

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of HOLIDAY GARDENS)	DOCKET NO. 890169-WU
UTILITIES, INC. for staff assisted)	ORDER NO. 21920
rate case in Pasco County.)	ISSUED: 9-19-89
)	

The following Commissioners participated in the disposition of this matter:

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

ORDER SETTING TEMPORARY WATER RATES
 IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER SETTING FINAL WATER RATES 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 Holiday Gardens Utilities, Inc., 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, revised miscellaneous service charges, and service availability 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 authorizes temporary rates in the event that a person other than this utility files a protest to the Proposed Agency Action portion of this Order.

BACKGROUND

Holiday Gardens Utilities, Inc. (Holiday Gardens or

DOCUMENT NUMBER DATE

00435 SEP 19 1989

FPC-RECORDS/REPORTING

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utility) is a Class C water utility in Pasco County which serves 437 residential homes and a mobile home park with 132 connections. The utility has been in operation since 1967 and is owned by Holiday Gulf Homes, Inc., which also owns Crestridge Utilities, Inc. and a non-regulated company, Holiday Gulf Builders, Inc.

Holiday Gardens applied for a staff-assisted rate case on February 20, 1989. The official filing date was established at April 20, 1989. The test year is the twelve month period ending December 31, 1988.

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.

Upon the utility's receipt of staff's recommendation, but prior to the agenda conference in which we considered such recommendation, the utility submitted a petition expressing the utility's displeasure with the Commission's imputation of contribution-in-aid-of-construction (CIAC) in establishing a rate base for the utility.

UTILITY'S PETITION TO ELIMINATE OR REDUCE
IMPUTATION OF CIAC

Rule 25-30.570, Florida Administrative Code, provides in pertinent part:

- (1) If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.
- (2) In any case where the provisions of subsection (1) introduces unusual hardship or unreasonable difficulty, and the Commission, utility or

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interested party shows that it is not in the best interests of the customers of the utility, the Commission may waive the applicability of the rule to the utility.

The utility's petition argues that we should eliminate or reduce the amount of our CIAC imputation primarily for the following three (3) reasons.

First, the utility contends that the exhibits which the utility attached to the petition prove the utility has an investment in the water transmission and distribution lines. Therefore, the cost of the lines should not be imputed as CIAC.

We disagree. The exhibits referred to by the utility are not competent substantial evidence and do not prove the utility's investment in utility plant in service. We would consider competent substantial evidence to be evidence such as tax returns of the utility during the time its service area was being developed, or audited financial statements for such period. We did not find such documents during our audit of the utility's books and records, nor has the utility produced such documents.

Second, the utility says that certain water service contracts and real property deeds, copies of which were attached to its petition, refer to customer deposits which should be considered to be CIAC collected by the previous owners of the utility.

Again, we disagree. The deposits referred to by the utility appear to be for the purpose of securing the payment of customer's water bills to the previous owners of the utility. Such deposits were described in the documents as being "transferable but not refundable" and as not bearing interest. Further, no evidence was provided that these deposits were ever actually collected by the utility from its customers.

Third, the utility argues that our imputation of CIAC will cause unusual hardship or unreasonable difficulty for the utility, and a waiver of such imputation is justified under the above-cited Rule 25-30.570(2). Specifically, the utility says that our imputation of CIAC will have a drastic effect on the utility by keeping the water rates so low that the utility will be unable to increase the utility's revenues "sufficiently to

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implement much needed up-grading and badly needed repairs, let alone maintain the level and quality of service" its customers have come to expect.

However, we find the utility's argument to be unpersuasive. Conversely, we believe that the rate base approved herein is adequate to provide the utility's owners with a reasonable rate of return, without sacrificing quality of service to the utility's customers.

Upon due consideration of the above, we find that the utility's above-discussed petition for the elimination or reduction of the imputation of CIAC to be based on insufficient evidence, therefore such petition is hereby denied.

CUSTOMER MEETING

A customer meeting was held by Commission Staff on July 20, 1989, at the Orangewood Village Civic Association Clubhouse in Holiday, Florida. Approximately sixteen (16) persons attended the meeting, seven of which testified or asked questions relating to the amount of the rate increase and other topics relating to their water service. One customer complained of a leaky faucet which the utility repaired subsequent to the customer meeting.

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 it had performed its last sanitary survey of the utility in 1985. There were no complaints on file with DER, and there are no outstanding citations against the utility for its failure to comply with DER rules.

A field inspection of the utility's plant and service area was conducted by our staff during March 22-24, 1989. No major deficiencies were noted.

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

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satisfactory.

RATE BASE

The calculation of the utility's water rate base is attached hereto as Schedule No. 1. Adjustments to the rate base are shown on Schedule No. 1-A. 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 shown below.

Used and Useful - The utility is served by two typically constructed water treatment plants. Both plants are simple, closed system plants operating in reliance upon the primary well to meet instantaneous fluctuations in flow demand. During emergencies and peak flow periods, the backup plant supplies additional flow. Both wells together are capable of 290 gallons per minute (GPM) to meet the demand of approximately 570 customers. The prorata share is 0.51 gallons per minute per connection (GPMPC), which is below the recommended design criteria of 1.1 GPMPC. Presently, the service area contains four (4) fire hydrants. Testing, efficiency ratings and color coding have been recently performed on the three hydrants existing during the test year. A fourth hydrant was added subsequent to the test year. All four hydrants are considered functional with a flow capacity rating of less than 500 GPM. When fire flow is considered in the used and useful calculation, the formula method approved by the Commission as a point of reference yields a percentage in excess of 100%.

As for the utility's distribution system, the subdivision has been considered "built-out" for a number of years. In addition to the 407 equivalent residential connections (ERCs) within the subdivision, there are an estimated 106 ERCs existing outside of the certificated territory that receives service via extended laterals. (The matter of the utility providing service to uncertificated territory will be addressed in a separate proceeding.) No additional customers are anticipated without the construction of additional distribution lines. With the existing supply capacities, it is believed that approval from DER to construct additional mains, without additional capacity, would be met with great difficulty.

Upon due consideration of the above, we find the utility's water treatment plants and distribution system to be 100% used and useful.

Plant and Land - Though the utility's financial statement represented the original cost of the plant to be \$59,326, we found no original cost source documents to support this amount. Using system maps and construction year prices of the components, we estimated the original cost of the plant and land to be \$113,560 and \$2,414, respectively. Accordingly, we find that \$115,974 shall be included in the utility's rate base as plant and land costs.

Plant-in-Service - Between 1983 and 1987, the utility's books and records indicated \$12,646 in capital expense items. We made an adjustment to increase plant by \$14,339, which capitalizes the expensed items, and records audited plant additions of \$1,693. A \$431 adjustment was made to allocate part of the cost of a copier to the utility, and a \$600 credit adjustment has been made to reduce the plant balance to reflect the simple average of the beginning of year and end of year balances. We find that after these adjustments, the allocation for plant-in-service shall be \$129,378.

Contribution-in-Aid-of-Construction - As discussed above, documentation was not available to establish the original cost of the plant or the amounts for CIAC prior to 1983. Pursuant to Rule 25-30.570(2), Florida Administrative Code, we therefore imputed the original cost of the water transmission and distribution system as CIAC. Accordingly, we find that \$85,629 shall be reflected on the utility's books and records as CIAC.

Working Capital - The method we prefer in calculating working capital is the balance sheet method. However, due to the utility's small size, and the cost of recordkeeping necessary to support the balance sheet method, we find that the formula method (1/8 of O&M Expenses) shall be utilized to calculate an allowance for working capital for the utility in this instance. Utilizing this methodology, an allowance of \$4,423 is derived. Thus, we find that the utility's working capital allowance shall be \$4,423.

Rate Base - Based upon our previously discussed determinations and adjustments, we find the thirteen-month average test year rate base to be \$30,621.

COST OF CAPITAL

Our calculations of the utility's cost of capital are

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reflected on Schedule No. 2 attached hereto.

Cost of Debt - On March 5, 1975, Holiday Gardens Utilities, Inc. executed a chattel mortgage agreement with Gibraltar Savings for \$122,400 at a stated rate of eleven (11) percent per year on the remaining principal balance. The mortgage agreement is secured substantially by the utility's assets. The monthly payments are \$1,390.61 until the principal and interest are paid in full. Based on the foregoing, we find the appropriate cost of debt for the utility to be eleven (11) percent.

Cost of Equity - We calculated the utility's cost of equity using the leverage formula approved by us in Order 19718 (Docket no. 880006-WS), and an equity ratio of 85.06 percent. Utilizing this formula and equity ratio, we derived a cost of equity of 12.39 percent, which we find to be reasonable and is therefore approved.

Rate of Return - Utilizing the appropriate balances and rates for debt and equity, we find a rate of return of 12.18 percent to be reasonable and is therefore approved.

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.

Operating and Maintenance (O&M) Expense - We made several adjustments to the utility's books and records to reclassify expenses, to match expenses with the invoice amounts, and to accurately record out-of-pocket expenses of the utility's employees.

The utility receives an allocation for O & M expenses from its parent company, Holiday Gulf Builders, Inc. The allocation factors as set by the parent company are typically as follows: Holiday Gulf Builders, Inc. - 10 percent; Crestridge Utilities, Inc. - 51 percent; Holiday Gardens Utilities, Inc. - 39 percent. Upon due consideration, we find these allocation factors to be reasonable, and are hereby approved.

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Although we are not approving a management fee as such for the utility, we find that a director's fee in the amount of \$2,767 is reasonable and is therefore approved.

We also do not normally approve travel expenses for a utility the size of Holiday Gardens Utilities, Inc. However, since the director's fee of \$2,767 approved above, and verified travel expenses of \$1,368 equal a sum of \$4,135 which is less than a typical management fee for a like-sized utility, we find these allocations to be reasonable, and thus are approved.

Our review of the utility's books and records also indicated that an adjustment increasing the allocation to the following O & M expense accounts is justified: Meter Replacement Expense - \$1,225; Salary Expense (Bookkeeper) - \$410; Group Insurance Expense - \$555; and, Liability Insurance Expense - \$300.

In summary, after the above adjustments, we find that the appropriate allowance for O & M expenses shall be \$35,380.

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 3.36 percent is derived, resulting in an projected 1989 test year depreciation expense of \$1,469. Upon due consideration, we find the aforementioned composite depreciation rate and projected depreciation expense allocation to be reasonable, and thus are hereby approved.

Upon due consideration of the above, we find a projected net operating income of \$3,730 to be reasonable and is hereby approved.

REVENUE REQUIREMENT

To allow the utility the opportunity to earn a 12.18 percent overall rate of return, annual operating revenues should be increased for the test year by 27.87 percent. This represents an annual increase of \$9,447, for a total annual revenue requirement of \$43,348. The revenue figures are shown on Schedule No. 3 attached hereto.

RATES AND RATE STRUCTURE

The utility's customers are presently billed for their

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water consumption on a minimum charge plus usage basis. Commission policy prefers a billing structure based on a base facility charge plus usage. We believe that the latter rate structure encourages water conservation and is more fair to the general body of ratepayers. Accordingly, we find that the utility shall convert to a base facility charge plus usage rate structure as shown on Schedule No. 5 attached hereto.

The new water rates, which we find to be fair, just and reasonable, and which are designed to achieve the authorized revenue requirement, are set forth on Schedule No. 5 attached to this Order and incorporated herein.

The new water rates will be effective for meter readings taken thirty (30) days on or after the stamped approval date on the revised tariff sheets. The tariff sheets will be approved upon Staff's verification that the tariff revisions are consistent with our decision herein; that the proposed customer notice is adequate; and that the time for protesting this Order has expired.

SERVICE AVAILABILITY CHARGES

Water Service Tap Fees - The utility's current tariff lists three (3) water service tap fees which have been approved for the utility. Our audit of the utility's books and records found no evidence that the utility did, in fact, ever collect these fees from its customers. Nevertheless, since the utility's service area is built-out, and no new connections are anticipated, we find that these fees should be deleted from the utility's approved tariff.

Plant Capacity Charge - The utility does not presently have an approved plant capacity charge. Since the utility's current level of CIAC is 67 percent, and no new growth is expected, we find that the utility shall not be authorized to implement a plant capacity charge.

Meter Installation Charges - The utility does not presently specifically charge for the installation of water meters. However, upon due consideration, we find that for any new connections that might occur, and for existing customers who want additional meters, the following meter installation charges shall apply:

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

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

MISCELLANEOUS SERVICE CHARGES

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

The utility presently has no miscellaneous service charges approved. We believe it is 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

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subsequent to disconnection of service for cause including a delinquency in bill payment.

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

The above miscellaneous service charges shall be effective for services performed on or after the stamped approval date on the tariff sheet.

RATES IN THE EVENT OF PROTEST

This Order proposes an increase in the utility's water rates. A timely protest could delay the collection by the utility of what may be 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 rates approved herein on a temporary basis, subject to refund, provided that it furnishes security for such potential refund. The security should either be a bond or a letter of credit in the amount of \$4,700, 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 (20th) day of each month that the temporary rates are in effect, showing the amount of revenues collected as a result of the temporary rates, and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund shall be with interest pursuant to Rule 25-30.360, Florida Administrative Code.

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

In consideration of the above, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Holiday Gardens Utilities, Inc. for an increase in its water rates for its customers in Pasco County is approved as set forth in the body of this Order. It is further

ORDERED that the petition filed herein on July 27, 1989 by Holiday Gardens Utilities, Inc. for the elimination or reduction of the imputation of contribution-in-aid-of-construction (CIAC) is hereby denied. 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 and service availability charges are issued as proposed agency action, and as such, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that the new water rates approved herein will be effective for meter readings taken thirty (30) days on or after the stamped approval date on the revised tariff sheets. It is further

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

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

ORDERED that the revised tariff sheets will be approved upon Staff's verification that the tariff sheets are consistent with our decisions herein; that the proposed customer notice is adequate; 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 rates herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. The temporary rates 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 19th day of SEPTEMBER, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

JRF

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

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requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action approving final water rates, service availability charges and miscellaneous service charges is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on October 10, 1989. In the absence of such a petition, this order shall become effective the next day, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the next day, 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

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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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HOLIDAY GARDENS UTILITIES, INC.

WATER RATE BASE

TEST YEAR ENDED 12/31/88

SCHEDULE NO. 1(a)

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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 1,693	\$ 127,685	\$ 129,378
LAND/NON-DEPRECIABLE ASSETS	0	2,414	2,414
PLANT HELD FOR FUTURE USE	0	0	0
NON-USED AND USEFUL PLANT	0	0	0
CUSTOMER ADVANCES	0	0	0
C.I.A.C.	0	(85,629)	(85,629)
ACCUMULATED DEPRECIATION	0	(57,462)	(57,462)
NET ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	0	37,497	37,497
WORKING CAPITAL ALLOWANCE	0	4,423	4,423
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RATE BASE	\$1,693	\$28,928	\$30,621
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SCHEDULE NO. 1(b)
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HOLIDAY GARDENS UTILITIES, INC.
 TEST YEAR ENDS 12/31/88
 ADJUSTMENTS TO RATE BASE

	WATER
1. UTILITY PLANT IN SERVICE	
a.) Includes original cost per staff engineer	\$111,867
b.) Includes audited plant additions	15,987
c.) Reclassifies copier as plant	431
d.) Reflects average plant balance	(600)

TOTAL ADJUSTMENT	\$127,685

2. LAND	
Includes original cost of land	\$2,414

3. CONTRIBUTIONS IN AID OF CONSTRUCTION	
Imputes original cost of transmission and distribution system as CIAC	(\$85,629)

4. ACCUMULATED DEPRECIATION	
a.) includes accumulated depreciation for original cost and plant additions	(\$59,634)
b.) Reflects average balance	2,172

	(\$57,462)

5. ACCUMULATED AMORTIZATION OF CIAC	
a.) includes accumulated amortization for imputed CIAC	\$39,795
b.) Reflects average balance	(2,298)

	\$37,497

6. WORKING CAPITAL	
Includes 1/8 of D & M expenses as an allowance for working capital	\$4,423

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HOLIDAY GARDENS UTILITIES, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/88

SCHEDULE NO. 2
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	TEST YEAR BALANCES	COMMISSION ADJUSTMENTS TO BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	\$25,452	(\$20,877)	\$4,575	14.94%	11.00%	1.64%
SHORT TERM DEBT	0	0	\$0	0.00%	0.00%	0.00%
COMMON EQUITY	144,905	(118,859)	\$26,046	85.06%	12.39%	10.54%
CUSTOMER DEPOSITS	0	0	\$0	0.00%	0.00%	0.00%
TOTAL	\$170,357	(\$139,736)	\$30,621	100.00%		12.18%

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HOLIDAY GARDENS UTILITIES, INC.
 WATER OPERATING STATEMENT
 TEST YEAR ENDING 12/31/88

SCHEDULE NO.3(a)
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	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL.BAL.	COMMISSION ADJUSTED TEST YEAR	COMMISSION ADJUSTMENT FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	\$33,901	\$0	\$33,901	\$9,447	\$43,348
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	34,860	520	35,380	0	35,380
DEPRECIATION	1,225	244	1,469	0	1,469
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	1,878	0	1,878	236	2,114
INCOME TAXES	0	0	0	655	655
TOTAL OPERATING EXPENSES	\$37,963	\$764	\$38,727	\$891	\$39,618
OPERATING INCOME/(LOSS)	(\$4,062)	(\$764)	(\$4,826)	\$8,556	\$3,730
RATE BASE	\$1,693		\$30,621		\$30,621
RATE OF RETURN	0.00%		-15.76%		12.18%

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SCHEDULE NO. 3(b)
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HOLIDAY GARDENS UTILITIES, INC.
 TEST YEAR ENDS 12/31/88
 ADJUSTMENTS TO OPERATING STATEMENT
 WATER

1. OPERATING AND MAINTENANCE EXPENSES	
a.) Reflects invoice amount of employee benefits	(51)
b.) Reflects invoice amount of purchased power	(32)
c.) Reflects invoice amount of chemicals	10
d.) Reclassification to miscellaneous expense	(487)
e.) Removes out-of-period expense	(61)
f.) Removes capitalized copier	(431)
g.) Amortizes extraordinary repair of main	(208)
h.) Matches invoice amount of contract services	619
i.) Amortizes extraordinary repair of main	(1,042)
j.) Amortizes SOC/VOC testing over 3 years	(873)
k.) Matches invoice amount of insurance	99
l.) Reclassification from miscellaneous expense	487
m.) Pro forma salary increase for bookkeeper	410
n.) Adds meter replacement expense per engineer	1,225
o.) Increases liability insurance expense	300
p.) Increases group insurance expense	555

TOTAL ADJUSTMENT	\$520

2. DEPRECIATION	
Reflects depreciation at 3.36% composite rate	\$244

3. OPERATING REVENUE	
Increases revenue to allow a 12.18% return on rate base	\$9,447

4. TAXES, OTHER	
Matches regulatory assessment fees to increased revenue	\$236

5. INCOME TAXES	
Allows income taxes	\$655

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 HOLIDAY GARDENS UTILITIES, INC.
 WATER O & M EXPENSES
 TEST YEAR ENDS 12/31/88

SCHEDULE NO. 3(c)
 PAGE 1 OF 1

ACCOUNT NO.		UTILITY BALANCE	COMMISSION ADJUSTMENT	COMMISSION BALANCE
601	SALARIES AND WAGES - EMPLOYEES	5,895	410	6,305
604	EMPLOYEE PENSIONS AND BENEFITS	1,157	504	1,661
615	PURCHASED POWER	2,570	(32)	2,538
618	CHEMICALS	821	10	831
620	MATERIALS AND SUPPLIES	2,042	(1,187)	855
630	CONTRACTUAL SERVICES	13,969	(71)	13,898
640	RENTS	1,880	0	1,880
650	INSURANCE EXPENSES	470	399	869
655	TRANSPORTATION EXPENSES	546	0	546
675	MISCELLANEOUS EXPENSES	5,510	487	5,997
		<u>\$34,860</u>	<u>\$520</u>	<u>\$35,380</u>

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Schedule No. 5

HOLIDAY GARDENS UTILITIES, INC.
 DOCKET NO. 890169-WU
 TEST YEAR: 12/31/88

RATE SCHEDULE

WATER

Schedule of Current and Approved Rates

	Current ----- Monthly
Residential and General Service	
Minimum Charge, 1st 5,000 Gallons	\$5.00
Gallonage Charge, per 1,000 Gallons Over Minimum	\$0.35
	Commission Approved -----
	MONTHLY RATES
Residential and General Service -----	
Base Facility Charge:	
Meter Size:	
5/8"x3/4"	\$3.40
1"	\$8.50
1-1/2"	\$17.00
2"	\$27.20
3"	\$54.40
4"	\$85.00
6"	\$170.00
Gallonage Charge per 1,000 G.	\$0.62