

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff-) DOCKET NO. 920828-SU
Assisted Rate Case by L.C.M.) ORDER NO. PSC-93-0633-FOF-SU
SEWER AUTHORITY in Lee County.) ISSUED: April 22, 1993
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER GRANTING EMERGENCY TEMPORARY RATES
AND PLACING DOCKET IN MONITOR STATUS

BY THE COMMISSION:

LCM Sewer Authority, Inc. (LCM or utility) is a class C wastewater utility serving approximately 176 residential and 46 multi-residential customers in the Leitner Creek Manor, Forest Creek and Spanish Gardens subdivisions near Bonita Springs in Lee County. The former owner of the utility was Mr. Curtis Tomlinson, who purchased the utility from Manna Christian Missions, Inc. on January 11, 1983, and was granted Certificate No. 352-S (as C.C.T., Inc.) by Order No. 13119, issued March 22, 1984. The utility began service in 1971.

In June 1989, the utility filed an application for a staff-assisted rate case (SARC), in part due to an unauthorized rate increase. By Order No. 22568, issued February 19, 1990, we granted the utility a revenue increase of \$8,596. In addition, by Order No. 22823, issued April 13, 1990, this Commission granted the utility's request to change its certificated name from C.C.T., Inc. to LCM Sewer Authority, Inc.

The utility's operating permit expired in August 1989. During the course of the permit renewal process, the Department of Environmental Regulation (DER) found the utility to be in noncompliance in several areas. In September 1990, DER and the utility entered into a Consent Order, whereby the utility agreed to correct the compliance violations. In July 1991, DER issued the utility a five-year operating permit, with the condition that the utility replace its existing treatment plant with a new treatment plant.

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FPSC-RECORDS/REPORTING

In January 1992, Mr. Tomlinson announced his intention to abandon the utility. In April 1992, the Circuit Court of the Twentieth Judicial Circuit in Lee County (Circuit Court) issued a Final Order appointing Staco, Inc. (Staco) as the court-appointed receiver for the utility. By Order No. PSC-92-0751-FOF-SU, issued August 5, 1992, we acknowledged the appointment of Staco as the receiver for LCM.

In September 1992, the Circuit Court and this Commission received notice from Staco of its intention to withdraw as receiver for LCM. In November 1992, the Circuit Court granted Staco's motion to withdraw as receiver, and subsequently appointed Water Spectrum, Inc. (WSI) as the new receiver of the utility. By Order No. PSC-93-0374-FOF-SU, issued March 9, 1993, this Commission acknowledged WSI as the utility's new receiver.

Staco, the former receiver, filed the application for the instant staff-assisted rate case on behalf of LCM; this application was docketed on July 10, 1992. We selected the test period ended September 30, 1992, which represents five months of utility operations under the receivership of Staco. During that five-month period, the utility booked wastewater system operating revenues of \$18,756 and operating expenses of \$26,214, resulting in a net operating loss of \$7,457. Although the party that requested staff assistance, Staco, is no longer the receiver of the utility, WSI notified us by letter dated December 29, 1992, of its desire to continue the instant staff-assisted rate case.

By letter dated February 19, 1993, WSI requested that the instant case be placed in monitor status, and that the preliminary rates be granted as emergency temporary rates. Although the data contained in our audit represents the operating results of the prior receiver, Staco, we reviewed these results and believe the expenses are representative of the utility's needs, regardless of which receiver is operating the utility.

MONITOR STATUS

As stated previously, the DER issued a Consent Order which addressed numerous violations by the utility, and required that substantial plant improvements be made. WSI, the receiver of the utility, has asked that this case be placed in monitor status for a period of no more than six months in order to allow sufficient

time to obtain signed contracts and financing for the required improvements. WSI has requested that these pro forma improvements be included in rate base when setting final rates. In addition, WSI has waived the 15-month statutory deadline for processing this case. Therefore, based on the foregoing, this docket is hereby placed in monitor status for a period of no more than six months from March 30, 1993.

EMERGENCY TEMPORARY RATES REQUEST

The utility has requested emergency temporary rates. The determination whether emergency temporary rates are appropriate is made on a case-by-case basis. Emergency temporary rates are typically not allowed in SARCs because we usually lack audited data at the time the request for emergency temporary rates is made. However, in this instance, both the audit and the engineering investigation have been completed. In addition, there are substantial plant improvements that must be made. These improvements will have a significant effect both on the quality of service provided by the utility, as well as the final rates granted to this utility.

The final rates are not expected to be in effect for at least another eight months. Based on the audit and our preliminary analysis, the utility operated at a loss during the test year. Therefore, based on the preliminary analysis of the rate base and the operating statement of the utility, we hereby grant WSI's request for emergency temporary rates.

A customer meeting was held on January 28, 1993, at the Leitner Creek Manor Clubhouse in Bonita Springs. Approximately 110 customers attended this meeting. Many of the customers who testified complained about the poor quality of service that the utility provided. The customers also testified about a leaking force main that sprayed raw sewage as well as raw sewage seeping out from under a manhole cover. Customers also commented about the generally poor operations of the utility. The majority of customers expressed an interest in interconnecting with Bonita Springs Utilities (BSU).

The leaking force main was inspected during our field investigation. Although an attempt had been made to repair the leak, raw sewage continued to spray from the leak each time the pump at the adjacent lift station engaged. The Lee County Department of Transportation and Engineering has subsequently

relocated the force main and repaired the leak, and has billed the utility for the cost of the repair.

Prior to Staco being appointed as receiver, raw sewage seeped from a manhole cover when pumps at a lift station failed. The pumps were repaired by Staco, and, although that particular lift station is in need of additional repairs, the seeping sewage incident is considered resolved.

Customer satisfaction appears to be low. The customers who attended the customer meeting were concerned about WSI's ability to bring the utility's operations to an acceptable standard. In fact, the majority of customers expressed a strong desire to interconnect with BSU. However, a representative of BSU indicated that the collection system of the Leitner Creek Mobile Home Park is in poor condition and would require extensive reconstruction before BSU would consider an interconnection.

It is apparent from the general condition of the plant that the quality of service has suffered due to deferred maintenance and overall lack of attention. Although the plant-in-service problems appear to be improving, the quality of service remains deficient. Staco made some of the necessary repairs to the plant, and WSI appears to be interested in bringing the system into compliance with the DER.

Based on the above, we hereby grant WSI's request for emergency temporary rates. We believe these emergency temporary rates are sufficient to both maintain satisfactory utility operations and encourage WSI to remain as receiver of the utility.

PROPER SECURITY

These emergency temporary rates will be effective upon our staff's approval of both the security for refund and a copy of the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of \$3,973. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

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

- 1) The Commission approves the final 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 should 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 should 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 Consentino 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 should 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 should 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 security provided, and the amount of revenues that are subject to refund. After the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

RATE BASE

Our calculation of the appropriate rate base for the purpose of setting emergency temporary rates is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 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.

Depreciable Plant-in-Service

The utility's books reflected a balance of \$163,440 at the beginning of the test period, and \$164,272 at the end of the test period. The beginning balance is consistent with our finding of the appropriate value of utility plant as set forth in Order No. 22568. There have been no plant additions since the last SARC;

therefore, an adjustment of \$832 is necessary to reduce depreciable plant-in-service to its appropriate balance of \$163,440.

Land

By Order No. 22568, land value for the utility was established at \$23,722, and that amount is reflected on the utility's books. There have been no additions to land since that date. Therefore, we find the appropriate amount to include in rate base for land is \$23,722.

Used and Useful

The standard used and useful formulas were applied to the specific parameters of the wastewater plant facilities. A discussion of the used and useful components of the utility's wastewater plant facilities follows.

Wastewater Treatment Plant

The highest five-day average of daily flows during the test period was 61,000 gpd. The wastewater treatment plant has a maximum capacity of 50,000 gallons per day (gpd). Therefore, even without consideration of the margin reserve requirements, we find the wastewater treatment plant is 100 percent used and useful.

Wastewater Collection System

The utility's collection system has a potential capacity of 344 equivalent residential connections (ERCs). During the test period, the utility provided service to 176 ERCs. By the approved formula, LCM's wastewater collection system is considered 54.7 percent used and useful.

WSI asserts that collection lines believed to be located to serve the utility's entire service area in fact do not exist in an area of the Leitner Creek Mobile Home Park. This would reduce the potential capacity to 256 ERCs. This reduced capacity increases the used and useful figure to 70.9 percent.

However, as discussed in Order No. 22568, this Commission held that, based on an analysis of the service area's three subdivisions, no less than 75 percent of the collection system is needed to provide service. Therefore, consistent with our decision in the last staff-assisted rate case regarding the collection

system, the utility's collection system is 75 percent used and useful.

Plant Held for Future Use

We calculated plant held for future use based on the used and useful percentages of plant. We have determined that the wastewater treatment plant is 100 percent used and useful and the wastewater collection system is 75 used and useful. By applying the appropriate nonused and useful percentages to the appropriate plant accounts we find that plant held for future use is \$21,344.

Contributions-in-Aid-of Construction (CIAC)

The utility's CIAC account reflected \$100,579 at the end of the test period. This amount represents a beginning period balance of \$100,079 which is consistent with the balance established in Order No. 22568, added to the appropriate amount of pre-test year additions, including \$500 associated with an addition during the test period. Our end of the period balance matches the balance recorded by the utility. An averaging adjustment of \$250 reduces the average balance to \$100,329. In addition, based on the utility's current service availability charge of \$500 per ERC, an additional \$6,000 was added to this account to reflect the approved margin reserve allowance. Therefore, we find that the appropriate CIAC balance is \$106,329.

Accumulated Depreciation

The utility's books reflected a beginning test period balance of \$66,036. This is consistent with the established balance in Order No. 22568, with the appropriate amount of pre-test year additions. The utility recorded test period additions of \$5,963, which resulted in a test period ending balance of \$71,999. Our test period depreciation expense was calculated in conformity with Rule 25-30.140, Florida Administrative Code, which results in adjustment of \$15 to reduce the amount of test period depreciation expense on the utility's books. The balance has been reduced by an averaging adjustment of \$2,974. Thus, the appropriate accumulated depreciation balance is \$69,010.

Accumulated Amortization of CIAC

The utility's books reflected a beginning test year period balance of \$36,916. Based on the balance pursuant to Order No.

22568, and the appropriate amount of pre-test year additions, we believe the appropriate beginning balance is \$37,833. Thus, we have made an adjustment of \$917 to increase the beginning balance to its appropriate amount.

The utility recorded test period additions of \$3,661, resulting in a test period ending balance of \$40,577. The test year amortization was calculated in conformity with Rule 25-30.140, Florida Administrative Code. We have reduced this amount by \$9 to reflect the amount of test period amortization on the utility's books. The balance has been reduced by an averaging adjustment of \$1,826. Thus, the appropriate accumulated amortization balance of CIAC is \$39,659.

Working Capital Allowance

We find it appropriate to use the formula method in calculating the working capital requirement of this utility; that is, one-eighth of operation and maintenance expenses. In a later section of this Order, we find that the appropriate operation and maintenance expense for emergency temporary rate setting is \$43,475. Therefore, we have included one-eighth of that amount, or \$5,434, in rate base as the utility's working capital allowance.

Test Year Rate Base

Based on the foregoing, we find the appropriate test year rate base for emergency temporary rate setting purposes is \$35,623.

COST OF CAPITAL

The only component in the utility's capital structure is equity that was transferred from the utility's prior owner. In instances when our approved rate base balance is less than the sum of the balances in the utility's capital structure, it is our policy to reduce each component in the capital structure by its weighted share of the excess capital. A pro rata adjustment is necessary in this instance. A discussion of each component of the utility's capital structure and the related pro rata adjustment follows. The capital structure is shown on Schedule No. 2, attached hereto.

Return on Equity

The only component in the utility's capital structure is \$116,000 in stock and a negative \$45,667 in retained earnings that was transferred from the utility's prior owner. The resulting combined balance is \$70,333. The pro rata adjustment results in a \$34,710 reduction to the equity balance. In conformity with Order No. PSC-92-0686-FOF-WS, the appropriate return on equity for utilities with capital structures of 100 percent equity is 10.44 percent.

Cost of Debt

Under the terms and conditions of the receivership order, the new receiver does not assume any debt incurred by prior receivers or owners of the utility. Therefore, the appropriate cost rate for debt is zero percent.

Overall Rate of Return

As a result of the pro rata adjustment discussed above, the capital structure was reconciled to our approved average rate base balance. Since the only component in the capital structure is equity, and the return on equity is 10.44 percent, we find it appropriate that the resulting overall rate of return also be 10.44 percent.

NET OPERATING INCOME

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

The utility recorded revenues during the five-month test period of \$18,756. Based on the number of test year bills and the current rate of \$17.86 per month, we find that the appropriate amount of annualized test year revenues is \$47,204. Therefore, we have made an adjustment of \$28,448 to increase the utility's balance to match our approved balance.

Test Year Operating Expenses

The appropriate amount of test year operating expenses is \$49,054, and the appropriate amount of operating expenses for emergency temporary rate setting purposes is \$49,316.

The components of the utility's operating expenses include O&M expenses, depreciation expense (net of related amortization of CIAC), taxes other than income taxes, and income taxes. For the purpose of the following discussion, all amounts recorded by the utility represent the totals incurred during the five-month period after Staco was appointed as the utility's receiver, but before the utility's operations were taken over by WSI. A summary of the adjustments follows.

Test Period Operating Expenses

Operation and Maintenance Expenses (O&M)

The utility recorded O&M expenses of \$23,111 during the five-month test period. An explanation of the utility's recorded expenses and a summary of the adjustments follows.

1) Sludge Removal - The utility recorded \$1,000 in this account during the five-month period. We find it appropriate to allow the utility \$4,125 for an annual allowance for sludge removal expense. Thus, we have adjusted this amount by \$3,125 to increase the utility's recorded amount to reflect our approved sludge removal balance.

2) Purchased Power - The utility recorded purchased power expense of \$2,367 during the five-month period. We believe a reasonable annual allowance of \$5,623 is appropriate in this instance. Thus, we have increased this amount by \$3,256 to reflect our approved balance.

3) Chemicals - The utility recorded chemical expense of \$478 during the five-month period. We have increased this amount by \$261 to reflect chemicals expense incurred but not yet paid. We believe a reasonable annual allowance for chemical expense is \$2,160. Therefore, we have adjusted this amount by \$1,420 to increase the utility's recorded amount to our approved amount.

4) Materials and Supplies - The utility recorded materials and supplies expense of \$344 during the five-month period. We have adjusted this expense by \$214 to reflect the reclassification of postage expense from miscellaneous expense. In addition, we have made additional allowances of \$786 for postage and \$136 for office supplies. Therefore, we find that the appropriate materials and supplies expense is \$1,480.

5) Contractual Services - The utility recorded contractual services expense of \$13,257 during the five-month period. We have made an adjustment of \$9,624 to reflect expenses incurred but not yet paid. In addition, numerous other adjustments were necessary to reflect annualizations, allowances, disallowances of excessive labor charges, and the removal of unamortized expenses associated with both engineering fees and repairs. Therefore, based on the foregoing, we find the appropriate amount of contractual services to be \$28,654.

6) Transportation Expense - The utility recorded no transportation insurance expense during the five-month period. We find that a reasonable annual allowance for transportation expense is \$1,200.

7) Regulatory Commission Expense - The utility recorded no regulatory commission expense during the test period. The filing fee for the instant rate case is \$150. This expense will be amortized over four years. Thus, the resulting annual expense is \$38.

8) Miscellaneous Expense - The utility recorded \$410 in this account during the five-month period. We have adjusted this account by \$214 to remove misclassified postage expense. We find that the remaining balance is reasonable on an annual basis and that no further adjustments are necessary.

Operation and Maintenance Expenses Summary

Therefore, based on the foregoing, we find that the appropriate annual operation and maintenance expense to be \$43,475.

Depreciation Expense (Net of Amortization of CIAC)

Applying the prescribed depreciation rates in Rule 25-30.140, Florida Administrative Code, to the appropriate used and useful

plant-in-service account balance results in depreciation expense net of amortization of CIAC of \$1,862.

Taxes Other Than Income Taxes

The utility recorded \$1,944 of taxes other than income taxes during the five-month test period. This amount was based on property taxes paid during the year. This expense was reduced by \$351 to reflect the disallowance of taxes associated with nonused and useful plant. This amount was increased by \$2,124 to reflect the regulatory assessment fees associated with our allowed amount of test year revenues. Therefore, based on the foregoing, we find that the appropriate amount for taxes other than income taxes is \$3,717.

Income Tax Expense

The utility is an 1120 corporation. Although the utility would be expected to pay income taxes, there are sufficient operating loss carryforwards to eliminate income tax expense for the next few years. Therefore, we have not included an allowance for income tax expense in this instance.

Increases in Operating Expenses
for Emergency Temporary Rate Setting Purposes

Taxes Other Than Income Taxes

We have increased this expense by an additional \$262 to reflect the regulatory assessment fees of 4.5 percent to be paid resulting from the revenue increase approved herein.

Operating Expenses Summary

The application of required adjustments to the utility's test year operating expenses, plus the increases in operating expenses for emergency temporary rate setting purposes, results in operating expenses of \$49,316.

EMERGENCY TEMPORARY REVENUE REQUIREMENT

We find that the appropriate emergency temporary revenue requirement is \$53,035 or an increase of 12.4 percent. This revenue requirement will allow the utility the opportunity to

recover its operating expenses and earn a 10.44 percent return on its investment.

EMERGENCY TEMPORARY RATES

The preferred rate structure is the base facility/gallorage charge structure (BFC), because this structure allows the utility to more accurately track its costs and allows the customers to have some control over their wastewater bills. However, several of the utility's customers obtain their water from private wells, thereby making the calculation of rates based on water consumption impractical. As a result, consistent with our decision in the utility's last SARC, we find that the flat rate structure should be retained.

The emergency temporary flat monthly rates set forth below are calculated by dividing our emergency temporary revenue requirement of \$53,035 by 222 customers divided by 12 months. This results in a flat monthly rate of \$19.91 per ERC. The utility's current rates and the emergency temporary rates which we have approved herein are set forth below for comparison.

MONTHLY FLAT RATES - WASTEWATER

	<u>Current Rates</u>	<u>Commission Approved Emergency Temporary Rates</u>
Residential	\$ 17.86	\$ 19.91
Multi-Residential (per living unit)	\$ 17.86	\$ 19.91

The flat monthly rates approved above shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein, that the proper security for refund has been provided, and that the proposed customer notice is adequate.

Regardless of whether the utility has obtained signed contracts for the mandated plant improvements by the end of the monitor period, our staff will return with a final recommendation regarding both the appropriate permanent rates and any appropriate

refund. The final recommendation will be presented to the Commission within four months of the utility's submission of the signed contracts, but in no event later than ten months from March 30, 1993.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of L.C.M. Sewer Authority, Inc. for an increase in its wastewater rates in Lee County is hereby placed in monitor status for a period of no more than six months from March 30, 1993. It is further

ORDERED by the Florida Public Service Commission that L.C.M. Sewer Authority, Inc.'s request to implement emergency temporary 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

ORDERED that all matters contained in the body of this Order and in schedules attached hereto are by reference incorporated herein. It is further

ORDERED that L.C.M. Sewer Authority, Inc. is authorized to charge the emergency temporary charges set forth in the body of this Order. It is further

ORDERED that prior to its implementation of the emergency rates approved herein, L.C.M. Sewer Authority, Inc. shall submit and have approved a proposed notice to its customers of the emergency rates and the reasons therefor. The notice will be approved upon our Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the emergency rates approved herein, L.C.M. Sewer Authority, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our Staff's verification that the pages are consistent with our decision herein. It is further

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ORDERED that prior to its implementation of the emergency rates approved herein, L.C.M. Sewer Authority, Inc. shall submit and have approved a bond or letter of credit in the amount of \$3,973 or an escrow agreement as a guarantee of any potential refund of these emergency temporary rates. Also, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund.

By ORDER of the Florida Public Service Commission this 22nd day of April, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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by: Kay Flynn
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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial

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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. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

LCM SEWER AUTHORITY, INC.
 DOCKET NO. 920828-SU
 TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 1
 RATE BASE

Account Title *****	Balance per Utility *****	Commission Adjustments to Utility Balance *****		Balance per Commission *****
Depreciable Plant in Service	\$164,272	(\$832)	A	\$163,440
Land/Nondepreciable Assets	23,772	0		23,772
Plant Held for Future Use	0	(21,344)	B	(21,344)
Contributions in Aid of Construction	(100,579)	(5,750)	C	(106,329)
Acquisition Adjustment	0	0		0
Accumulated Depreciation	(71,999)	2,989	D	(69,010)
Accumulated Amortization of CIAC	40,577	(918)	E	39,659
Accumulated Amort of Acquisition Adjust	0	0		0
Working Capital Allowance	0	5,434	F	5,434
RATE BASE	----- \$56,043 -----	----- (\$20,420) -----		----- \$35,623 -----

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LCM SEWER AUTHORITY, INC.
DOCKET NO. 920828-SU
TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 1A
ADJUSTMENTS TO
RATE BASE
PAGE 1 OF 2

A. DEPRECIABLE PLANT IN SERVICE:

1. Remove improperly recorded item (832)

B. PLANT HELD FOR FUTURE USE (PHFU):

1. Average PHFU (33,810)

2. Accumulated depreciation associated
with PHFU 12,466

Subtotal (21,344)

C. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC):

1. Averaging adjustment 250

2. Allowance for margin reserve (6,000)

Subtotal (5,750)

D. ACCUMULATED DEPRECIATION:

1. Adjustment that results in the appropriate
amount of depreciation expense for emergency
temporary rates 15

2. Averaging adjustment 2,974

Subtotal 2,989

E. ACCUMULATED AMORTIZATION OF CIAC:

1. Adjustment to reflect the appropriate balance
at the beginning of the test year 917

2. Adjustment that results in the appropriate
amount of amortization of CIAC for emergency
temporary rates (9)

3. Averaging adjustment (1,826)

Subtotal (918)

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LCM SEWER AUTHORITY, INC.
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TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 1A
ADJUSTMENTS TO
RATE BASE
PAGE 2 OF 2

F. WORKING CAPITAL ALLOWANCE:

- 1. Working capital allowance based on
one-eighth of O&M expenses

5,434

TOTAL ADJUSTMENTS:

(20,421)

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LCM SEWER AUTHORITY, INC.
 DOCKET NO. 920828-SU
 TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 2
 COST OF CAPITAL

Component	Balance Per Utility	Commission Adjustments to Utility Balance	Adjusted Balance	Pro Rata Adjustments	Balance per Commission	Percent of Total	Weighted Cost	Weighted Cost
=====	=====	=====	=====	=====	=====	=====	=====	=====
Equity	\$70,333	\$0	\$70,333	(\$34,710)	\$35,623	100.00%	10.44%	10.44%
Debt	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL	----- \$70,333	----- \$0	----- \$70,333	----- (\$34,710)	----- \$35,623	----- 100.00%	----- 10.44%	----- 10.44%

Zones of Reasonableness:

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	Low	High
	=====	=====
Equity	9.44%	11.44%
Debt	9.44%	11.44%

LCM SEWER AUTHORITY, INC.
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 TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 3
 OPERATING INCOME
 WASTEWATER

	Balance Per Utility =====	Commission Adjustments to Utility Balance =====		Balance per Commission =====	Commission Adjustments for Increase =====		Emergency Temporary Rate Setting Balance per Commission =====
Operating Revenues	\$18,756	\$28,448	A	\$47,204	\$5,832	E	\$53,035
Operating Expenses:							

Operation and Maintenance	\$23,111	\$20,364	B	\$43,475	\$0		\$43,475
Depreciation	1,158	704	C	1,862	0		1,862
Amortization	0	0		0	0		0
Taxes Other Than Income	1,944	1,773	D	3,717	262	F	3,980
Income Taxes	0	0		0	0		0

Total Operating Expenses	\$26,213	\$22,841		\$49,054	\$262		\$49,316

Operating Income (Loss)	(\$7,457)			(\$1,850)	\$5,569		\$3,719
Rate Base	\$56,043			\$35,623			\$35,623
Rate of Return	-13.31%			-5.19%			10.44%

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LCM SEWER AUTHORITY, INC.
DOCKET NO. 920828-SU
TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 1 OF 3

A. OPERATING REVENUES

1. Adjustment to reflect the test year receipts	27,068
2. Annualization of price index rate adjustment	1,380

TOTAL REVENUE ADJUSTMENTS:	28,448
	=====

B. OPERATION AND MAINTENANCE EXPENSES:

1. Sludge Removal Expense:	
1. Adjustment to reflect Commission's approved annual allowance	3,125
2. Purchased Power Expense:	
1. Adjustment to reflect annualization of expense	3,256
3. Chemicals Expense:	
1. Record expense incurred but not yet paid	261
2. Adjustment to reflect Commission's approved annual allowance	1,420

Subtotal	1,682
4. Materials and Supplies Expense:	
1. Reclassify postage from miscellaneous expense	214
2. Additional allowance for postage	786
3. Additional allowance for office supplies	136

Subtotal	1,136

LCM SEWER AUTHORITY, INC.
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SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 2 OF 3

5. Contractual Services Expense:	
1. Record expenses incurred but not yet paid	9,624
2. Remove unamortized portion of expense associated with temporary operating permit	(600)
3. Remove unamortized portion of expense associated with temporary operating permit	(960)
4. Annualization of contract operator's fee	6,650
5. Annualization of management fee	10,500
6. Remove disallowed portion of contract operator's fee	(3,600)
7. Adjustment to reflect Commission's approved allowance for management fee	(5,260)
8. Adjustment to reflect annual allowance for grounds keeping as approved by the Commission	520
9. Adjustment to reflect annual allowance for lab testing fees as approved by the Commission	360
10. Disallowance of excess contract labor charges	(240)
11. Remove unamortized portion of repairs expense amortized over a two-year period	(1,597)

Subtotal	15,397
6. Transportation Expense	
1. Commission's approved annual allowance	1,200
7. Regulatory Commission Expense:	
1. To amortize the rate case filing fee in the instant case	38
8. Miscellaneous Expense:	
1. Reclassify postage expense to materials and supplies expense	(214)

TOTAL O&M ADJUSTMENTS:	25,620
	=====

LCM SEWER AUTHORITY, INC.
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TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 3 OF 3

C. DEPRECIATION EXPENSE:

1. To remove test year depreciation expense recorded by the utility	(1,158)
2. To reflect Commission's approved used and useful depreciation expense	4,853
3. To reflect Commission's approved used and useful amortization of CIAC	(2,991)

TOTAL DEPRECIATION EXPENSE ADJUSTMENTS:	704
=====	

E. TAXES OTHER THAN INCOME TAXES (TOIT):

1. Disallowance of property tax associated with nonused and useful plant	(351)
2. Regulatory assessment fees based on Commission's approved amount of test year revenues	2,124

TOTAL TOIT EXPENSE ADJUSTMENTS:	1,773
=====	

F. OPERATING REVENUES:

1. To reflect Commission's approved revenue requirement increase	5,832

G. TAXES OTHER THAN FEDERAL INCOME TAXES:

1. To reflect increase in regulatory assessment fees associated with Commission's approved increase in revenue requirement	262

LCM SEWER AUTHORITY, INC.
 DOCKET NO. 920828-SU
 TEST YEAR ENDED SEPTEMBER 30, 1992

SCHEDULE NO. 38
 DETAIL OF OPERATION AND
 MAINTENANCE EXPENSES

----- Account ----- No. Description === =====	Balance per Utility =====	Commission Adjustments =====		Balance per Commission =====
701 Salaries and Wages - Employees	\$0	\$0		\$0
703 Salaries and Wages - Officers	0	0		0
704 Employee Pensions and Benefits	0	0		0
710 Purchased Sewage Treatment	0	0		0
711 Sludge Removal Expense	1,000	3,125	1	4,125
715 Purchased Power	2,367	3,256	2	5,623
716 Fuel for Power Production	0	0		0
718 Chemicals	478	1,682	3	2,160
720 Materials and Supplies	344	1,136	4	1,480
730 Contractual Services	13,257	15,397	5	28,654
740 Rents	0	0		0
750 Transportation Expenses	0	1,200	6	1,200
755 Insurance Expense	0	0		0
765 Regulatory Commission Expense	0	38	7	38
770 Bad Debt Expense	0	0		0
775 Miscellaneous Expenses	410	(214)	8	195
TOTAL OPERATION AND MAINTENANCE EXPENSES	\$17,855	\$25,620		\$43,475
	=====	=====		=====