCES	COMMISSION ADJUSTMENTS TO BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	WEIGHTED COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG TERM DEBT	\$786,628	(\$766,807)	\$19,821	67.02%	9.33%	6.25%
SHORT TERM DEBT	0	0	\$0	0.00%	0.00%	0.00%
COMMON EQUITY	130,437	(127,151)	\$3,286	11.11%	12.00%	1.33%
CUSTOMER DEPOSITS	6,469	0	\$6,469	21.87%	8.00%	1.75%
	-----	-----	-----	-----	-----	-----
TOTAL	\$923,534	(\$893,958)	\$29,576	100.00%		9.34%
	=====	=====	=====	=====		=====

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LAKE TARPON HOMES, INC.  
 WATER OPERATING STATEMENT  
 TEST YEAR ENDING 5/31/89

SCHEDULE NO.3(a)  
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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL.BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$33,640	\$3,212	\$36,852	\$22,489	\$59,341
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	16,187	35,538	51,725	0	51,725
DEPRECIATION	0	739	739	0	739
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	953	2,599	3,552	562	4,114
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$17,140	\$38,876	\$56,016	\$562	\$56,578
OPERATING INCOME/(LOSS)	\$16,500	(\$35,664)	(\$19,164)	\$21,927	\$2,763
RATE BASE	\$0		\$29,576		\$29,576
RATE OF RETURN	N/A		-64.80%		9.34%

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SCHEDULE NO. 3(b)  
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LAKE TARPON HOMES, INC.  
 TEST YEAR ENDS 5/31/89  
 ADJUSTMENTS TO OPERATING STATEMENT

	WATER
	-----
1. OPERATING REVENUE	
a.) Adjusts present rates to billing analysis	\$3,212
	=====
2. OPERATING AND MAINTENANCE EXPENSES	
a.) Includes allocated employee's salaries	24,778
b.) Includes allocated officer's salary	4,290
c.) Match purchased power to invoice	825
d.) Corrects recording of purchased power	214
e.) Removes duplicate recording of expense	(882)
f.) Adjusts chemicals to amount per engineer	(1,433)
g.) Allows meter replacement expense	1,000
h.) Amortization of apartment meter	133
i.) Annualize contract operator's fees	275
j.) Allow payment by related division	107
k.) Allow pro forma amount for testing	1,000
l.) Removes non-utility transportation expense	(1,260)
m.) Allocates insurance to utility	574
n.) Allows legal expense for transfer	272
o.) Amortizes filing fees over 4 years	450
p.) Allocates rent and office expense to utility	5,070
q.) Includes additional postage expense	125
	-----
TOTAL ADJUSTMENT	\$35,538
	=====
3. DEPRECIATION	
Reflects depreciation at 3.64% composite rate	\$739
	=====
4. TAXES, OTHER	
a.) Includes property taxes	\$207
b.) Allocates payroll taxes to utility	2,311
c.) Matches regulatory assessment fees to adjusted revenue	81
	-----
	\$2,599
	=====

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LAKE TARPON HOMES, INC.  
TEST YEAR ENDS 5/31/89  
ADJUSTMENTS TO OPERATING STATEMENT

WATER  
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5. OPERATING REVENUE	
Increases revenue to allow a 9.34% return on rate base	\$22,489
	=====
6. TAXES, OTHER	
Matches regulatory assessment fees to increased revenue	\$562
	=====

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 LAKE TARPON HOMES, INC.  
 WATER O & M EXPENSES  
 TEST YEAR ENDS 5/31/89

SCHEDULE NO. 3(c)  
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ACCOUNT NO.	UTILITY BALANCE	COMMISSION ADJUSTMENT	COMMISSION BALANCE
601 SALARIES AND WAGES - EMPLOYEES	0	24,778	24,778
603 SALARIES AND WAGES - OFFICERS	0	4,290	4,290
615 PURCHASED POWER	3,909	157	4,066
618 CHEMICALS	2,128	(1,433)	695
620 MATERIALS AND SUPPLIES	1,389	1,133	2,522
630 CONTRACTUAL SERVICES	5,955	1,382	7,337
650 TRANSPORTATION EXPENSES	1,800	(1,260)	540
655 INSURANCE EXPENSE	0	574	574
665 REGULATORY COMMISSION EXPENSE	0	722	722
675 MISCELLANEOUS EXPENSES	1,006	5,195	6,201
	<u>\$16,187</u>	<u>\$35,538</u>	<u>\$51,725</u>