

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of FLORALINO)	DOCKET NO. 880747-WU
PROPERTIES, INC. for staff-assisted)	ORDER NO. 20653
rate case in Pasco County.)	ISSUED: 1-24-89

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 GERALD L. GUNTER
 JOHN T. HERNDON

FINAL ORDER SETTING TEMPORARY
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission of its intent to grant increased water rates and charges, pursuant to Section 367.081, Florida Statutes, to Floralino Properties, Inc. (Floralino), a utility subject to this Commission's jurisdiction, providing service to the public in Pasco County. The actions discussed herein, pertaining to approval of increased final rates and revised service availability and miscellaneous service charges, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Florida Administrative Code Rule 25-22.029. By this order, the Commission also authorizes temporary rates in the event that a person other than this utility files a protest of the Proposed Agency Action.

CASE BACKGROUND

We acquired jurisdiction over Floralino and other privately-owned water and sewer utilities in Pasco County through a resolution of the Board of County Commissioners of Pasco County dated July 11, 1972. We acknowledged that resolution in Order No. 5488, issued July 19, 1972. In Order No. 5846, issued September 11, 1973, we granted Floralino Certificate No. 153-W.

Floralino provides water service to a small commercial area and to three adjoining subdivisions, Eastwood, Colonial Manor, and Colonial Manor Annex. The utility has been in business since 1964. It presently services 698 residential connections and 19 commercial connections. Floralino is owned by Mr. Anthony Tubolino.

Floralino's present rates were established in Order No. 17907, issued in Docket No. 861406 on July 27, 1987. The utility applied for this staff-assisted rate case on

DOCUMENT NUMBER-DATE

00867 JAN 24 1989

FPSC-RECORDS/REPORTING

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May 31, 1988. The request for staff-assistance was approved. The staff engineer's report was filed on September 29, 1988, and the staff auditor's report was filed on October 7, 1988.

The utility's expenses, investment, and number of customers have not changed significantly since its last rate case, which was also staff-assisted. However, because the utility then had poor billing records, the present rates were calculated based on estimated water consumption. Since then, the utility has kept better records. The increased rates we set in this case are based on actual water consumption, which has proved to be higher than was estimated in the last rate case.

CUSTOMER MEETING

Our staff held a meeting at the Colonial Manor Civic Association on November 21, 1988 in order to solicit the testimony of Floralino's customers as to quality of service and other issues. Approximately 105 customers attended and 17 customers testified. The customer concerns expressed at that meeting are treated in the appropriate subject sections of this order.

QUALITY OF SERVICE

At the customer meeting, Floralino customers raised several criticisms of the utility's quality of service. Follow-up investigation by our staff has allowed us to evaluate those criticisms.

Two customers complained of traces of oil in their water. When our staff engineer visited the residence of one of those customers, no oil residue could be detected. It seems that it had been several months since the problem had last been noted, and apparently the problem has passed or been corrected.

Three customers complained of a rotten eggs odor, which is commonly associated with hydrogen sulphide gas. It appears that a majority of Floralino's customers in attendance at the meeting have at some time noticed such an odor.

Hydrogen sulphide gas is commonly found in Florida's ground water. It is usually controlled through aeration or increased chlorination. We do not consider hydrogen sulphide to be a serious problem for this utility. Some customers will notice the odor more than others, however, so individual perceptions will differ. The utility is aware of the problem and controls it principally through chlorination. Further control measures are viewed as not cost-effective for this utility system.

Three of Floralino's customers complained about low water pressure. We view this problem as limited in extent, not system-wide. We have already instructed the utility to investigate the pressure complaints. We do not believe that further action by us is necessary at this time.

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One customer complained about an accumulation of trash and the lack of mowing at one of Floralino's treatment plants. We have instructed the utility to remove any trash and unnecessary materials from its plant sites and to keep them mowed.

Another customer complained about noise which she believed was coming through the water pipes. Our staff engineer was unable to determine the source of this problem. However, it is unlikely that the problem is related to the utility system.

Prior inspections of Floralino's plant have not uncovered any substantial problems. It appears that Floralino's facilities are being properly operated and maintained. Recent test results show that the utility is within the standards prescribed by the Florida Department of Environmental Regulation.

There are some aspects of Floralino's customer relations which require remedial action. They are Floralino's reluctance to accept its maintenance obligations where the customer meters are located at the side of the customer's house, and Floralino's poor response to customer complaints.

The utility must accept its responsibility for maintenance of service lines up to and including the meter, meter control valves, and meter box. Normally, water meters are located in the ground at or near the customer's property line. However, at Colonial Manor Annex, the water meters are located at the sides of the customers' houses. There is no violation of law or rule in that practice, there are some problems with it. In some instances, there have been difficulties with access for meter reading due to fences, shrubbery, and pets. There have also been disputes between the utility and its customers over the division of responsibility for leaking valves and lines.

Rule 25-30.230(1), Florida Administrative Code, provides a clear division of maintenance responsibilities between utilities and their customers. The utility is responsible for the service line up to and including the service control valve, meter, and meter box. Although the normal arrangement is to locate those elements near the customer's property line, these maintenance obligations apply even when the meter box is at the side of a customer's house.

The utility must accept that obligation and make repairs and replacements as the rule provides even when the meter facilities are at the side of the customer's house. The utility is also responsible for any consequential damages caused by water leaks or by its repairs. In order to avoid the problems associated with meters at the sides of customers' houses, the utility can relocate those meters to the customers' property lines.

Our other concern is Floralino's poor response to customer complaints. It is a long-distance telephone call from the utility's service area to its business office. At the customer meeting, five of the seventeen customers complained of the utility's slowness to respond to their telephone calls. Several spoke of having to make repeated long-distance

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telephone calls before getting a return call from the utility.

We have investigated and rejected toll-free call options for the customers as too expensive. However, we will require Floralino to promptly respond to telephone calls from its customers. We will also specifically require the utility to maintain a detailed customer complaint log as Rule 25-30.130, Florida Administrative Code, requires. The utility has not been meeting that obligation.

Overall, we consider Floralino to be providing satisfactory service. We do recognize though, that a substantial portion of Floralino's customers, in fact, a majority of those attending the customer meeting, use bottled water for drinking and cooking.

RATE BASE

Floralino's rate base is stated on Schedules Nos. 1(a) and 1(b), which are attached to this order. The major adjustments are discussed below.

Used And Useful

Based on American Water Works Association standards, with allowance for fire flows, the capacity of Floralino's plant does not meet existing demand. The water treatment plant is therefore 100% used and useful. Since the utility's service area is considered fully built-out, the distribution system is also 100% used and useful. No margin reserve was allowed since no further growth is expected.

We find the Floralino water system to be 100% used and useful. Our calculations are stated in detail on Schedules Nos. 4(a) and 4(b).

Plant-In-Service

In the last rate case, we found Floralino's plant-in-service to be \$267,408. However, the utility did not enter that adjustment on its books. We have therefore made that adjustment as part of our plant-in-service calculations in this proceeding. The 3.69% depreciation rate established in the last rate case was used here as well.

Included in the expenses allowed in the last rate case was an allowance of \$3,900 for a meter replacement program. That allowance was based on the utility replacing 60 meters annually. In fact, since the last rate case, the utility has added \$14,088 in plant, including \$9,873 for 148 meters. We have made an adjustment which reflects those additions and which reflects \$3,250 to expense meters installed under the meter replacement program. The \$3,250 expense entry was calculated by multiplying the replacement allowance of \$3,900 by 10/12, which makes provision for the ten months during which the present rates have been in effect.

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Based on those calculations, we find the appropriate entry for plant-in-service to be \$270,951.

Contributions-In-Aid-Of-Construction (CIAC)

In Floralino's last rate case, CIAC was found to be \$173,559. As with plant-in-service, the utility did not record any CIAC on its books. We have therefore made an adjustment in this proceeding to properly record CIAC, and to update and record accumulated amortization of CIAC. Since the utility has not experienced any growth since the last rate case, the amount of CIAC has not changed since then. We therefore find that the appropriate amount of CIAC is \$173,559.

Working Capital

Our policy is to use the balance sheet approach for calculating working capital. Floralino is of sufficient size to have the records needed to support the balance sheet approach. However, it did not maintain its books and records in compliance with the NARUC Uniform System of Accounts during part of the test year period. Nor was accrual accounting used during the test period. Since the utility's records are not adequate to support calculation of a working capital allowance, we find that none should be allowed here. Since the utility began using the NARUC Uniform System of Accounts after January, 1988, no remedial action is required by us in order to bring it into compliance.

Summary of Rate Base

Other than the adjustment for plant additions, calculation of rate base consisted of updating the amounts which were arrived at in the last rate case and including adjustments for 13 month averages. We find the appropriate test year rate base to be \$67,003.

COST OF CAPITAL

Return on Equity

In Order No. 19718, issued July 26, 1988, we established the leverage formula to be used in calculating returns on equity for water and sewer utilities. The leverage formula may be used in cases where the utility does not present evidence on its rate of return on common equity. It is our standard practice to use this formula in staff-assisted rate proceedings. Based on that leverage formula, we calculate Floralino's cost of equity to be 12.13%.

Overall Rate Of Return

Schedule No. 2 summarizes our calculation of Floralino's overall rate of return. The utility listed debt in the amount of \$31,020, which it attributed to salary payable to the owner.

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However, that debt was not based on an arm's length transaction and should not be considered a true outside source of capital. As we did in the last rate case, we have treated that debt as shareholder equity. Our calculations result in 10.77% as the overall rate of return.

OPERATING REVENUES

Floralino's books stated test year revenue to be \$91,972. However, that amount included non-utility revenue and, based as it was on cash rather than accrual accounting, included more than 12 months of collections. The utility's revenue has therefore been reduced by \$12,314 in order to correspond with our test year billing analysis.

That analysis showed that Floralino had 8,799 factored ERCs (Equivalent Residential Connection) or their billing equivalents and sold 46,289,000 gallons of water. In the last rate case, in the absence of proper billing records, we used a similar analysis (9,288 factored ERCs and 55,645,000 gallons sold) to calculate the present rates. When those rates are matched with the current billing analysis, the result is test year revenues of \$79,658, which we find to be the appropriate calculation of operating revenues.

OPERATING AND MAINTENANCE EXPENSES

Schedule No. 3(c) reflects our adjustments to Floralino's operating and maintenance expenses. The beginning balances already incorporate adjustments made in order to reclassify expenses and to remove those expenses which should be capitalized. The schedule reflects adjustments to remove undocumented expenses and to allocate expenses to the utility. In addition, \$3,900 was included in maintenance expense for the continuing expense of replacing meters at the rate of five per month.

Floralino's owner has disagreed by letter with our allowances here for salaries of \$11,986 for employees and \$21,096 for officers. However, we believe those allowances to be correct. They are based on the allowances made in the last rate case and on the audited amounts paid for those purposes during the test year. We find \$71,859 to be the appropriate allowance for operating and maintenance expense.

REVENUE REQUIREMENT

The revenue requirement is the total of the recommended allowances for operating expenses, depreciation, taxes other than income, and net operating income. The revenue requirement is the basis for calculation of the utility's rates. Based on our previous adjustments, we find the appropriate revenue requirement to be \$91,065.

Floralino's owner alleges by letter that the rates we have set here will not produce the revenue requirement. We disagree. Test year revenue was adjusted according to present

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rates and a billing analysis of the utility's records. The utility's prior revenue shortfalls have not been due to inadequate rates, but to poor billing records and practices and due to non-functioning meters. Those problems and their adverse impact on revenues are the utility's responsibility and burden.

RATES AND RATE STRUCTURE

The present base facility charge rate structure is retained in the new rates. The new rates are calculated at a level which will allow the utility the opportunity to recover its expenses of \$83,849 and to earn a 10.77% return on its investment.

The present and approved new rates are shown below for comparison.

PRESENT

RESIDENTIAL AND GENERAL SERVICE

BASE FACILITY CHARGE

<u>Meter Size</u>	<u>Monthly*</u>	<u>Bi-monthly*</u>
5/8" x 3/4"	\$ 4.94	\$ 9.88
1"	12.35	24.70
1 1/2"	24.70	49.40
2"	39.52	79.04
3"	74.10	148.20
4"	123.50	247.00
6"	247.00	494.00
Gallage Charge per 1000 Gallons	\$ 0.73	\$ 0.73

*General service customers will be billed monthly and residential customers will be billed bi-monthly.

APPROVED NEW

RESIDENTIAL AND GENERAL SERVICE

BASE FACILITY CHARGE

<u>Meter Size</u>	<u>Monthly*</u>	<u>Bi-monthly*</u>
5/8" x 3/4"	\$ 4.91	\$ 9.83
1"	12.28	24.56
1 1/2"	24.56	49.13
2"	39.30	78.61
3"	78.61	157.52
4"	122.82	245.65
6"	245.65	491.30

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Gallage Charge per 1000 Gallons	\$ 0.97	0.97
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*General service customers will be billed monthly and residential customers will be billed bi-monthly.

PRIVATE FIRE PROTECTION

	<u>Present</u>	<u>Approved New</u>
Monthly Charge per Hydrant:	\$100.00	\$114.00

We establish the new rates and charges as fair and reasonable. Assuming that there is no protest, these new rates will become effective for service rendered on or after the stamped approval date of the revised tariff sheets and the utility's compliance with the requirements of this order as to customer notification.

SERVICE AVAILABILITY CHARGES

Floralino's present level of Contributions-In-Aid-Of-Construction is within the guidelines of Rule 25-30.580, Florida Administrative Code. The utility has had little change in its investment in plant or in the number of customers. The present service availability charges are therefore continued. Those charges are:

<u>SERVICE AVAILABILITY</u>	<u>CHARGE</u>
Customer Connection:	Actual Cost
Plant Capacity Charge, per ERC (1 ERC = 200 Gallons Per Day):	\$ 120.00

The customer connection charge includes the cost of the meter, meter box, lateral, parts, and labor to complete the new initial service connection.

RATES IF PROTESTED

This order proposes an increase in water rates. Without a provision for interim rates, a timely protest could delay 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 of a timely protest filed by anyone other than the utility, the utility is authorized to collect the rates proposed herein subject to refund, provided that the utility furnishes security for such a potential refund. The security should be in the form of a bond or letter of credit in the amount of \$1,500, or an escrow agreement. Alternatively, the utility may establish an escrow account with an independent financial institution pursuant to a written agreement. If this alternative is chosen, all revenue collected under the rate increase will be subject to escrow. Any withdrawals of funds from this escrow account shall be

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subject to the prior approval of this Commission through the Director of Records and Reporting. Should any refund ultimately be required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

If these temporary rates should become operative, the utility shall keep an accurate account of all monies collected pursuant to the rate increase, specifying each amount paid, and in whose behalf the amounts were paid. The utility shall file a report, no later than the 20th day of each month the interim rates are in effect, showing the amount of revenue collected as a result of the temporary rates and the amount of revenue that would have been collected under the old rates. This portion of the order is not issued as proposed agency action.

In event that there is no protest to this order, a consummating order will be issued indicating that the proposed agency action has become final and effective and that the docket is to be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Floralino Properties, Inc. for a staff assisted rate case is granted, as set out in the body of this order. It is further

ORDERED that, the provisions of this order, issued as proposed agency action, shall become final unless an appropriate petition, in the form prescribed by Florida Administrative Code Rule 25-22.036, is received by the Director, Division of Records and Reporting at his office, located at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 14, 1989. It is further

ORDERED that, in the event that this order becomes final, the utility shall implement the rates and charges set forth and approved herein after the effective date of this order, and that such rates and charges shall be effective for meter readings taken on or after the stamped approval date of the new tariff sheets. It is further

ORDERED that, in the event this order becomes final, the utility shall notify each affected customer of the increased rates and approved miscellaneous service charges and explain the reasons for such increased rates and approved charges. The form of this notice shall be submitted to this Commission for prior approval. It is further

ORDERED that, after February 14, 1989, this Commission shall issue either a notice of further proceedings or an order acknowledging that the provisions of this order have become final if all conditions have been satisfied. 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 rates herein approved under the terms and conditions set forth in the body of this order. This

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portion of the order is not issued as proposed agency action.
 It is further

ORDERED that, in the event that this order becomes final,
 this docket shall be closed.

By ORDER of the Florida Public Service Commission,
 this 24th day of JANUARY, 1989.


 STEVE TRIBBLE, Director
 Division of Records and Reporting

(S E A L)

KJM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action granting increased water rates 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 his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 14, 1989. In the absence of such a petition, this order shall become effective February 15, 1989, 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 on February 15, 1989, 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

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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 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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FIORALINO PROPERTIES, INC.
 WATER RATE BASE
 TEST YEAR ENDED 6/30/88

SCHEDULE NO. i(a)
 DOCKET NO. 880747-SU

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
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UTILITY PLANT IN SERVICE	\$ 121,016	\$ 149,935	\$ 270,951
LAND/NON-DEPRECIABLE ASSETS	16,272	0	16,272
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	0	0	0
C.V.I.P.	0	0	0
C.I.A.C.	0	(173,559)	(173,559)
ACCUMULATED DEPRECIATION	(94,299)	(46,059)	(140,358)
AMORTIZATION OF ACQ. ADJ.	0	0	0
AMORTIZATION OF C.I.A.C.	0	93,697	93,697
WORKING CAPITAL ALLOWANCE	0	0	0
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RATE BASE	\$ 42,989	\$ 24,014	\$ 67,003
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SCHEDULE NO. 1(b)

FLORALINO PROPERTIES, INC.
 TEST YEAR ENDING 6/30/88
 ADJUSTMENTS TO RATE BASE

	WATER

1. UTILITY PLANT IN SERVICE	
a.) Agrees plant to last order	\$146,392
b.) Adds plant additions since last rate case	14,088
c.) Removes expensed meters	(3,250)
d.) Reflects 13 month average	(7,295)

TOTAL ADJUSTMENT	\$149,935

2. CONTRIBUTIONS IN AID OF CONSTRUCTION	
Agrees CIAC to last order and reflects 13 month average	(173,559)

3.) ACCUMULATED DEPRECIATION	
a.) Agrees accumulated depreciation to last order	(35,242)
b.) Updates accumulated depreciation since last order	(15,914)
c.) Reflects 13 month average	5,097

TOTAL ADJUSTMENT	(\$46,059)

4.) ACCUMULATED AMORTIZATION - CIAC	
a.) Agrees accumulated amortization to last order	86,759
b.) Updates accumulated amortization since last case	10,140
c.) Reflects 13 month average	(3,202)

TOTAL ADJUSTMENT	\$93,697

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FLORALINO PROPERTIES, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED 6/30/88

SCHEDULE NO. 2
 DOCKET NO. 880747-SU

	TEST YEAR BALANCES	COMMISSION ADJUSTMENTS TO BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	\$31,020	(\$31,020)	\$0	0.00%	11.41%	0.00%
SHORT TERM DEBT	0	0	\$0	0.00%	0.00%	0.00%
COMMON EQUITY	21,107	31,020	\$52,127	77.80%	12.13%	9.44%
CUSTOMER DEPOSITS	14,876	0	\$14,876	22.20%	6.00%	1.33%
TOTAL	\$67,003	\$0	\$67,003	100.00%		10.77%

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FLORALINO PROPERTIES, INC.
WATER OPERATING STATEMENT
TEST YEAR ENDING 6/30/88

SCHEDULE NO. 3(a)
DOCKET NO. 880747-SU

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$91,972	(\$12,314)	\$79,658	\$11,407	\$91,065
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	59,378	12,481	71,859	0	71,859
DEPRECIATION	0	4,344	4,344	0	4,344
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	1,471	5,889	7,360	286	7,646
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$60,849	\$22,714	\$83,563	\$286	\$83,849
OPERATING INCOME/(LOSS)	\$31,123	(\$35,028)	(\$3,905)	\$11,121	\$7,216
RATE BASE	\$42,989		\$67,003		\$67,003
RATE OF RETURN	72.40%		-5.83%		10.77%

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SCHEDULE NO. 3(b)

FLORALINO PROPERTIES, INC.
 TEST YEAR ENDING 6/30/88
 ADJUSTMENTS TO OPERATING STATEMENT

	WATER

1. OPERATING REVENUE	
Reflects present rates and billing analysis	(\$12,314)

2. OPERATING EXPENSES	
a.) Annualize employee's salaries and include unposted paycheck	3,911
b.) Annualize officer's salary	10,996
c.) Annualize cost of emergency interconnect with Pasco County	752
d.) Accrues purchased power expense	(169)
e.) Removes out-of-period and undocumented expense; includes unposted expense, and includes meter replacement expense per staff engineer	1,965
f.) Annualize meter reading expense	(360)
g.) Removes out-of-period and non-utility expenses	(336)
h.) Allocates office rent to the utility	(1,729)
i.) Removes undocumented transportation expense	(316)
j.) Allocates office expense to the utility, includes unposted expense and removes undocumented expense	(1,767)
k.) Allocates telephone expense to the utility	(468)

TOTAL ADJUSTMENT	\$12,481

3. DEPRECIATION	
Includes depreciation at a 4.46% rate	\$4,344

4. TAXES OTHER THAN INCOME	
a.) Includes payroll taxes for salaries	3,306
b.) Reflects ad valorem taxes for test year	1,363
c.) Matches Regulatory Assessment Fees to annualized revenue	1,160

	5,889

5. OPERATING REVENUE	
Revenue increase to allow a 10.77% return	\$11,407

6. TAXES OTHER THAN INCOME	
Matches Regulatory Assessment Fees to recommended revenue	\$286

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FLORALINO PROPERTIES, INC.
WATER O & M EXPENSES
TEST YEAR ENDS 6/30/88

SCHEDULE NO. 3(C)
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ACCOUNT NO.	ACCOUNT TITLE	UTILITY BALANCE	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
601	SALARIES & WAGES - EMPLOYEES	\$8,075	\$3,911	\$11,986
603	SALARIES & WAGES - OFFICERS	10,100	10,996	21,096
604	EMPLOYEE PENSIONS AND BENEFITS	2,045	0	2,045
610	PURCHASED WATER	2,432	752	3,185
615	POWER PURCHASED	4,538	(169)	4,369
618	CHEMICAL EXPENSE	225	0	225
620.1	WATER SYSTEM MAINTENANCE	16,581	1,965	18,546
620.2	METER READING EXPENSE	960	(360)	600
630	CONTRACTUAL SERVICES	2,597	(336)	2,261
640	RENT	3,477	(1,729)	1,748
650	TRANSPORTATION	1,069	(316)	753
655	INSURANCE	886	0	886
675.1	BILLING & POSTAGE	1,513	0	1,513
675.2	DUES & SUBSCRIPTIONS	232	0	232
675.3	OFFICE EXPENSE	3,133	(1,767)	1,366
675.4	TELEPHONE EXPENSE	1,516	(468)	1,048
	TOTAL O & M EXPENSES	\$59,378	\$12,481	\$71,859