

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of BCD INDUSTRIES,)	DOCKET NO: 891118-WS
INC. for staff-assisted rate case in)	ORDER NO. 22857
Osceola County.)	ISSUED: 4-26-90
)	

The following Commissioners participated in the disposition of this matter:

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

FINAL ORDER GRANTING TEMPORARY RATES
IN EVENT OF PROTEST AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein, other than the granting of increased rates on a temporary basis in the event of a protest by any substantially affected person other than BCD Industries, Inc., 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.

CASE BACKGROUND

BCD Industries, Inc. (BCD) is a class "C" water and wastewater system located in Osceola County. During the test year this utility provided water and wastewater service to five permanent general service customers, and water service to one temporary general service customer, Florida Community Services (FCS), which is owned by the City of Kissimmee. The utility's booked test year revenues were \$109,888 for water and \$47,459 for wastewater. The utility's booked net operating income for the test year, including revenues and expenses for water service to FCS, was \$62,643 for water and a loss of \$12,772 for wastewater.

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FPSC-RECORDS/REPORTING

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BCD began operations in 1971. Its existing rates were established by this Commission by Order No. 20436, issued December 9, 1988. In that case, BCD had filed concurrent applications for a staff-assisted rate case for its wastewater operations and for a transfer of Certificates Nos. 122-W and 89-S. We approved the transfer by Order No. 20023, issued September 19, 1988. During the staff-assisted rate case, we also looked into possible overearnings for water service. We discovered that BCD was, in fact, overearning for water service and reduced water rates accordingly.

On September 7, 1989 BCD Industries, Inc., applied for the present staff-assisted rate case. Its request was granted by letter dated October 13, 1989. As part of our processing for this case, we audited the utility's books and records, conducted a field inspection of the utility's water and wastewater facilities and service area, and reviewed the utility's operation and maintenance records.

On February 15, 1989, Staff held a customer meeting to allow customers to provide testimony regarding the quality of service provided by this utility. No customers attended; however, Mr. Chalifoux, BCD's owner, attended and voiced concerns regarding the used and useful percentages of plant.

QUALITY OF SERVICE

As a part of the quality of service investigation, we contacted the Department of Environmental Regulation (DER) to determine if BCD was in compliance with DER regulations and whether there were any outstanding violations, fines or corrective orders against the utility and ask questions about any other issues in the case. We also checked our own files to determine whether there were any complaints on file against the utility. DER informed us that there was a March, 1989, notice of violation against BCD for treatment and effluent deficiencies but that the utility appeared to be making an effort to correct these problems. We found no complaints in our files.

There were no complaints voiced by the five general service customers during our on-site inspection. As already noted, no customers attended the meeting held on February 15, 1990.

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Our on-site inspection revealed that the treatment plant sites and systems are relatively well maintained. The utility also seems to be fairly conscientious about keeping proper logs. However, we noted that the wastewater treatment plant was not operating properly due to over-utilization. The utility was aware of the situation and was in the process of adding capacity. In addition, we noted that the primer on the utility's hydropneumatic tank, which had recently been replaced, was already oxidizing. The utility has since informed us that the tank has been repainted. Finally, we noted that emergency telephone numbers were not posted. The plant operator has indicated that signs would be posted.

Based upon the discussion above, we find that the quality of service is satisfactory.

RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedules Nos. 1 for water and 1-A for wastewater, with our adjustments itemized on Schedule No. 1-B. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

During our on-site inspection, we noted that the addition to the wastewater treatment plant was substantially completed. The utility expected that it would be in operation by January, 1990. Accordingly, we have included the additional capacity in our analysis of used and useful plant. Also factored into our analysis is the fact that DER's reduction to the permitted capacity of the wastewater system was based upon the capacity of the percolation ponds, not the treatment plant. We have, therefore, evaluated these components separately.

Wastewater Treatment Plant

The capacity of the wastewater treatment plant, including the recent addition, is 200,000 gallons per day (gpd). During the five peak days of the test year, July 31 to August 4, 1989, the plant treated an average of 110,000 gpd. We believe that it is appropriate to use the maximum daily flow in this instance because BCD provides service to an area subject to

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wide fluctuations in usage due to seasonal migration and tourism. Over the past five years, BCD has experienced an average increase of 8.6 percent in wastewater flows. This equates to a margin reserve of 8,752 gallons.

Using the maximum daily flow and a margin reserve of 8,752 gallons, we find that the wastewater treatment plant is 59.4 percent used and useful.

Percolation Ponds

According to DER, the rated capacity of the percolation ponds is 144,000 gpd. Using the maximum daily flow and a margin reserve of 8,752 gallons, we find that the percolation ponds are 82.5 percent used and useful.

Water Treatment Plant

BCD's water system has no storage. Accordingly, demands must be met by the instantaneous capacity of the system. The instantaneous capacity of the system is 850 gallons per minute. According to the utility's monthly operating reports, the peak month of the test year was August, 1989. During that time, the full capacity of the system was required on a continuous basis. We, therefore, find that the water treatment plant is 100 percent used and useful. Further, in consideration of possible fire flow requirements and future growth, we strongly recommend that BCD initiate plans to expand its water system.

Collection and Distribution Systems

In order to provide water and wastewater service, the entire collection and distribution systems are required. Accordingly, we find that these systems are 100 percent used and useful.

Land

The utility owns the land on which the water treatment and wastewater treatment plants are located. By Order No. 20436, issued December 9, 1988, we established the value of the land to be \$7,042 for water and \$60,000 for wastewater. There have been no changes since that time.

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Working Capital

The balance sheet method is our preferred method for measuring working capital. However, due to the utility's small size, the cost of bookkeeping necessary to support the balance sheet method exceeds the benefits of such method. The formula, or one-eighth of operation and maintenance (O & M) expenses method, on the other hand, does not require extensive bookkeeping and provides a close approximation of the utility's working capital needs. By Order No. 21202, issued May 8, 1989, we recognized that the formula method is satisfactory for water and wastewater utilities, and directed Staff to initiate rulemaking to adopt the formula method. We believe that the formula method is appropriate in this case. Using this method, we find that the appropriate amounts of working capital are \$3,053 for water and \$5,523 for wastewater.

Water Service Outside Certificated Area

BCD has been providing water service to Florida Community Services (FCS), a private water system owned by the City of Kissimmee, since August 1989. FCS is located outside of BCD's certificated area.

Since BCD has only one well, the connection to FCS was originally intended to be only an emergency interconnection in case BCD's well failed. In August of 1989, however, both of FCS's wells failed. FCS was, therefore, forced to purchase its water from BCD. It is anticipated that BCD will continue providing water service to FCS until June 1990. BCD did not inform this Commission that it was serving outside of its approved service territory.

Under Section 367.161, Florida Statutes, any utility that knowingly refuses to comply with or willfully violates the statutes, rules or orders of this Commission is subject to a fine as provided therein. Although BCD did not notify this Commission of the service being provided to FCS, it appears that the utility was not aware that it was required to inform us that it was serving outside of its certificated area. In addition, we note that the utility collected and booked the revenues appropriately. Since BCD was apparently not aware that it was in violation of our statutes, rules and orders, and did collect and book the revenues correctly, we do not believe that it is necessary or appropriate to impose a penalty.

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However, we shall monitor BCD's provision of service to FCS. Further BCD shall inform this Commission when it ceases to provide service to FCS, within thirty days of its discontinuation of such service. If BCD continues to serve FCS after June, 1990, we may require it to apply for an amendment to its certificated territory.

Notwithstanding the above, during the test year, BCD sold 37,838,020 gallons of water to its permanent customers, and 55,463,000 gallons of water, or 147 percent of what it sold to its permanent customers, to FCS. The test year depreciation expense booked for Account No. 311, Pumping Equipment, was \$2,497. We believe the depreciation expense for this account should be increased by 147 percent in order to reflect the additional wear to the equipment in providing temporary water service to FCS. Accordingly, we have increased test year depreciation expense on the pumping equipment, as well as accumulated depreciation, from \$2,497 to \$3,670.

Test Year Rate Base

We last established BCD's rate bases through December 31, 1987, by Order No. 20436, issued December 9, 1988. We have reviewed BCD's general ledger and have reconciled rate base components pursuant to Order No. 20436. Finally, we have updated all rate base components for the test year.

During our on-site inspection, we discovered that several general service meters were not measuring flows properly. Accordingly, we have included a \$2,000 pro forma plant allowance for meter replacements. BCD shall, therefore, replace those meters that are not functioning properly.

During the test year, the utility expanded its wastewater plant in accordance with DER requirements. The cost of the expansion was \$110,077. The plant additions were not on line at the end of the test year, and were appropriately recorded on BCD's books as construction-work-in-progress. We are informed that these additions were placed into service in January of 1990. We have, therefore, recognized these additions as pro forma plant and added \$110,077 to wastewater plant.

During the test year the utility recorded an addition of \$3,190 for a truck, for both water and wastewater. We do not believe that a truck is necessary for a utility with only 5 customers. Accordingly, we have removed \$3,190 from both the

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water and wastewater plant accounts. The utility also booked an addition of \$13,812 for a tractor, for both water and wastewater. We also believe that this is an imprudent investment for a utility this size and have removed \$13,812 from both the water and wastewater plant accounts.

As reflected in Order No. 20436, we included plant additions of \$711 for water and \$3,845 for wastewater in rate base. According to BCD's 1987 income tax return, these amounts were actually expensed. In addition, according to its 1988 income tax return, BCD expensed \$10,000 worth of wastewater equipment. We have, therefore, recognized these amounts as contributions-in-aid-of-construction (CIAC) and have adjusted CIAC and amortization of CIAC accordingly.

Based upon BCD's books and records and the adjustments discussed above, we find that the appropriate rate bases for the purpose of this proceeding are \$90,518 for water and \$187,687 for wastewater.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are reflected on that schedule without further discussion in the body of this Order.

Return on Equity

BCD's equity ratio is 5.76 percent. Using the current leverage formula, as set forth in Order No. 21775, issued August 23, 1989, the return on equity ratios of 40 percent and below is capped at 13.95 percent. Therefore, we find that the appropriate return on equity is 13.95 percent.

Overall Rate of Return

BCD's capital structure includes 94.24 percent of long term debt at a cost of 11.25 percent, and 5.76 percent of common equity at a cost of 13.95 percent. After reconciling the utility's capital structure with the approved rate bases, we find that the appropriate overall rate of return is 11.40 percent.

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NET OPERATING INCOME (NOI)

Our calculations of net operating income are depicted on Schedules Nos. 3 for water and 3-A for wastewater, with our adjustments itemized on Schedule No. 3-B. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Revenues

During the test year the utility provided water and wastewater service to 5 general service customers. From August 1989 through October 1989 of the test year, the utility also provided water to one temporary customer, FCS. Since the revenue collected from FCS is temporary, we believe this revenue should not be used to determine the revenue increase needed by the utility for setting rates. We have, therefore, reduced water revenues by \$57,682.

BCD's current rates became effective in March of 1989. The test year revenues, therefore, include revenues generated from mixed rates. The water rates in effect prior to March of 1989 were higher than the current rates. We have annualized the test year revenues based upon test year billings and the current rates. This results in a reduction of \$2,718 to test year water revenues and an increase of \$4,960 to test year wastewater revenues.

O & M Expenses

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications, and made adjustments to reclassify certain expenses and to reflect certain allowances necessary for plant operations. A summary of our adjustments is set forth below.

Salaries and Wages - Officers

By Order No. 20436 we authorized expenses of \$4,160 for an office manager for both water and wastewater. This salary expense was based upon 10 hours per week at \$16 per hour. The utility's owner, Mr. Chalifoux, has requested an additional 14 hours for utility operations. We believe that 10 hours per week is the maximum amount of time needed for a utility of this size. Nevertheless, we have indexed the manager's salary

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forward to the test year. Accordingly, we have increased salary expenses by \$306 for both water and wastewater.

Purchased Power

During the test year the utility provided water service to FCS on a temporary basis. We have, therefore, reduced purchased power by \$4,011 for water to remove the expense associated with the temporary service.

BCD has also expanded its wastewater plant, which will increase electric consumption. We have, therefore, increased purchased power by \$4,560 to account for this increased electric consumption.

Chemicals

In order to back out those costs associated with providing temporary water service to FCS during the test year, we also find that chemicals should be reduced by \$732 for water. In addition, in order to account for the increased chemical usage that we believe will be occasioned by the wastewater plant expansion, we have increased chemical expense by \$127.

Contractual Services

During the test year, the utility booked seven months of plant operator fees at a cost of \$2,960 for water and \$3,346 for wastewater.

On March 29, 1989, BCD contracted with Clark's Water and Wastewater Treatment Service (Clark's) to perform operation and maintenance on the water and wastewater plants. Under this contract, Clark's will perform all of the functions of an operator, provide routine maintenance, and respond to customer complaints for a fee of \$1,150 per month. Clark's will also monitor, and test quarterly, three monitoring wells, for a fee of \$170 per quarter. Clark's will also handle emergency repairs, annual sludge analysis, and the three-year water testing at additional charges. We believe that the monthly fee of \$1,150, which equates to an annual charge of \$13,800, or \$5,400 for water and \$8,400 for wastewater, is reasonable. We have, therefore, increased test year contractual services by \$2,440 for water and \$3,346 for wastewater.

During the test year, BCD recorded \$170 for quarterly water testing. As noted above, Clark's performs this service for a

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fee of \$170 per quarter. We have, therefore, adjusted this expense by \$510 to allow an annual allowance of \$680. The utility also recorded maintenance expenses of \$676 for water and \$2,624 for wastewater. We have adjusted contractual services by \$281 for water and (\$384) for wastewater, which we believe represent more reasonable allowances. We have also increased contractual service by \$300 for water as an allowance for DER-required water testing.

BCD also requested an annual maintenance expense of \$6,500. As already noted, Clark's will provide maintenance on the water and wastewater plants. Its request is, therefore, denied. However, we do believe that a ground maintenance expense is appropriate. Accordingly, we have increased contractual services by \$1,008 for water and \$1,872 for wastewater.

We have also reduced contractual services by \$58 for both water and wastewater, to remove nonutility expenses associated with the use of a photocopier.

Also during the test year, BCD recorded expenses of \$7,875, paid to Sunray Management, for both water and wastewater. Sunray Management handles the day-to-day operations of the utility. By Order No. 20436, we allowed expense amounts of \$2,820 each for water and wastewater. We have indexed this salary forward to 1989, and find that the appropriate annual allowances are \$3,027 each for water and wastewater. We have, therefore, reduced contractual services by \$4,848 for both water and wastewater.

Also during the test year, BCD recorded plant operator expenses of \$2,032 for both water and wastewater, paid to Gateway Utilities, for the period between November, 1988 and April, 1989. This is a duplication of duties. We have, therefore, reduced contractual services by \$2,032 for both water and wastewater.

BCD also recorded test year wastewater repair expenses totaling \$9,655 for sand removal from the aeration tanks, rebuilding a blower, rebuilding a pump and chlorinator and repairing a clarifier. We believe that this expense should be amortized over five years and have, therefore, reduced wastewater repair expense by \$7,726. However, we have also increased this expense by \$960 for an annual allowance for percolation pond maintenance.

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Transportation Expense

During the test year, BCD recorded transportation expenses of \$1,326 for both water and wastewater. These expenses are associated with a truck and a tractor that the utility booked in plant accounts. Since we have already found that these items are imprudent for a utility of this size, we have decreased this expense by \$1,326 for both water and wastewater.

The utility's owner, Mr. Chalifoux also requested a pro forma annual mileage allowance of \$1,872. Considering the quality and quantity of service being provided under contract, however, we believe that \$749 is an adequate mileage allowance. We have, therefore, increased transportation expense by \$263 for water and \$487 for wastewater.

Insurance Expense

Since we have previously disallowed the utility truck as imprudent, we have reduced insurance expense by \$61 for both water and wastewater to remove any expense associated with the disallowed truck. BCD also provided an insurance binder for liability coverage of \$2,950 for the water and wastewater systems. We believe that this is a reasonable expense for such coverage and have included pro forma liability insurance expenses of \$1,475 for both water and wastewater.

Regulatory Commission Expense

BCD recorded \$409 in regulatory expense for water. We have reduced this amount by \$350 to remove rate case expense disallowed in the prior rate case. We have also reduced this expense by \$59 in order to appropriately reclassify that amount to Account No. 675. We have also increased this expense by \$225 to reflect current rate case expense. As for the \$350 recorded for wastewater rate case expense, we believe that this amount is appropriate, and have made no further adjustments. This amount includes the unamortized portion of prior rate case expense plus the current rate case expense, amortized over four years.

Miscellaneous Expense

We have increased this expense by \$59 to reflect our prior reclassification.

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Revenue Requirements

Based upon the utility's books and records and the adjustments discussed above, we find that the appropriate annual revenue requirements are \$43,438 for water and \$78,005 for wastewater. These revenue requirements represent a decrease of \$6,050 (12.23 percent) for water and an increase of \$25,586 (48.81 percent) for wastewater to BCD's adjusted, annualized test year revenues. These revenue requirements will allow BCD to recover its operating expenses and allow it the opportunity to earn an 11.40 percent return on its investment.

RATES

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow BCD to recover its expenses and the opportunity to earn an 11.40 percent return on its investment, using the base facility/gallage charge rate structure. The base facility/gallage charge rate structure is our preferred rate structure, because it allows the utility to track costs and allows the customers to have some control over their bills. The customer pays for his or her pro rata share of the costs necessary to provide utility service and only his or her usage through the gallage charge. The utility's existing rates and those approved herein are set forth below for the purpose of comparison.

WATER

Monthly Rates

Residential and General Service

Base Facility Charge

<u>Meter Size</u>	<u>Existing</u>	<u>Approved</u>
5/8 x 3/4"	\$ 7.39	\$ 8.97
3/4"	\$ 11.10	\$ 13.46
1"	\$ 18.48	\$ 22.43
1 1/2"	\$ 36.99	\$ 44.85
2"	\$ 49.44	\$ 71.76
3"	\$ 118.38	\$ 143.52
4"	\$ 184.96	\$ 224.25
6"	\$ 369.90	\$ 448.50
<u>Gallage charge,</u> per 1,000 gallons	\$ 1.04	\$.82

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WASTEWATER
Monthly Rates
Residential and General Service

Base Facility Charge

<u>Meter Size</u>	<u>Existing</u>	<u>Approved</u>
5/8 x 3/4"	\$ 10.52	\$ 14.43
Full 3/4"	\$ 15.78	\$ 21.65
1"	\$ 26.30	\$ 36.08
1 1/2"	\$ 52.60	\$ 72.15
2"	\$ 84.16	\$ 115.44
3"	\$ 168.32	\$ 230.88
4"	\$ 263.00	\$ 360.75
6"	\$ 526.00	\$ 721.50
<u>Gallonage charge,</u> per 1,000 gallons (Residential only: Cap at 10,000 gallons)	\$ 1.00	\$ 1.54

These rates shall be effective for meter readings taken on or after thirty days after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the tariffs are consistent with our decision, that the proposed customer notice is adequate, and upon the expiration of the protest period.

SERVICE AVAILABILITY CHARGES

By Order No. 20436, issued December 9, 1988, we approved meter installation and tap-in charges at actual cost. We find no reason to amend this policy and have, therefore, made no changes to these charges.

BCD's water system is currently 17.20 percent contributed. If the system was expanded to include an additional well, a pump and a storage tank, it could accommodate additional connections. We have estimated the cost of these additions to be \$216,308. In order to determine the appropriate plant capacity charge, we have imputed these additions and the additional connections that they will accommodate. We find,

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accordingly, that the appropriate water plant capacity charge for BCD is \$299. This charge will bring the utility to a 75 percent level of contribution at design capacity.

BCD has already expanded its wastewater system and can accommodate additional connections. The wastewater system is currently 13.79 percent contributed. We, therefore, find that the appropriate wastewater plant capacity charge for BCD is \$389. This charge will bring the utility to a 75 percent level of contribution at design capacity.

The service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the tariffs are consistent with our decision, that the proposed customer notice is adequate, and upon the expiration of the protest period.

MISCELLANEOUS SERVICE CHARGES

BCD does not currently have miscellaneous service charges. Based upon our analysis of the labor and materials required for these services, we find that the following miscellaneous service charges are reasonable and consistent with Rule 25-30.345, Florida Administrative Code:

<u>Type of Service</u>	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15	\$15
Normal Reconnection	\$15	\$15
Violation Reconnection	\$15	Actual Cost
Premises Visit	\$10	\$10

When both water and wastewater services are provided, we believe that only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

The following is a description of each service:

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

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Normal Connection - This charge would be levied for transfer of service to a new customer account at a previously served location or reconnection of service subsequent to a customer requested disconnection.

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

Premises Visit 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 collectable bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the tariffs are consistent with our decision, that the proposed customer notice is adequate, and upon the expiration of the protest period.

TEMPORARY RATES IN EVENT OF PROTEST

This Order is issued as proposed agency action. A timely protest of this Order could delay the rate increase approved herein, resulting in a loss of revenue to the company. In the event of a protest by any party other than BCD, we hereby authorize BCD to collect the rates approved herein, subject to the utility's providing security for any possible refund. The security should be either a bond or a letter of credit in the amount of \$22,249, or a Commission-approved escrow agreement. BCD may only implement these rates after providing such security and after it has filed and Staff has approved revised tariff pages and a proposed customer notice. Should a refund ultimately be required, the refund shall be in accordance with Rule 25.30.360, Florida Administrative Code.

Upon consideration of the above, it is

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ORDERED by the Florida Public Service Commission that, in the event of a protest by any substantially affected person other than BCD Industries, Inc., BCD Industries, Inc. is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that BCD Industries, Inc. has provided satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer. It is further

ORDERED that the remaining provisions of this Order are issued as proposed agency action and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding with the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0850, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

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

ORDERED that the request BCD Industries, Inc. for increased rates and charges is hereby granted to the extent set forth in the body of this Order. It is further

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

ORDERED that the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

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ORDERED that, prior to its implementation of the rates approved herein, BCD Industries, Inc. shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. It is further

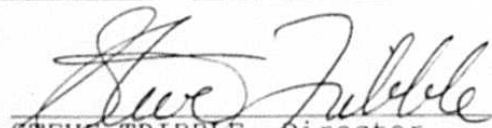
ORDERED that, prior to its implementation of the rates approved herein, BCD Industries, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that they are consistent with our decision as reflected herein, that the protest period has expired and upon its approval of the proposed customer notice. It is further

ORDERED that BCD Industries, Inc. shall replace all faulty general service meters, as set forth in the body of this Order. It is further

ORDERED that BCD Industries, Inc. shall inform this Commission that it has discontinued service to Florida Community Services within thirty (30) days of such discontinuation. It is further

ORDERED that, after the expiration of the protest period, this Commission will issue either a notice of further proceedings or an order closing this docket.

By ORDER of the Florida Public Service Commission,
this 26th day of APRIL, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions, other than the granting of temporary rates in event of a protest by any substantially affected person other than BCD Industries, Inc, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 17, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date 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 date described above, 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

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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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BCD INDUSTRIES, INC.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED OCTOBER 31, 1989

SCHEDULE NO. 1
DOCKET NO. 981118-WS

	TEST YEAR PER UTILITY	COMM. ADJUST TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 245,069 A	\$ (28,915)	\$ 216,154
LAND/NON-DEPRECIABLE ASSETS	7,042 B	0	7,042
PLANT HELD FOR FUTURE USE	0 C	0	0
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	0 E	0	0
C.I.A.C.	(68,826) F	(32,519)	(101,345)
ACCUMULATED DEPRECIATION	(75,106) G	2,944	(72,162)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	37,987 I	(211)	37,776
WORKING CAPITAL ALLOWANCE	0 J	3,053	3,053
	-----	-----	-----
WATER RATE BASE	\$ 146,166	\$ (55,648)	\$ 90,518
	=====	=====	=====

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BCD INDUSTRIES, INC.
SCHEDULE OF WASTEWATER RATE BASE
TEST YEAR ENDED OCTOBER 31, 1989

SCHEDULE NO. 1-A
DOCKET NO. 891118-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 251,979 A	\$ 29,147	\$ 281,126
LAND/NON-DEPRECIABLE ASSETS	60,000 B	0	60,000
PLANT HELD FOR FUTURE USE	0 C	(59,082)	(59,082)
ACQUISITION ADJUSTMENT	0 D	0	0
C.W.I.P.	110,077 E	(110,077)	0
C.I.A.C.	(39,952) F	(39,251)	(79,203)
ACCUMULATED DEPRECIATION	(46,438) G	7,925	(38,513)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0 H	0	0
AMORTIZATION OF C.I.A.C.	17,956 I	(120)	17,836
WORKING CAPITAL ALLOWANCE	0 J	5,523	5,523
	-----	-----	-----
SEWER RATE BASE	\$ 353,622	\$ (165,935)	\$ 187,687
	=====	=====	=====

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BCD INDUSTRIES, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 SCHEDULE NO. 1-B

A. <u>UTILITY PLANT IN SERVICE</u>	<u>Water</u>	<u>Wastewater</u>
1. To adjust plant through December 31, 1987 per Order No. 20436.	\$ 164	\$ 249
2. To reflect proforma plant.	2,000	110,077
3. To remove truck from plant.	(3,190)	(3,190)
4. To remove tractor from plant.	(13,812)	(13,812)
5. To reflect retirement of tank.	(7,240)	
6. To reflect test year average adjustment.	(6,837)	(64,176)
	<u>\$(28,915)</u>	<u>\$ 29,147</u>
C. <u>PLANT HELD FOR FUTURE USE</u>		
To reflect plant held for future use net of accumulated depreciation.		<u>\$ (59,082)</u>
E. <u>CONSTRUCTION WORK IN PROGRESS (CWIP)</u>		
To reflect reclassification to utility plant in service as proforma plant.		<u>\$ (110,077)</u>
F. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>		
1. To recognize expensed plant as CIAC that was allowed as plant additions in prior rate case.	\$(711)	(\$3,845)
2. To recognize expensed plant as CIAC that was expensed in 1988.		(10,000)

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BCD INDUSTRIES, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 SCHEDULE NO. 1-B

	<u>Water</u>	<u>Wastewater</u>
3. To reflect CIAC associated with margin reserve.		\$ (15,171)
4. To reflect Staff's adjustment to balance at December 31, 1987 per Order No. 20436.	\$ (31,808)	(15,235)
5. To reflect test year average adjustment.	<u>\$ (32,519)</u>	<u>5,000</u> <u>\$ (39,251)</u>
 G. <u>ACCUMULATED DEPRECIATION</u>		
1. To reflect Staff's adjustment through October 31, 1989.	\$ 6,542	\$ 3,640
2. To reflect Staff's recommended depreciation associated with service provided to temporary customer	(3,670)	
3. To reflect test year average adjustment.	<u>72</u> <u>\$ 2,944</u>	<u>4,285</u> <u>\$ 7,925</u>
 I. <u>AMORTIZATION OF CIAC</u>		
1. To reflect Staff's adjustment through October 31, 1989.	\$ 1,475	\$ 1,092
2. To reflect test year average adjustment.	<u>(1,686)</u> <u>\$ (211)</u>	<u>(1,212)</u> <u>\$ (120)</u>
 J. <u>WORKING CAPITAL ALLOWANCE</u>		
To reflect Staff's recommended one-eighth of operation and maintenance expense allowance.	<u>\$ 3,053</u>	<u>5,523</u>

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BCD INDUSTRIES, INC.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED OCTOBER 31, 1989

SCHEDULE NO.2
DOCKET NO.891118-WS

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG-TERM DEBT	\$ 198,129	\$ 64,039	\$ 262,168	94.24%	11.25%	10.60%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	12,120	3,917	16,037	5.76%	13.95%	0.80%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
	-----	-----	-----	-----	-----	-----
TOTAL	\$ 210,249	\$ 67,956	\$ 278,205	100.00%		11.40%
	=====	=====	=====	=====	=====	=====

RANGE OF REASONABLENESS	LOW	HIGH
-----	-----	-----
RETURN ON EQUITY	12.95%	14.95%
OVERALL RATE OF RETURN	11.35%	11.46%

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BCD INDUSTRIES, INC.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDED OCTOBER 31, 1989

SCHEDULE NO.2
DOCKET NO.891118-WS

	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG-TERM DEBT	\$ 198,129	\$ 64,039	\$ 262,168	94.24%	11.25%	10.60%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	12,120	3,917	16,037	5.76%	13.95%	0.80%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
	-----	-----	-----	-----	-----	-----
TOTAL	\$ 210,249	\$ 67,956	\$ 278,205	100.00%		11.40%
	=====	=====	=====	=====		=====

RANGE OF REASONABLENESS	LOW	HIGH
-----	-----	-----
RETURN ON EQUITY	12.95%	14.95%
OVERALL RATE OF RETURN	11.35%	11.46%

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BCD INDUSTRIES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED OCTOBER 31, 1989

SCHEDULE NO.3
DOCKET NO.891118-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 109,888 A	\$ (60,400)	\$ 49,488 G	\$ (6,050)	\$ 43,438
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	30,782 B	(6,360)	24,422	0	24,422
DEPRECIATION	9,876 C	(1,834)	8,042	0	8,042
AMORTIZATION	(4,056)D	377	(3,679)	0	(3,679)
TAXES OTHER THAN INCOME TAXES	3,630 E	846	4,476 H	(272)	4,204
INCOME TAXES	1,013 F	(883)	130	0	130
TOTAL OPERATING EXPENSES	41,245 \$	(7,854) \$	33,391 \$	(272) \$	33,119
OPERATING INCOME/(LOSS)	68,643 \$	(52,546) \$	16,097 \$	(5,778) \$	10,319
WATER RATE BASE	146,166		\$ 90,518		\$ 90,518
RATE OF RETURN	46.96%		17.78%		11.40%

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BCD INDUSTRIES, INC.
SCHEDULE OF WASTEWATER OPERATING INCOME
TEST YEAR ENDED OCTOBER 31, 1989

SCHEDULE NO.3-A
DOCKET NO.891118-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 47,459 A	\$ 4,960	\$ 52,419 G	\$ 25,586	\$ 78,005
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	47,489 B	(3,302)	44,187	0	44,187
DEPRECIATION	10,645 C	(1,639)	9,006	0	9,006
AMORTIZATION	(2,546)D	(466)	(3,012)	0	(3,012)
TAXES OTHER THAN INCOME	3,630 E	1,382	5,012 H	1,151	6,163
INCOME TAXES	1,013 F	(748)	265	0	265
TOTAL OPERATING EXPENSES	60,231 \$	(4,773) \$	55,458 \$	1,151 \$	56,609
OPERATING INCOME/(LOSS)	(12,772) \$	9,733 \$	(3,039) \$	24,435 \$	21,396
SEWER RATE BASE	353,622	\$	187,687	\$	187,687
RATE OF RETURN	-3.61%		-1.62%		11.40%

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BCD INDUSTRIES, INC.
 SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
 SCHEDULE NO. 3-B

	<u>Water</u>	<u>Wastewater</u>
A. <u>OPERATING REVENUES</u>		
1. To remove revenue collected from temporary customer.	\$(57,682)	
2. To annualize revenue based on existing rates.	(2,718)	\$ (4,960)
	<u>\$(60,400)</u>	<u>\$ (4,960)</u>
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>		
1. To adjust the manager's salary to Staff's recommended allowance.	\$ 306	\$ 306
2. To remove purchased power expense associated with a temporary water customer.	(4,011)	
3. To adjust purchase power expense for wastewater due to future increase in consumption as determined by the staff engineer.		4,560
4. To adjust test year chemicals to an annual allowance as determined by the staff engineer.	(732)	127

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BCD INDUSTRIES, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
SCHEDULE NO. 3-B

	<u>Water</u>	<u>Wastewater</u>
5. To adjust test year contractual plant operator fee to annual contract amount.	\$ 2,440	\$ 3,346
6. To adjust test year quarterly water testing allowance to Staff's recommended allowance.	510	
7. To adjust test year repair expenses to Staff's recommended allowance.	281	(384)
8. To reflect DER required water testing allowance (\$900/3).	300	
9. To reflect Staff's recommended ground maintenance allowance.	1,008	1,872
10. To remove nonutility expense associated with xerox copier	(58)	(58)
11. To adjust management fee for Sunray management to Staff's recommended allowance.	(4,848)	(4,848)
12. To remove duplication of plant operator expense.	(2,032)	(2,032)
13. To reflect wastewater repairs amortized over five years (\$9,656/5).		(7,726)

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BCD INDUSTRIES, INC.

SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B

	<u>Water</u>	<u>Wastewater</u>
14. To reflect staff's recommended allowance for percolation pond maintenance.		\$ 960
15. To remove transportation expense associated with a tractor and a truck that is not included in rate base.	\$(1,326)	(1,326)
16. To reflect staff's recommended mileage allowance for the office manager.	263	487
17. To remove insurance expense for the truck that has not been allowed in rate base.	(61)	(61)
18. To reflect proforma liability insurance expense.	1,475	1,475
19. To remove prior rate case expense allowed in prior rate case expense for wastewater only.	(350)	
20. To reflect reclassification to Account No. 675.	(59)	
21. To reflect staff's recommended rate case expense.	225	
22. To reflect reclassification to miscellaneous expense.	59	

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BCD INDUSTRIES, INC.
 SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
 SCHEDULE NO. 3-B

	<u>Water</u>	<u>Wastewater</u>
23. To reflect Staff's recommended meter testing allowance.	\$ 250 <u>\$(6,360)</u>	<u>\$(3,302)</u>
C. <u>DEPRECIATION EXPENSE</u>		
To reflect Staff's calculation of depreciation expense for the test year ended October 31, 1989.	<u>\$(1,834)</u>	<u>\$(1,639)</u>
D. <u>AMORTIZATION OF CIAC</u>		
To reflect Staff's calculation of amortization of CIAC for the test year ended October 31, 1989.	<u>\$ 377</u>	<u>\$ 466</u>
E. <u>TAXES OTHER THAN INCOME</u>		
1. To remove vehicle tax.	\$ (19)	\$ (19)
2. To reclassify property tax based on the land acreage of the wastewater system.	(202)	202
3. To adjust regulatory assessment fee to 4.5% of test year revenue.	1,048	1,179
4. To remove a penalty fee.	(8)	(7)
5. To adjust tax on employees' salary.	\$ 27 <u>\$ 846</u>	\$ 27 <u>\$ 1,382</u>

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BCD INDUSTRIES, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
SCHEDULE NO. 3-B

	<u>Water</u>	<u>Wastewater</u>
F. <u>INCOME TAXES</u>		
To adjust income tax expense to Staff's calculated amount.	<u>\$ (833)</u>	<u>\$ (748)</u>
G. <u>OPERATING EXPENSE</u>		
To reflect increase or decrease in revenues required to cover expenses and allow recommended rate of return on investment.	<u>\$(6,050)</u>	<u>\$25,586</u>
H. <u>TAXES OTHER THAN INCOME</u>		
To adjust regulatory assessment at 4.5% on increase or decrease in revenue.	<u>\$ (272)</u>	<u>\$ 1,151</u>