

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of ALLEN LaFORTUNE) DOCKET NO. 881601-WU
 and OTIS FONDER for a staff-assisted) ORDER NO. 21652
 rate case in Pasco County) ISSUED: 8-2-89
)

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 JOHN T. HERNDON

ORDER SETTING TEMPORARY WATER RATE
 IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER SETTING FINAL WATER RATE AND CHARGES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission of its intent to grant increased water rates, pursuant to Section 367.081, Florida Statutes, to Allen LaFortune and Otis Fonder, a utility subject to this Commission's jurisdiction, providing service to the public in Pasco County. The actions discussed herein pertaining to approval of an increased final rate and revised 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 Rule 25-22.029, Florida Administrative Code. By this Order, the Commission also authorized a temporary rate in the event that a person other than this utility files a protest to the Proposed Agency Action portion of this Order.

BACKGROUND

Allen LaFortune and Otis Fonder (utility) is a water utility company which provides water service to 116 residents of Tropical Trailer Park in Zephyrhills, Florida. The utility began service in about 1963. The current owners purchased the utility on January 30, 1987, and operate such as a partnership.

DOCUMENT NUMBER-DATE
 07796 AUG-2 1989
 FPSC-RECORDS/REPORTING

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On December 28, 1988, the utility filed a request for a staff-assisted rate case. The application was approved on January 27, 1989. The test year selected was the projected twelve-month period ended December 31, 1989.

In processing the utility's application, we reviewed its books and records to determine the reasonableness of the operation and maintenance expenses of the utility; inspected the utility plant to determine its capacity and sufficiency; and evaluated the quality of service provided by the utility.

CUSTOMER MEETING

A customer meeting was held by Commission Staff on June 5, 1989 at The Tropical Mobile Home Park Clubhouse in Zephyrhills, Florida. Approximately twenty-seven persons attended the meeting, seven of which testified or asked questions relating to the amount of the rate increase. One customer complained of low water pressure. The utility advised that it will continue to monitor the water system to insure that any future water pressure problems are resolved in a timely fashion.

QUALITY OF SERVICE

To determine the quality of service, in addition to the customer meeting discussed above, we contacted the Department of Environmental Regulation (DER) to determine whether the utility was in compliance with DER standards, and performed a field inspection of the utility's facilities.

DER advised that the utility is currently in compliance with DER standards.

The field inspection noted that the utility's treatment plants were clean and receiving adequate maintenance, and utility equipment was properly secured in the utility's pump house. There were several minor deficiencies which were brought to the attention of the utility for corrective action.

Upon due consideration of the above, we find the quality of service being provided to the customers of the utility to be satisfactory.

RATE BASE

The calculation of the utility's water rate base is

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attached hereto as Schedule No. 1. Adjustments to the rate base are shown on Schedule No. 1A. 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 as follows:

I. Used and Useful - Engineering guidelines for water treatment facilities require no less than 1.1 gallons per minute (gpm) per connection. The service area consists of 116 connections out of 120 existing lots; hence, the system should be capable of providing a water flow of approximately 128 gpm. Since the nominal capacity is 104 gpm, and the distribution system is at maximum capacity, we find the utility's treatment facilities and distribution system to be 100% used and useful.

II. Plant-in-Service - Plant-in-Service was last established at \$17,154 in the utility's latest certificate transfer docket (Order No. 19163, issued April 18, 1988). During 1987 and 1988, the utility expended \$3,265 and \$1,231, respectively, for materials to rehabilitate its wells. The manager of the utility advises us that he spent approximately 1,000 hours during these two years on labor associated with capital improvements to the utility plant and facilities. Accordingly, we find that \$8,600 should be capitalized on the utility's books as labor associated with capital improvements made during the 1987 and 1988 calendar years (1,000 hours X \$8.60 per hour = \$8,600).

On a prospective basis, the utility's manager advises us that an additional \$2,000 in material and 1,200 hours for labor will be required to complete the rehabilitation and interconnection of the two water sources, and to replace the roof of a shed on the utility's grounds.

In consideration of the above, the utility's test year plant-in-service balance is projected to be \$42,571. However, when the required averaging adjustment of \$6,160 is subtracted from the projected balance, a balance of \$36,411 is derived. Accordingly, we find the appropriate projected plant-in-service balance for rate-making purposes to be \$36,411.

III. Utility Land - The value of the utility's land was last established at \$1,000 in the certificate transfer docket referred to above (Order No. 19163, issued April 18, 1988). Since there have been no additions or retirements since those

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proceedings, and none are anticipated, we find that \$1,000 shall be included in the utility's rate base as land costs.

IV. Accumulated Depreciation and Amortization - Accumulated depreciation and amortization was last established for the utility at \$3,213 in the above-identified certificate transfer docket. Test year depreciation was accumulated on historical, as well as projected plant, with an accompanying averaging adjustment. Utilizing the procedures outlined in Rule 25-30.140, Florida Administrative Code, we have derived a composite depreciation and amortization rate for the utility of 3.7 percent for 1987; 4.1 percent for 1988; and 4.1 percent for 1989. Accordingly, using the above calculations, we find that the appropriate thirteen-month average projected accumulated depreciation and amortization to be \$5,851.

V. Contribution-in-Aid-of-Construction (CIAC) - We last considered the question of CIAC for the utility in the above-discussed certificate transfer docket. In those proceedings, CIAC was established at zero, and since no additions have been made or are anticipated, we find that the projected thirteen-month average CIAC shall likewise be zero.

VI. Accumulated Amortization of CIAC - Accumulated Amortization of CIAC for the utility was previously established by us at zero in the above-discussed certificate transfer docket. Since the utility has made no additions and none are anticipated, we find that accumulated amortization of CIAC for the utility shall remain at zero.

VII. Allowance for Working Capital - The method we prefer in calculating working capital is the balance sheet method. This methodology allows the rate base and capital structure to be reconciled, which insures the appropriate rate of return calculation by netting debits with current liabilities and deferred credits. Utilizing this method, a negative working capital allowance of \$19,232 is derived, due in large part to adjustments made to the utility's books to account for the labor of the utility's manager which was previously discussed. These adjustments caused artificially inflated liabilities on the utility's books due to the utility's lack of funds to pay the manager's labor charges. In situations such as this, our policy has been to raise the negative working capital allowance to zero. Accordingly, in keeping with past practice, we find that the utility's working capital allowance for rate-making purposes shall be zero.

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VIII. Rate Base - Based upon our previously discussed determinations and adjustments, we find the thirteen-month average test year rate base to be \$31,560.

COST OF CAPITAL

Our calculations of this utility's cost of capital are reflected on Schedule No. 2 attached hereto.

The utility's historical capital structure is comprised of negative retained earnings and long-term debt. Although a partnership exists, the purchase of the utility was funded by way of a documented fifteen-year loan at ten percent interest by Allen LaFortune. Thus, we find the utility's overall cost of capital to be ten percent. We further find that ten percent is a reasonable rate of return for the utility, and hereby approve same as the utility's authorized rate of return. Since the utility's capital structure is composed of negative retained earnings and long-term debt, a return on equity is not applicable.

NET OPERATING INCOME

Our calculations of the utility's net operating income are reflected on Schedule No. 3, with adjustments to net operating income, and a detailed summary of operating expenses, being reflected on Schedules Nos. 3A and 3B, respectively. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on these Schedules without further explanation in the text of this Order.

I. OPERATING REVENUE - The utility's projected revenue for 1988 was \$9,981. Since no customer growth is anticipated in 1989 due to the fact that the service area is built-out, we find that the projected test year revenue, prior to adjustment for increased rates, shall be \$9,981.

II. OPERATING EXPENSES - After our review of the utility's 1988 books and records, we have determined that several adjustments are appropriate. The specific adjustments are as follows:

A. Salaries and Wages - Employees

During the calendar year 1988, the utility recorded \$348

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in its employee salaries and wages expense account. However, our discussions with the utility disclosed that the utility's manager had performed certain tasks for the utility during calendar year 1988 for which no compensation was reflected on the books and records of the utility. Upon due consideration, we find the following debit adjustments to the utility's employee salaries and wages expense account to be reasonable and are approved: Certified Operator - \$1,872; Management, Billing, and Accounting - \$3,572; Water Testing and Sampling - \$630; Repair Labor - \$672; Lawn Maintenance - \$286. The total amount of these adjustments is \$6,684. We further find that the GNP Implicit Price Deflation Index of 4.35% shall be applied to the utility's adjusted 1988 employee salary expense total of \$6,684, to derive a projected 1989 test year total of \$7,338 as employee salaries and wages expenses.

B. Purchased Power

The utility recorded \$522 on its books and records as purchased power costs for calendar year 1988. However, a review of documentation submitted by the utility indicates that its actual costs for these services were \$636. Accordingly, we find that since these costs are reasonable and will be fairly representative of the utility's purchased power costs for 1989, the appropriate purchased power costs are \$636.

C. Chemicals

The utility recorded \$59 on its 1988 books and records for chemicals. Our review indicates an actual expenditure of \$49 for chemicals by the utility during 1988. Accordingly, we find that the appropriate cost for chemicals is \$51. ($\$49 \times \text{GNP Implicit Price Deflator index of } 1.0435 = \51)

D. Materials and Supplies

The utility recorded \$1,830 on its 1988 books and records for materials and supplies. Our review indicates an actual expenditure of \$513 for these items during 1988 (the difference of \$1,317 was primarily due to the utility's failure to reduce its balance in this

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account for capitalized materials). Accordingly, we find that the appropriate cost for materials and supplies is \$535 ($\$513 \times \text{GNP Implicit Price Deflator Index of } 1.0435 = \535).

E. Contractual Services

The utility recorded zero on its 1988 books and records for contractual services. Our review indicates actual expenditures of \$260 for legal and accounting fees, and \$281 for organic compounds testing of its water supply, for a total expenditure of \$541 for contractual services during 1988 (The \$281 organic compound testing cost is one-third of the actual cost for such tests since these tests are performed every three years). Accordingly, we find the appropriate costs for contractual services to be \$565. ($\$541 \times \text{GNP Implicit Price Deflator Index of } 1.0435 = \565).

F. Rents

The utility recorded \$86 in rents during 1988. Since this has been determined to be a non-recurring expense, no rent expense will be allowed in the test year.

G. Transportation Expense

The utility recorded zero on its 1988 books and records for transportation expense. However, our discussions with the utility disclosed that it had actually incurred \$309 in transportation expenses in calendar year 1988 (1,440 miles \times 21.5 cents per mile = \$309). Accordingly, we find that \$322 in transportation costs is appropriate. ($\$309 \times \text{GNP Implicit Price Deflator Index of } 1.0435 = \322).

H. Insurance Expense

The utility recorded \$1,204 on its 1988 books and records as insurance expense. However, a projected 1989 test year cost of \$1,768 for insurance is more accurate due to the utility's purchase of additional coverage for premises liability and vandalism. Accordingly, a test year cost of \$1,768 for insurance is hereby approved.

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I. Regulatory Commission Expense

The utility recorded \$249 on its 1988 books and records as regulatory expenses due to expenses associated with its rate case proceeding. However, since Commission policy is to amortize rate case expense over four years, we find the appropriate regulatory expenses to be \$50.

J. Miscellaneous Expenses

The utility recorded \$312 on its 1988 books and records as miscellaneous expenses. Our review indicates that \$173 was a more appropriate figure for 1988. Accordingly, we find that \$181 is the appropriate level for miscellaneous expenses. ($\$173 \times \text{GNP Implicit Price Deflator Index } 1.4035 = \181).

To summarize the above adjustments, we have determined that the appropriate cost for operational expenses is \$11,446. This figure is derived from our decision herein to apply the GNP Implicit Price Deflator Index of 4.35 percent to inflation-sensitive costs, and allow for known increases in certain other operational costs to the utility.

III. DEPRECIATION EXPENSE - Utilizing the utility's average projected plant balances and the rates prescribed in Rule 25-30.140, Florida Administrative Code, a composite depreciation rate of 4.06 percent is derived, resulting in an appropriate projected 1989 test year depreciation expense of \$1,478.

IV. TAXES OTHER THAN INCOME TAXES - Taxes Other Than Income Taxes include property taxes, tangible taxes, payroll taxes, and regulatory assessment fees. Based on our review of the utility's 1988 books and records, and our projection of the amount of such taxes in 1989, we find the following projected assessments to be reasonable: Property and tangible taxes - \$375; Payroll taxes - \$528; and Regulatory Assessment Fees - \$435. Accordingly, the utility's total projected test year Taxes Other Than Income Taxes shall be \$1,348 ($\$375 + \$528 + \435).

V. INCOME TAXES - Since the utility files a partnership return, there shall be no allocation for income taxes expense.

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VI. OPERATING LOSS BEFORE REVENUE INCREASE - Our review of the utility's books and records indicates projected test year revenues of \$9,981, and expenses of \$14,077, resulting in a projected operating loss of \$4,096 for the test year ending December 31, 1989.

REVENUE REQUIREMENT

To allow the utility the opportunity to earn a 10 percent overall rate of return, annual operating revenues should be increased for the projected test year by \$7,437. This figure is based on a projected revenue requirement of \$17,418. The projected revenue figures are shown on Schedule No. 3 attached hereto.

RATE AND RATE STRUCTURE

The utility's customers are presently billed for their water consumption based on a flat monthly rate. While Commission policy prefers billing based on actual consumption, we find that a flat billing rate structure in the instant case is more appropriate, primarily because of the costs associated with installing individual water meters which would have to be passed on to the utility's customers. Accordingly, we find that the utility shall continue to utilize a flat rate billing structure.

The new water rate, which we find to be fair, just and reasonable, and which is designed to achieve the authorized revenue requirement, is set forth below. The present monthly water rate is shown for comparison.

MONTHLY WATER SERVICE RATE

	<u>Monthly Charge(Flat Rate)</u>	
	<u>Present</u>	<u>Approved</u>
Residential and General Service	\$ 7.17	\$ 12.65

The new water rate will be effective for service rendered on or after the stamped approval date on the utility's revised tariff sheets. The tariff sheets will be approved upon Staff's verification that the tariff revisions are consistent with our

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decision herein; that the proposed customer notice is adequate; that the required security, if any, has been provided; and that the time for protesting this Order has expired.

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 of the costs associated with miscellaneous services on those persons receiving such services, rather than on the general body of ratepayers.

Presently, the only miscellaneous service charges approved for the utility are a reconnection service charge of \$20 when performed during regular working hours, and \$25 when performed after hours. We believe it more appropriate to have 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:

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

2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at the same location or reconnection of service subsequent to a customer requested disconnection.

3) Violation Reconnection: This charge is to be levied subsequent to disconnection of service for cause including a delinquency in bill payment.

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4) Premises Visit Charge (in Lieu of Disconnection): This charge would be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

SERVICE AVAILABILITY CHARGE

The utility does not presently charge a service availability charge. Since the utility's service area is built-out and no expansion is contemplated by the utility, we find that it would be inappropriate to allow the collection of a service availability charge by the utility.

RATE IN THE EVENT OF PROTEST

This Order proposes an increase in the utility's water rate. 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 water rate 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 letter of credit in the amount of \$7,000, 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 rate, 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

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Administrative Code.

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

In consideration of the above, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Allen LaFortune and Otis Fonder for an increase in its water rate for its customers in Pasco 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 provision of this Order granting a permanent rate increase, and revising the amounts and types of miscellaneous service charges the utility may charge, are issued as proposed agency action, and as such, shall become final unless an appropriate petition in the form provided by Rule 25-22.035, 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 August 23, 1989. It is further

ORDERED that the utility is hereby authorized to charge the new rate and charges, effective for service rendered on or after the stamped approval date on the revised tariff sheets.

ORDERED that, in the event this Order becomes final, the utility shall notify each affected customer of the increased water rate and approved miscellaneous service charges and shall explain the reasons for such increased rate 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 tariff sheets are consistent with our decisions herein; that the proposed customer notice is

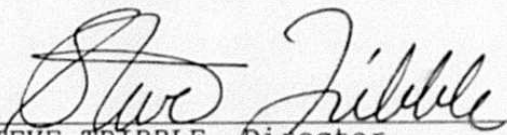
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adequate; that the required security, if applicable, has been provided; and that the time for protesting this Order has expired and no such protests were filed. It is further

ORDERED that in the event a substantially affected person, other than the utility, protests this proposed agency action, the utility may implement the new rate 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 no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission
this 2nd day of AUGUST, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

JRF

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 setting final rate and charges is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by

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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 August 23, 1989. In the absence of such a petition, this order shall become effective August 24, 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 August 24, 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 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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ALLEN LA FORTUNE AND OTIS FONDER
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 PROJECTED AVERAGE TEST YEAR FOR
 PERIOD ENDING DECEMBER 31, 1989
 WATER RATE BASE
 SCHEDULE NO. 1

	12/31/88 BALANCE PER UTILITY	COMMISSION ADJUSTMENTS	1989 AVERAGE PROJECTED BALANCE PER COMMISSION
	-----	-----	-----
LAND	\$1,000.00	\$0.00	\$1,000.00
UTILITY PLANT IN SERVICE	\$24,452.00	A \$11,959.00	\$36,411.00
ACCUMULATED DEPRECIATION AND AMORTIZATION	(\$1,141.00)	B (\$4,710.00)	(\$5,851.00)
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	\$0.00	\$0.00	\$0.00
ACCUMULATED AMORTIZATION OF CIAC	\$0.00	\$0.00	\$0.00
WORKING CAPITAL ALLOWANCE	\$0.00	\$0.00	\$0.00
	-----	-----	-----
RATE BASE	\$24,311.00	\$7,249.00	\$31,560.00
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ALLEN LA FORTUNE AND OTIS FONDER
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 ADJUSTMENTS TO WATER RATE BASE
 AVERAGE PROJECTED TEST YEAR FOR
 PERIOD ENDING DECEMBER 31, 1989
 SCHEDULE NO. 1A

A. PLANT-IN-SERVICE

1. ADJUST 12/31/87 BALANCE TO AUDITED BALANCE	\$1,489.00
2. ADJUST 1988 ADDITIONS TO AUDITED LEVEL	\$10.00
3. RECORD CAPITALIZED LABOR OF TROY FONDER	\$4,300.00
4. PROJECT 1989 ADDITIONS REQUIRED TO COMPLETE REHABILITATION OF SYSTEM AND REPLACE PUMPHOUSE ROOF	\$12,321.00
5. AVERAGING ADJUSTMENT	(\$6,161.00)

	\$11,959.00

B. ACCUMULATED DEPRECIATION, PLANT-IN-SERVICE

1. ADJUST 12/31/87 BALANCE TO AUDITED BALANCE, USING RATES PRESCRIBED BY RULE 25-30.140, FLORIDA ADMINISTRATIVE CODE	(\$3,140.00)
2. ADJUST 1988 DEPRECIATION EXPENSE TO STAFF-CALCULATED AMOUNT USING PRESCRIBED RATES AND STAFF-CALCULATED PLANT BALANCES	(\$830.00)
3. PROJECT 1989 DEPRECIATION EXPENSE BASED ON PRESCRIBED RATES AND PROJECTED PLANT ADDITIONS	(\$1,478.00)
4. AVERAGING ADJUSTMENT	\$738.00

	(\$4,710.00)

ALLEN LA FORTUNE AND OTIS FONDER
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 COST OF CAPITAL/OVERALL RATE OF RETURN
 AVERAGE PROJECTED TEST YEAR
 ENDING DECEMBER 31, 1989
 SCHEDULE NO. 2

	AVERAGE PROJECTED BALANCE	RECONCILIATION ADJUSTMENTS	PROJECTED BALANCE FOLLOWING RECONCILIATION	RATIO	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
EQUITY	\$0.00	\$0.00	\$0.00	0.0000	0.00%	0.00%
LONG-TERM DEBT	(\$40,000.00)	\$8,440.00	(\$31,560.00)	1.0000	10.00%	10.00%
CUSTOMER DEPOSITS	\$0.00	\$0.00	\$0.00	0.0000	0.00%	0.00%
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	(\$40,000.00)	\$8,440.00	(\$31,560.00)	1.0000		10.00%
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ALLEN LA FORTUNE AND OTIS FONDER
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 AVERAGE PROJECT TEST YEAR FOR PERIOD
 ENDING DECEMBER 31, 1989
 SCHEDULE OF WATER OPERATING INCOME
 SCHEDULE NO. 3

	TOTAL PER UTILITY 1/01/88 TO 12/31/88	COMMISSION ADJUSTMENTS	PROJECTED TOTAL PER COMMISSION	COMMISSION ADJUSTMENTS FOR INCREASE	PROJECTED TOTAL FOR INCREASE
	-----	-----	-----	-----	-----
OPERATING REVENUE	(\$9,981.00)	\$0.00	(\$9,981.00)	D (\$7,437.00)	(\$17,418.00)
OPERATING EXPENSES	\$4,610.00	A \$6,836.00	\$11,446.00		\$11,446.00
DEPRECIATION AND AMORTIZATION	\$1,141.00	B \$337.00	\$1,478.00		\$1,478.00
AMORTIZATION OF CIAC	\$0.00	\$0.00	\$0.00		\$0.00
TAXES OTHER THAN INCOME TAXES	\$247.00	C \$906.00	\$1,153.00	E \$185.00	\$1,338.00
INCOME TAXES	\$0.00	\$0.00	\$0.00		\$0.00
	-----	-----	-----	-----	-----
TOTAL OPERATING EXPENSES	\$5,998.00	\$8,079.00	\$14,077.00	\$185.00	\$14,262.00
	-----	-----	-----	-----	-----
NET OPERATING INCOME	(\$3,983.00)	\$8,079.00	\$4,096.00	(\$7,252.00)	(\$3,156.00)
	-----	-----	-----	-----	-----
RATE BASE	\$24,311.00		\$31,560.00		\$31,560.00
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RATE OF RETURN	16.38%		-12.98%		10.00%
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ALLEN LA FORTUNE AND OTIS FONDER
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 ADJUSTMENTS TO NET OPERATING INCOME - WATER
 AVERAGE PROJECTED TEST YEAR FOR PERIOD
 ENDING DECEMBER 31, 1989
 SCHEDULE NO. 3A

A. OPERATING EXPENSES

1.	ADJUST SALARIES AND WAGES - EMPLOYEES TO AUDITED TOTAL AND RECORD COMPENSATION OF TROY FONDER FOR SERVICES RENDERED IN UTILITY OPERATIONS DURING 1988	\$6,684.00	
1(a)	PROJECT INCREASE BY APPLICATION OF GNP IMPLICIT PRICE DEFLATOR INDEX	\$306.00	
		-----	\$6,990.00
2.	ADJUST PURCHASED POWER TO AUDITED TOTAL		\$114.00
3.	ADJUST CHEMICAL EXPENSE TO AUDITED TOTAL	(\$10.00)	
3(a)	PROJECT INCREASE BY APPLICATION OF GNP IMPLICIT PRICE DEFLATOR INDEX	\$2.00	
		-----	(\$8.00)
4.	ADJUST MATERIALS AND SUPPLIES TO AUDITED TOTAL	(\$1,317.00)	
4(a)	PROJECT INCREASE BY APPLICATION OF GNP IMPLICIT PRICE DEFLATOR INDEX	\$22.00	
		-----	(\$1,295.00)
5.	ADJUST CONTRACTUAL SERVICES TO AUDITED TOTAL	\$541.00	
5(a)	PROJECT INCREASE BY APPLICATION OF GNP IMPLICIT PRICE DEFLATOR INDEX	\$24.00	
		-----	\$565.00
6.	ADJUST RENTS TO PROJECTED TOTAL		(\$86.00)
7.	RECORD AMOUNT FOR VEHICLE EXPENSE INCURRED IN UTILITY OPERATIONS	\$309.00	
7(a)	PROJECT INCREASE BY APPLICATION OF GNP IMPLICIT PRICE DEFLATOR INDEX	\$13.00	
		-----	\$322.00
8.	PROJECT PREMIUM COST OF ADDITIONAL INSURANCE		\$564.00
9.	DEFER THREE-QUARTERS OF REGULATORY COMMISSION EXPENSE		(\$199.00)

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10.	ADJUST MISCELLANEOUS EXPENSES TO AUDITED TOTAL	(\$139.00)	
10(a)	PROJECT INCREASE BY APPLICATION OF GNP IMPLICIT PRICE DEFLATOR INDEX	\$8.00	
		-----	(\$131.00)

	TOTAL OPERATING EXPENSE ADJUSTMENTS		\$6,836.00

	B. DEPRECIATION EXPENSE		
	PROJECT 1989 LEVEL, BASED ON RATES PRESCRIBED BY RULE 25-30.140, FLORIDA ADMINISTRATIVE CODE, AND PROJECTED PLANT BALANCES		
			\$337.00

	C. TAXES OTHER THAN INCOME TAXES		
1.	RECORD 1988 PROPERTY TAXES	\$128.00	
2.	RECORD PAYROLL TAXES ACCRUED ON UNRECORDED PAYROLL	\$528.00	
3.	RECORD REGULATORY ASSESSMENT FEES	\$250.00	
		-----	\$906.00

	D. OPERATING REVENUE		
	PROJECTED INCREASE TO ALLOW THE UTILITY THE OPPORTUNITY TO RECOVER PROJECTED EXPENSES AND A 10 PERCENT RETURN ON ITS INVESTMENT		
			\$7,437.00

	E. TAXES OTHER THAN INCOME TAXES		
	PROJECTED INCREASE IN REGULATORY ASSESSMENT FEES BASED ON 2.5 PERCENT OF INCREASED REVENUES		
			\$185.00

ALLEN LA FORTUNE AND OTIS FONDER
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DETAIL OF WATER OPERATING EXPENSES
AVERAGE PROJECTED TEST YEAR
ENDING DECEMBER 31, 1989
SCHEDULE NO. 3B

	TOTAL PER UTILITY 1/01/88 TO 12/31/88		1988 COMMISSION ADJUSTMENTS	1988 TOTAL PER COMMISSION	COMMISSION ADJUSTMENTS FOR 1989	PROJECTED TOTAL PER COMMISSION
SALARIES & WAGES - EMPLOYEES	\$348.00	1	\$6,684.00	\$7,032.00	\$306.00	\$7,338.00
SALARIES & WAGES - PROPRIETOR	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00
PENSIONS AND BENEFITS	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00
PURCHASED POWER	\$522.00	2	\$114.00	\$636.00	\$0.00	\$636.00
CHEMICALS	\$59.00	3	(\$10.00)	\$49.00	\$2.00	\$51.00
MATERIALS AND SUPPLIES	\$1,830.00	4	(\$1,317.00)	\$513.00	\$22.00	\$535.00
CONTRACTUAL SERVICES	\$0.00	5	\$541.00	\$541.00	\$24.00	\$565.00
RENTS	\$86.00	6	(\$86.00)	\$0.00	\$0.00	\$0.00
TRANSPORTATION EXPENSE	\$0.00	7	\$309.00	\$309.00	\$13.00	\$322.00
INSURANCE EXPENSE	\$1,204.00	8	\$0.00	\$1,204.00	\$564.00	\$1,768.00
REGULATORY COMMISSION EXPENSE	\$249.00	9	(\$199.00)	\$50.00	\$0.00	\$50.00
MISCELLANEOUS EXPENSES	\$312.00	10	(\$139.00)	\$173.00	\$8.00	\$181.00
	\$4,610.00		\$5,897.00	\$10,507.00	\$939.00	\$11,446.00

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