

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Southern States) DOCKET NO. 890868-WS
 Utilities, Inc. for rate increase in) ORDER NO. 23511
 Seminole County.) ISSUED: 9-18-90
)

The following Commissioners participated in the disposition of this matter:

BETTY EASLEY
 GERALD L. GUNTER

APPEARANCES: WAYNE L. SCHIEFELBEIN, Esquire, Gatlin, Woods,
 Carlson & Cowdery, 1709-D Mahan Drive,
 Tallahassee, Florida 32308
On behalf of Southern States Utilities, Inc.

NOREEN S. DAVIS, Esquire, Florida Public Service
 Commission, 101 East Gaines Street, Tallahassee,
 Florida 32399-0863
On behalf of the Staff of the Commission

PRENTICE P. PRUITT, Esquire, Florida Public
 Service Commission, - 101 East Gaines Street,
 Tallahassee, Florida 32399-0863
Counsel to the Commissioners

FINAL ORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

BACKGROUND

On November 13, 1989, Southern States Utilities, Inc. (Southern States or utility) filed an application for a general rate increase for its water and wastewater systems in Seminole County. The approved test year for this docket is the projected twelve-month period ending December 31, 1990. The application as filed was deficient, and the utility was notified of the deficiencies. The utility filed final corrections of the deficiencies on January 4, 1990, and that date was established as the official date of filing.

DOCUMENT NUMBER-DATE

08311 SEP 18 1990

FPSC-RECORDS/REPORTING

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 2

The Seminole County system is a Class B water utility and a Class C wastewater utility, providing service to approximately 3,107 water customers and 323 wastewater customers at the end of the historical test year ended April 30, 1989.

The utility initially requested final revenues of \$691,007 for the water system and \$368,276 for the wastewater system. These revenues represent an increase of \$140,107 (25.43 percent) for the water system and \$132,873 (56.44 percent) for the wastewater system over projected 1990 test year revenues. The utility's rates were last considered in Docket No. 860325-WS, culminating in the issuance of Order No. 17043 on December 31, 1986. The utility stated that the primary reason for filing the rate increase application was that the existing water and wastewater rates produced insufficient revenues to provide a fair return on its investment in property used and useful in the public service. The utility also requested an interim increase in water revenues, but did not request an interim increase in wastewater revenues. By Order No. 22620 issued March 1, 1990, the Commission suspended the utility's proposed rates and granted interim water revenues of \$561,755, subject to refund. These interim revenues represented an increase of \$24,614 (4.58 percent) over test year actual revenues.

The hearing was held on May 22, 1990 in Altamonte Springs, Florida.

FINDINGS OF FACT, LAW AND POLICY

Having heard the evidence presented at the formal hearing and having reviewed the recommendation of staff, as well as the brief of the utility, we now enter our findings and conclusions.

STIPULATIONS

During the course of this proceeding, the utility and staff arrived at numerous "proposed stipulations." As will be discussed in a subsequent portion of this Order, staff no longer supports a portion of Stipulation 39 because of evidence which developed at hearing. The deleted sentence reads "Minnesota Power and Light invests only equity in its subsidiaries and no debt." Also, Stipulation 7 has been modified as explained below and both the utility and staff agree with the change.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 3

We have reviewed the proposed stipulations set forth below and find them reasonable. Accordingly, they are approved.

RATE BASE:

1. The Chuluota wastewater treatment plant is 39 percent used and useful.
2. Plant-in-service should be increased by \$1,287 for water and reduced by \$10,553 for wastewater to reconcile the December 31, 1985 plant balances to Order No. 17043.
3. Plant-in-service should be increased by \$9,799 for water and \$7,255 for wastewater to correct utility errors from January 1, 1986 through April 30, 1989.
4. Unauthorized AFUDC totalling \$11,888 for the Chuluota water plant should be excluded from plant-in-service.
5. The appropriate average balance of Plant-in-service for the projected test year ended December 31, 1990 is \$2,813,305 for water and \$1,935,688 for wastewater.
6. An adjustment of \$229,493 should be made to plant-in-service for the non-used and useful plant for the Chuluota wastewater system.
7. \$5,717 in accumulated depreciation for the Chuluota wastewater system should be removed for non-used and useful plant.

**Subsequent to the hearing the staff discovered that land had been classified in a depreciable plant account and was being depreciated. Staff reclassified the land to the land account to correct the error. As a result, the amount of accumulated depreciation associated with non-used and useful plant should be \$3,344. Both staff and the utility are in agreement with this adjustment.

8. The appropriate average balance of utility land and land rights for the projected test year ended December 31, 1990 is \$71,272 for water and \$140,719 for wastewater.

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 4

9. The appropriate average balance of accumulated depreciation for the projected test year ended December 31, 1990 is (\$871,170) for water and (\$195,605) for wastewater.
10. CIAC should be adjusted by \$65,703 for water and \$34,458 for wastewater to reflect the correct additions to CIAC from January 1, 1986 to April 1, 1989.
11. The appropriate average balance of CIAC for water for the projected test year ended December 31, 1990 is \$706,030.
12. Accumulated amortization of acquisition adjustment should be adjusted by \$618 to reconcile the December 31, 1985 balance to Order No. 17043.
13. The appropriate balance of accumulated amortization of acquisition adjustment for the projected test year ended December 31, 1990 is \$18,138.
14. The working capital allowance should be 1/8 of the operation and maintenance expenses allowed in this case.
15. The following adjustments should be made to the utility's books to exclude unauthorized AFUDC:

| | |
|---------------------|-----------|
| FCCP Wastewater | \$ 1,763 |
| Chuluota Wastewater | \$ 92,528 |
| Chuluota Water | \$ 19,798 |
16. The utility should not be allowed to accrue AFUDC on that portion of CWIP for the Florida Central Commerce Park wastewater treatment plant that was contributed or financed by advances for construction, since no capital costs are associated with these amounts.
17. An adjustment of \$26,604 should be made to the utility's books and records to exclude AFUDC accrued on CIAC and advances for construction.

COST OF CAPITAL

18. The average balance of accumulated deferred income taxes at 12/31/90 should be \$1,275,828. This is a total company

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 5

figure before reconciliation of capital structure to rate base. This reflects an adjustment to deferred tax expense for CIAC gross-up.

19. The cost of common equity is 13.95 percent, based on the current leverage formula.

NET OPERATING INCOME

20. The appropriate test year water revenues before any revenue increase are \$564,984.
21. Operation and maintenance expenses for water should be decreased by \$1,920 to remove the fine assessed by the Department of Environmental Regulation for violating various rules of Florida Administrative Code Chapters 17-16 and 17-22.
22. Operation and maintenance expenses should be decreased by \$3,012 for water and \$4,213 for wastewater to exclude the utility's adjustment for the increase in the cost of purchased water and sewer which was effective June 1, 1988.
23. Operation and maintenance expenses should be decreased by \$2,806 for water and \$1,444 for wastewater to exclude pass through items from the index calculation of projected 1990 operation and maintenance expenses.
24. Four years is the appropriate amortization period for rate case expense.
25. The appropriate balance of taxes other than income taxes, excluding regulatory assessment fees are as follows:

| | <u>Water</u> | <u>Wastewater</u> |
|---------------------------|--------------|-------------------|
| Real & Personal Property: | \$5,580 | \$9,259 |
| Payroll: | \$9,868 | \$6,926 |

26. Regulatory assessment fees should be calculated at 4.5 percent on a prospective basis.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 6

RATES AND RATE STRUCTURE

27. The Seminole County water rates should continue to be uniform.
28. The miscellaneous service charges should be increased in accordance with Second Revised Staff Advisory Bulletin No. 13. However, the request for an "after hours" charge of \$20.00 should be denied due to inadequate support.
29. Private fire protection charges are a part of the structure of the water rates and are automatically adjusted, i.e., private fire protection charges are one-third the base facility charge for a comparable size meter.

RATE BASE

30. A margin reserve should be included in the calculation of used and useful plant. The level of the margin reserve is reflected in the used and useful percentages shown in Stipulations #1 and #31.
31. The used and useful percentage for Florida Central Commerce Park, including margin reserve, is 20 percent.
32. The appropriate balance of accumulated amortization of CIAC for water for the projected test year ended December 31, 1990 is \$220,839.

NET OPERATING INCOME

33. The appropriate projected test year revenues before any revenue increase should be based on the projected billing data for the test year 1990. i.e., the present rates should be applied to the projected billing data to determine the test year revenues before any increase. The wastewater revenues will be determined after adjustments to the billing determinants are made. This is the starting point for the constructed income statement.
34. The appropriate depreciation expense (gross) for water is \$119,149.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 7

RATES AND RATE STRUCTURE

35. Service availability charges (plant capacity charges) should be implemented for the Chuluota wastewater system and adjusted for the Florida Central Commerce Park, to be consistent with Rule 25-30.580, Florida Administrative Code.
36. The wastewater rates should remain uniform and reflect a 20 percent increase, spread over all customers. This stipulation renders moot Issues 5, 6, 7, 8, 9, 18, and 22 [in the Prehearing Order] as they pertain to wastewater.
37. Since the utility agrees with the AFPI methodology and agrees to the used and useful percentages for the Chuluota and Florida Central Commerce Park wastewater systems, the AFPI amounts are fall-out numbers.
38. A spray irrigation charge should be developed as follows:

\$.25 times yearly thousands of gallons billed divided by number of sprinkler-heads. A flat rate for each customer would be based on the sprinkler-head count.

NET OPERATING INCOME

39. Topeka Group may invest both debt and equity in its subsidiaries.

QUALITY OF SERVICE

Our analysis of the overall quality of service provided by the utility is based upon evidence received regarding Southern States' compliance with the rules of the Department of Environmental Regulation (DER) and other regulatory agencies, the quality of the utility's product of water or wastewater, the operational conditions of the utility's plants, and customer satisfaction. The customers were given two opportunities at the hearing to present evidence regarding quality of service and other matters. Seven customers testified. Their concerns are addressed below.

Southern States' service areas are scattered throughout Seminole County, involving nine water and four wastewater systems. The utility was serving 3,107 water customers and 323

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 8

wastewater customers during the test year, primarily single family residential homes. All water is chlorinated, and most water plants include aeration for hydrogen sulfide reduction. Wastewater is treated by two new .100 million gallons per day (mgd) wastewater plants at Chuluota and Florida Central Commerce Park. Effluent from each of these plants is disposed of through spray irrigation. Wastewater is sent to the City of Altamonte Springs for the Apple Valley and Meredith Manor systems.

According to Mr. Roberto Ansag of DER, the utility is in compliance with DER's regulations. There are no outstanding violations, and no need has been shown for additional treatment of the drinking water. No maximum contaminant levels for primary or secondary drinking water standards have been exceeded. Plant capacities are adequate, operator staffing is sufficient, overall maintenance is satisfactory, and the wells are located a safe distance from pollution sources.

Exhibit 10, the Index of Customer Complaints filed by Southern States, contains about 260 service orders that the utility processed during the test year involving customer inquiries. 86 of these involved billing questions, but 50 involved leaks, 42 involved a metering problem, and 32 involved low pressure complaints. These pressure complaints were mostly from Chuluota, Fern Park, Meredith Manor, and Hidden Estates.

Six of the seven customers who testified at the hearing gave testimony relating to quality of service. An Apple Valley customer explained that he experienced occasional pressure drops but overall the pressure was not bad. He also finds some sediment in the water closet. Another customer of Apple Valley stated that the water pressure is poor early in the morning and during times of irrigation. He has experienced air in the lines, which takes several days to clear. A third customer on the Apple Valley system testified that the filter screen on his greenhouse irrigation system becomes caked with a brown algae which required cleaning of the filter every two to three weeks. A DER representative who came to examine the problem believed that it was caused by a low concentration of chlorine. The problem persists.

A customer of the Hidden Estates system testified that there have been some outages, although none recently. He and his wife do not drink the water and instead drink bottled

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 9

water. He described the water as smelling like diluted clorox in the morning, but on Saturdays when usage is greater, the water is more palatable.

Another customer of the Hidden Estates system testified that he experiences inadequate pressure. He believes a larger pipe should be installed on Cynthia Court in order to obtain adequate pressure.

Mr. W. E. Darling, a representative of the DER, testified that wastewater plants at Chuluota and Florida Central Commerce Park were not under any citation or violation, and that they meet the effluent disposal requirements set forth by the DER in its rules. The Chuluota plant had just gone on line and was operating under its construction permit, which would continue for another six months to ensure that the plant could meet effluent standards. DER is satisfied with the operation of both plants. No customers spoke about the wastewater service provided by the utility.

The utility seems to have responded adequately to customer inquiries and complaints. Several customers spoke about the appearance of the water plants at Apple Valley and Hidden Estates being less than desirable. From a review of the testimony, we believe that the customers who testified are desirous of some improvements to the service (increased pressure, reduced sediment/sand in the water, less odor and taste) and some aesthetic improvements in the plant sites. Once these improvements are completed, greater customer satisfaction with the product should be realized.

While technically the water provided by the utility meets the minimum standards set forth by DER, improvements could be made to some of the systems that would resolve some of the complaints brought out by the customers. The utility agreed at hearing to provide an analysis of the Hidden Estates system to determine what deficiencies exist. The utility is also to provide late-filed Exhibit 19, which will be an evaluation of the water plants to determine whether the supply is adequate, including the provision of fire flow for those systems that have fire hydrants.

Upon consideration of the evidence before us, we find that the quality of service provided by Southern States is satisfactory. Certainly, there are areas of concern as

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 10

expressed by the customers that need attention by the utility: pressure, sand, air, and algae in the water. We note that Southern States attached to its brief in this case, an internal company memorandum showing the steps being taken to resolve the problems to which the customers testified. Once the analysis and evaluation discussed above are submitted to the Commission, we will monitor the improvements needed.

RATE BASE

Our calculations of the appropriate water and wastewater rate bases are attached to this Order as Schedules Nos. 1-A for water and 1-B for wastewater, with our adjustments attached as Schedule No. 1-C. Those adjustments which are self-explanatory or essentially mechanical in nature are set forth on those schedules without any further discussion in the body of this Order. The major adjustments are discussed below.

Imputation of CIAC on Margin Reserve

Stipulation 30 stated that margin reserve should be included in the Chuluota and Florida Central Commerce Park wastewater systems. The concept of margin reserve recognizes some of the costs which the utility has incurred in order to provide service to new customers in the near future. The utility's position is that no contributions-in-aid-of-construction (CIAC) should be imputed on the margin reserve.

The Commission's policy is that when a margin reserve is included in rate base, the expected customer contributions over this same period should also be included. The imputation of CIAC should not, however, reduce rate base further than if no margin reserve had been allowed. We took notice of our Order No. 20434 in Docket No. 871134-WS, in which this policy is expressed.

Utility witness Lewis testified that he is familiar with the Commission's position on imputation of CIAC on the margin reserve. He further testified that a margin reserve should be included in the calculation of used and useful plant, but that the utility's position had not changed regarding the imputation of CIAC, and that the utility's position was philosophical.

Since there is no evidence in the record to demonstrate that CIAC should not be imputed on margin reserve other than a

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 11

philosophical disagreement, we find it appropriate to make the imputation. Accordingly, we find that CIAC should be imputed on the margin reserve in the amount of \$30,135 for the Florida Central Commerce Park wastewater system and \$18,811 for the Chuluota wastewater system. These amounts are based on 21 equivalent residential connections (ERCs) and 13 ERCs included in the margin reserve for the Florida Central Commerce Park and Chuluota wastewater systems, respectively, multiplied by the plant capacity charge of \$1,435 for the Florida Central Commerce Park system and \$2,730 for the Chuluota wastewater system discussed later in this Order. The imputation of CIAC for the Chuluota system based on 13 ERCs and a capacity charge of \$2,730 total \$35,490. However, in order not to reduce rate base further than if no margin reserve had been allowed, CIAC for the Chuluota system is limited to \$18,811.

Used and Useful

As shown in Stipulations 1 and 31, the Chuluota wastewater treatment plant is 39 percent used and useful and Florida Central Commerce Park plant is 20 percent used and useful, respectively. Our review of the evidence concludes that all the remaining water and wastewater systems are 100 percent used and useful. The schedules filed by the utility in its minimum filing requirements (MFRs) delineate the demand placed on each of the water and wastewater systems. All systems, except for Chuluota and Florida Central Commerce Park, are essentially built-out and are not experiencing growth. Accordingly, we find that all plants and systems, except the two discussed above, are 100 percent used and useful.

Adjustments to Plant-in-Service, CIAC, Accumulated Depreciation and CIAC Amortization

Since the Florida Central Commerce Park is 20 percent used and useful, we must reduce plant-in-service accordingly. Thus, we find it appropriate to decrease plant-in-service by \$943,530 to remove non-used and useful plant. Also, CIAC must be reduced by \$383,530 to remove non-used and useful CIAC.

Further adjustments are necessary because of the 20 percent used and useful level of the Florida Central Commerce Park. Thus, we find it appropriate to adjust accumulated depreciation by \$38,117 for this plant to remove depreciation on non-used and useful plant. Further, CIAC amortization of this system

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 12

must be adjusted by \$12,784 to remove CIAC amortization on non-used and useful CIAC.

As a result of these adjustments and the adjustment agreed to in Stipulation 10, the CIAC balance of \$755,690 for the wastewater system shown in the MFRs must be adjusted accordingly. Further, we find it appropriate to increase the CIAC balance by an additional \$13,405 to reflect the portion of advances for construction shown in Exhibit 7 and discussed below, that should have been reclassified as CIAC. Finally, the CIAC balance must be adjusted by \$48,946 to reflect the imputation of CIAC on the margin reserve previously discussed.

Accordingly, we find the appropriate average balance of wastewater CIAC for the projected test year ended December 31, 1990 to be \$468,969.

Average Balance of Accumulated Amortization of CIAC

In its MFRs, the utility reported an average balance of accumulated amortization of CIAC of \$211,407 for the water system and \$77,761 for the wastewater system. Based on our review of the record, we find the following adjustments to be appropriate. We will increase water by \$8,990 and wastewater by \$4,938 to reflect amortization associated with the adjustment shown in Schedule No. 1-C, line 7-A. We have also adjusted water by \$442 and wastewater by \$11,676, to reflect the recalculation of CIAC based on our adjusted CIAC balance and the utility's composite depreciation rate, as well as the adjustments previously discussed regarding removing non-used and useful CIAC amortization and accumulated amortization of CIAC on the margin reserve. As a result of all the adjustments, we find the appropriate balance of accumulated amortization of CIAC for the projected test year ended December 31, 1990 to be \$220,839 for the water system and \$84,996 for the wastewater system.

Advance from Park Industrial Venture

In the Prehearing Order, the utility agreed, pending resolution of the numbers, that the \$400,000 advance from Park Industrial Venture to help finance the construction of Florida Central Commerce Park wastewater system should be excluded from the cost of capital calculation and included in the rate base calculation. In Exhibit 5, Southern States reflected the

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 13

\$400,000 advance as long-term debt in its capital structure. We believe that it is more appropriate for the advance to be classified as an advance for construction and should, therefore, be reclassified from long-term debt, and the average balance outstanding at December 31, 1990 should be included as a deduction in the rate base calculation. The advance was made for the purpose of financing the construction of the plant facilities. There are no associated interest costs and the advance is refundable to Park Industrial Venture under specified conditions.

Based on the utility's response to Interrogatory No. 5, included in Exhibit 7, the outstanding balance of advances at December 31, 1990 is expected to be \$365,690. Therefore, the average balance to be included in rate base should be \$382,845. This amount should be reduced by \$306,276 to exclude that portion considered to be non-used and useful, resulting in a net adjustment of \$76,569 to rate base. The difference in the beginning and year-end balance of advances has been calculated to be \$34,310. \$7,500 of this amount represents repayments from service revenues and \$7,800 from connection fees; the remaining difference, \$19,010 is considered to be CIAC.

In light of the figures provided by the utility, which we accept, we find that the average balance of the \$19,010 and the \$7,800 in connection fees, or \$13,405, should be reclassified as CIAC and included in the rate base calculation.

Working Capital

By Order No. 21922, issued September 19, 1989, we granted Southern States' request to use the formula method of calculating working capital. The formula method consists of taking one-eighth of operation and maintenance (O & M) expenses. See also Stipulation 14 herein.

Based on the adjustments to O & M expenses we have made in this proceeding, which are discussed in a subsequent section of this Order, and applying the formula method, we find the appropriate working capital allowances to be \$36,961 for the water system and \$17,973 for the wastewater system.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 14

Rate Base

Based on our decisions and adjustments herein, we find that the appropriate test year rate bases are \$1,609,239 for the water system and \$310,560 for the wastewater system.

COST OF CAPITAL

Zero-cost Preferred Stock

The record shows that the Seminole County system is an operating division of Southern States and, as such, does not have a separately identifiable capital structure. The Seminole County system does not raise capital for its own needs. Southern States issues all the equity and debt used to finance the operations of all of its utility systems. All investor-supplied sources of capital are allocated to the Seminole County system based on the relative balances maintained on the consolidated balance sheet of Southern States.

On December 2, 1988, Southern States acquired three separate utility systems from Punta Gorda Developers (PGD). The purchase agreement for these utility systems involved a cash payment of \$3.3 million equivalent to the used and useful rate base as well as \$4.2 million of preferred stock which represented the estimated value of excess plant capacity. The preferred stock had no dividend requirement, but Southern States agreed to make quarterly payments to redeem portions of stock based on the number of new connections added during the prior three month period or at an annual redemption rate of 5 percent, whichever was greater. At the beginning of the December 31, 1990 test year, \$3,845,000 of preferred stock was included on Southern States' consolidated balance sheet.

On March 23, 1990, the record shows that Southern States redeemed the entire outstanding balance of preferred stock. Southern States presented four primary reasons for the premature redemption, which it believes to have been a prudent business decision. The utility witness' position is that the stock should therefore be excluded from the capital structure for the projected test year.

At the time the preferred stock was redeemed, Southern States had a balance of \$3,845,000 remaining on its consolidated balance sheet. Based upon the PGD preferred stock

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 15

redemption projection contained in Exhibit 7, the planned redemption would have continued through the end of 2002. The discounted present value of the expected future redemptions under this scenario was \$2.3 million. The redemption agreement called for a cash payment of \$200,000 less than the discounted present value of the future redemptions. This would bring the amount due under the agreement to \$2.1 million. However, in addition to the cash incentive, the redemption agreement also allowed Southern States to net the \$611,000 it was owed by PGD due to the dispute over the developer agreement between the two parties against the cash payment Southern States made to PGD. In the end, Southern States borrowed \$1.5 million to redeem the zero-cost preferred stock early.

The first reason Southern States cited for its decision to redeem the preferred stock early concerned PGD's offer of a cash payoff that was \$200,000 less than the discounted present value of the expected future redemptions. As just mentioned, Southern States borrowed \$1.5 million at a floating interest rate of a quarter-percent below prime. The prime rate has remained at 10 percent since early 1990. This results in an interest rate of 9.75 percent. Simple interest on a balance of \$1.5 million at 9.75 percent is approximately \$146,000. Utility Witness Lewis admitted that in less than 2 years the interest charges on the borrowed funds would more than offset the \$200,000 incentive Southern States received to redeem the preferred stock early.

The second reason Southern States offered is that the interest charges associated with funding the payoff could be capitalized and not flowed through Southern States' operating statement. There was no evidence presented that this accounting treatment is actually being used. Nevertheless, even if the interest charges are being capitalized, this does not negate the fact that Southern States is now incurring interest expense on debt obtained to pay off cost-free capital early.

As the third reason, Southern States indicated that a developer agreement dispute between Southern States and PGD could be resolved. As part of the original acquisition of the three systems, Southern States and PGD executed a developer agreement for PGD properties in the Twin County Utility certificated area. In Order No. 21631 (Docket No. 881399-WS), the Commission required that Southern States execute revisions

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 16

to certain terms of the original agreement. Southern States' position was that changes to the developer's agreement changed the originally negotiated acquisition terms and that Southern States should be compensated for any changes. Since it was Southern States' opinion that PGD was in a weak financial position, it was believed that the likelihood of compensation outside the preferred stock balances was improbable. Thus, linking the preferred stock redemption to a discount and holding back repayment was a consideration in Southern States' decision to go forward with the transaction. However, PGD owed Southern States approximately \$611,000 and Southern States owed PGD approximately \$3,845,000. It is our conclusion that Southern States could have withheld payment on the preferred stock to recover the \$611,000 without having to redeem the entire outstanding balance at that time.

The final reason cited by Southern States concerned our proposed treatment of the preferred stock in the capital structure of the Duval County system (Docket No. 890951-WS). At the time Southern States redeemed the preferred stock, it was Southern States' position that the acquisition financing was franchise specific to the mutual benefit of Southern States and the ratepayers of these particular systems. Southern States believed that the zero-cost effect should not be flowed through to the other ratepayers through a lowering of the Company's composite, weighted average cost of capital. Southern States further believed that the proposed treatment would penalize it for using an otherwise favorable form of financing. However, at the hearing held in this rate case, Southern States changed its position and agreed that the cost-free benefit of the preferred stock should have been spread over all systems, just like the costs of all other forms of investor-supplied financing.

The premature redemption of the zero-cost preferred stock had the effect of increasing the weighted average cost of capital by 94 basis points. Based upon the evidence presented at the hearing, we are not persuaded that the reasons offered by Southern States are sufficient to justify the early redemption of the stock and the resulting increase in the weighted average cost of capital. Therefore, we find that the preferred stock should be included in the capital structure of Southern States and the Seminole County system for ratemaking purposes.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 17

Utility Witness Lewis testified that the balance of preferred stock on Southern States' consolidated balance sheet at the beginning of the test year was \$3,845,000. He also testified that for purposes of calculating an ending test year balance, the amount of \$486,700 from the PGD preferred stock redemption projection would be a reasonable estimate of the 1990 redemption payment. By operation of math, the beginning balance of \$3,845,000 less the estimated annual redemption payment of \$486,700 produces an estimated ending balance of \$3,358,300. The beginning and ending balance average is \$3,601,650. Thus, we find it appropriate to include the average balance of \$3,601,650 in the consolidated capital structure of Southern States and to allocate a proportionate share to the capital structure of the Seminole County system for ratemaking purposes. This treatment will produce the weighted average cost of capital the Seminole County system would have realized had Southern States not redeemed the zero-cost preferred stock early.

Return on Equity

Pursuant to Stipulation 19, the cost of common equity is 13.95 percent based on the leverage formula in effect at the time of our vote, August 28, 1990.--

Overall Rate of Return

Based upon the adjustments previously discussed, we find that the appropriate overall cost of capital is 9.92 percent. The capital structure is shown on Schedule No. 2-A, with adjustments to the capital structure shown on Schedule No. 2-B.

NET OPERATING INCOME

Attached as Schedules Nos. 3-A and 3-B are our schedules of water and wastewater operating income. Our adjustments thereto are shown on Schedule No. 3-C. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on those schedules without further explanation in the text of this Order.

Projected Test Year Revenues Before Any Increase

We establish the level of projected test year revenues as a starting point for the constructed income statement. This is

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 18

necessary in order to accurately reflect the amount of any increase that is granted. It has no effect on the final revenue requirement or final rates.

Accordingly, the appropriate figures are \$564,984 for the water system and \$157,848 for the wastewater system, and are the result of Stipulations 20 and 33. The utility concurs that the figures should be the result of calculations based on the Commission's approval of Stipulations 20 and 33.

Unaccounted-for-water

It is the utility's position that, given the advanced age and deteriorated condition of the distribution systems, its reported level of unaccounted-for-water should be allowed.

Exhibit 13 provided by Witness Sweat contains the utility's responses to Interrogatories 18 and 19 as well as revised F-1 Schedules to replace those F-1's found in the MFRs, Exhibit 5. In the responses to Interrogatories 18 and 19, the utility stated that some of the information in each system's Schedule F-1 of the MFRs was incorrect since it covered a fourteen month period instead of only twelve months. In these revised F-1 schedules in Exhibit 13, calculations show that the level of unaccounted-for-water for the test period is 13 percent.

Some of the entries in the unaccounted-for-water columns in these revised schedules show a negative amount of unaccounted-for-water, which would indicate that the utility pumped less water than was sold. Witness Sweat testified that this feat is not possible and suggested that the negative entries probably were due to the recording of inaccurate data. The utility recognizes this problem and is working to correct it. The witness agreed on cross-examination that either the pumping is incorrect or the gallons sold and the billing to the customers is incorrect. He also explained that the water meters at the water plants have not been calibrated very often. Most of these meters are fairly new.

We take notice of our Order No. 22844 in Docket No. 890360-WS regarding the appropriate level of unaccounted-for-water for a well-run utility. Witness Sweat testified that he is familiar with the Commission's policy that the level of unaccounted-for-water normally accepted is 10 percent. He also testified that 10 percent is an accepted national average.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 19

In its brief, the utility correctly stated that the Commission accepted 13.5 percent as the amount of unaccounted-for-water in the Palm Coast Utility Corporation rate filing in Docket No. 890277-WS and Order No. 22843. What the brief failed to state is that the Commission found the level of unaccounted-for-water to be 18 percent and adjusted it downward by 4.5 percent to 13.5 percent. (Order No. 22843, p. 9) We do not believe that the evidence in this docket is persuasive to cause us to disallow 4.5 percent of the unaccounted-for-water as was the case in Palm Coast's rate case.

The utility also cited Commission Order No. 17304 from Docket No. 850062-WS, the Meadowbrook Utility Systems, Inc.'s rate case. While the utility correctly quoted the referenced Commission Order, it omitted a very pertinent part of the quote. Order No. 17304 on page 21 states:

However, we do not believe an allowance of 10% for unaccounted-for-water is representative of a system which a large part of the system exceeds 15-20 years of age. Further, tests conducted by the utility proved the finished flow meter to be grossly inaccurate with the meter running from 3% up to 15% fast, depending upon the rate of flow. Exhibit 3-G showed the test results for six months obtained from using flow data collected at the water plant. (emphasis supplied)

In the Meadowbrook case, there was evidence to show that the amount of unaccounted-for-water was due, at least in part, to a plant flow meter registering fast.

We agree with the utility that our policy is to look at unaccounted-for-water on a utility by utility basis. Since this is true, it does not seem appropriate that a comparison of the conclusions in the two cases cited have any relevance to the case at hand.

In the case before us, there is no evidence to show plausible reasons for the amount of unaccounted-for-water greater than 10 percent, such as the Meadowbrook case showed. The utility witness testified that he thinks it might be due to inaccurate data being recorded, and, the utility is working on the problem every day to find out what the problem is. The utility is also conducting training sessions with all its

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 20

operators, emphasizing the importance of daily records being accurate; recording line flushing; recording water main breaks and those losses; and, reviewing its metering program to see if stuck meters are a factor.

We believe a 10 percent allowance for unaccounted-for-water in this case is appropriate. We are not persuaded by the utility to increase the acceptable level to 13 percent.

Accordingly, we reject the utility's position that no adjustments should be made to chemicals and purchased power expenses based on unaccounted-for-water. We therefore find it appropriate to reduce these two expenses by 3 percent to reflect the amount of unaccounted-for-water in excess of 10 percent. This results in a reduction of \$1,492 in purchased power expense and a reduction of \$715 for chemical expense.

Depreciation

Pursuant to Stipulation 34, the appropriate depreciation expense (gross) for water is calculated to be \$119,149. Using the utility's composite depreciation rate and our adjusted balance of CIAC, we calculate CIAC amortization to be \$34,083, resulting in a net depreciation expense of \$94,592 for the water system for the projected test year.

Southern States' position regarding wastewater depreciation expense is that it should be \$37,109. We disagree. The depreciation expense for the wastewater system is the result of calculations based on the resolution of preceding issues. Using the guideline depreciation rates in Rule 25-30.140, Florida Administrative Code, we calculate the depreciation expense (gross) for the wastewater system to be \$91,800 for the test year. The utility's MFRs reflected a gross depreciation expense of \$83,033 (Exhibit 5, Schedule B-14, p.85); therefore, an adjustment of \$8,767 should be made to the utility's balance to reflect our recalculated balance. The primary difference in the Commission's recalculated amount and the utility's balance is due to the fact that the Commission's calculation reflects a half year of depreciation in the year of addition and retirement, whereas the utility's calculation reflects depreciation for the actual number of months that the plant was in service during the year of addition or retirement. Although both methods are generally accepted, the method used by the utility is not widely used by the Commission and the utility

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 21

has not presented anything to persuade us to utilize its method. Therefore, an adjustment of \$8,767 is made to the utility's balance to reflect our recalculated balance. The test year depreciation expense is further reduced by \$13,391 to remove non-used and useful depreciation expense associated with the Chuluota wastewater system, and \$38,126 to remove non-used and useful depreciation expense associated with the Florida Central Commerce Park wastewater system previously discussed. Also, an adjustment of \$937 should be made to reflect our recalculation of CIAC amortization expense based on our adjusted CIAC balance, and an adjustment of \$12,772 should be made to remove non-used and useful CIAC amortization, as previously discussed. Finally, an adjustment of \$2,270 should be made to reflect amortization of CIAC on the margin reserve. As a result of these adjustments, the projected test year depreciation expense for the wastewater system is calculated to be \$16,702, which we find to be appropriate.

Regulatory Assessment Fees

Stipulation 26 provides that regulatory assessment fees should be calculated at 4.5 percent on a prospective basis. This reflects the statutory increase in regulatory assessment fees from 2.5 percent to 4.5 percent. Pursuant to Rule 25-30.120, Florida Administrative Code, this increase is effective for revenues on or after July 1, 1990.

The utility believes the correct regulatory assessment fee to be \$29,840 for water and \$12,537 for wastewater, based on its proposed revenue requirements. Since the revenue requirements we find appropriate (see below) are less than those sought by the utility, the regulatory assessment fee levels are necessarily lower. Accordingly, applying 4.5 percent to the new revenue requirements, we find the appropriate regulatory assessment fees to be \$28,477 for the water system and \$8,606 for the wastewater system.

Income Tax Expense

The income tax expense projected by the utility in its MFRs for 1990 was \$78,010, consisting of \$48,607 for water and \$29,403 for wastewater. We believe, based on the evidence before us, that the following adjustments should be made:

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 22

| | <u>Water</u> | <u>Wastewater</u> |
|---|-------------------|-------------------|
| Tax effect of other Commission adjustments | \$(13,153) | \$(50,368) |
| Interest reconciliation/ synchronization | 5,028 | \$16,764 |
| Parent debt | <u>(3,994)</u> | <u>(888)</u> |
| Total Adjustments | <u>\$(12,119)</u> | <u>\$(34,492)</u> |

In discussions between staff and the utility during the pendency of this case, staff agreed that the Topeka Group (Topeka), the immediate parent of Southern States, would be included in the parent debt adjustment, based on staff's understanding that an Order of the Minnesota Public Utility Commission (MPUC) prevented the investment of any debt funds in the subsidiaries of Minnesota Power and Light (MPL), the parent of Topeka. This also was a basis for the first sentence of Proposed Stipulation 39 which stated that "MP&L invests only equity in its subsidiaries and no debt."

Additional information was obtained during the hearing. During cross-examination, Witness Gangnon provided Late-Filed Exhibit 4 as evidence that the utility is required by the MPUC to invest only equity in its subsidiaries. This Exhibit contains a sworn statement by David Gartzke, the Vice-President and Treasurer of MPL, that the MPUC considers MPL's investments in diversified activities to have been completely derived from shareholders' equity. The Exhibit also contains an order issued by the MPUC on April 20, 1990, approving the capital structure of MPL and granting permission to issue securities. The Order states on page 3 that the capital structure presented by MPL for ratemaking purposes excludes equity investments in diversified subsidiaries, and on page 4 that "...the equity capital invested in diversification would be excluded from the equity portion of the Company's capital base for ratemaking purposes." The Order also states on page 4:

Although the adjusted Capital Structure as outlined above is reasonable for the purposes of maintaining the financial integrity of the Company, the Commission specifically reserves its authority to use a different capital

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 23

structure for the purpose of determining the reasonableness of existing or proposed rates paid by the Company's retail electric customers. The Commission notes that such projected capital structure may vary depending upon the precise dollar amount of proceeds received by the Company from proposed financings.

Upon review of this Order, there does not appear to be a requirement by the MPUC that MPL only use equity funds in its investment in Topeka. Rather, the Order only addresses the ratemaking treatment of funds invested in Topeka and the other subsidiaries of MPL. On the basis of this evidence, staff withdrew its support from the first sentence of Proposed Stipulation 39 in its recommendation. We note staff's concern that while the agreement and proposed stipulation were reasonable based on the facts and circumstances known at the time, evidence adduced at the hearing shows the information originally relied on was either misunderstood or inaccurate. "Proposed stipulations" represent areas of good faith agreement between staff and the utility, but cannot bind the Commission. When evidence at hearing develops differently from the "proposed stipulation", staff must reevaluate any "stipulation" in light of that evidence. This does not indicate that agreements with staff cannot be relied on; rather, that those agreements cannot stand in light of evidence to the contrary in the record.

Thus, in light of the information provided by the Company in Late Filed Exhibit 4 as support for the proposed stipulation, we find that a parent debt adjustment of \$3,994 for water and \$888 for wastewater is appropriate, based on the capital structure of MPL provided in Late Filed Exhibit 15.

Rate Case Expense and Amortization Period

The utility initially projected rate case expense totalling \$63,518 in its MFRs. This requested amount included recovery of in-house rate case expense associated with the utility's rate and engineering departments and senior management, legal representation and in-house printing costs. However, subsequent to the filing, the utility requested that in-house costs be excluded from its request because the utility decided to seek recovery of in-house rate case expense associated with

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 24

its rate and engineering departments and senior management through regular administrative and general expenses. This requested change resulted in a reduction of \$7,982 in the requested rate case expense. Further, \$10,000 of costs initially targeted for outside engineering consultants were avoided by use of in-house personnel. As a result of these requested changes, the remaining costs to be considered were legal representation and in-house printing costs.

In the MFRs, a projection of \$35,000 in legal fees, plus travel, lodging and other expenses was made. After the hearing, the utility submitted Late-Filed Composite Exhibit No. 8, which reflected total projected legal fees and costs of \$33,718.75 and \$3,188.02, respectively. The exhibit included copies of all invoices rendered by the utility's attorneys to date, together with 13 pages of additional supporting detail, and projected costs for completion of the case. The exhibit also provided an invoice and a voucher for \$1,171.87, the expense incurred for printing the MFRs. We have reviewed the invoices and other documentation submitted in support of the utility's requested rate case expense as to services rendered, hours billed for each task performed and the associated charges. We believe that the rate case expense requested is reasonable and should, therefore, be allowed. We, therefore, find that the appropriate rate case expense is \$38,075. Pursuant to Stipulation 24 and Section 367.0816, Florida Statutes, the rate case expense should be amortized over four years.

REVENUE REQUIREMENTS

Based upon the utility's application and our adjustments and calculations discussed herein, we find the appropriate annual revenue requirements to be \$632,838 for the water system and \$191,249 for the wastewater system. This represents a \$67,854 (12.01 percent) annual increase for the water system and a \$33,401 (21.16 percent) annual increase for the wastewater system, and will give the utility the opportunity to recover its expenses and earn a 9.92 percent return on its investment in rate base.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 25

RATES, CHARGES AND RATE STRUCTURE

Rates and Rate Structures

Currently, the water rates are uniform for Southern States' Seminole County systems and the wastewater rates are also uniform. The question was raised during this proceeding whether the wastewater rates should remain uniform. This issue is now moot since we have accepted Stipulation 36, which provides that wastewater rates should remain uniform and reflect a 20 percent increase spread over all customers. Accordingly, we will make no change to the existing rate structure.

The utility initially requested annual revenues of \$691,007 for its water system and \$368,276 for its wastewater operations, based on the 1990 projected test year. Subsequent to the hearing and as a result of the proposed stipulations, the utility recalculated its revenue requirement to be \$648,755 and \$278,396, for the water and wastewater systems, respectively. Since we have determined that the appropriate revenue requirements are \$632,838 and \$191,249 for the respective water and wastewater systems, we will design final rates to give the utility the opportunity to achieve those annual revenue levels. We will retain the base facility charge rate structure because of its ability to track costs and give customers some control over their water and wastewater bills. Each customer pays his or her pro rata share of the related costs necessary to provide service through the base facility charge and for actual usage through the gallonage charge.

We find the following rates to be fair, just and reasonable. Rates for water service are uniform for residential and general service customers. The wastewater rates include the same base charge for all residential customers regardless of meter size, with a cap of 20,000 gallons of usage bi-monthly on which the gallonage charge may be billed. There is no cap on usage for general service wastewater bills. The differential in the gallonage charge for residential and general service wastewater customers is designed to recognize that a portion of residential customer's water usage will not be returned to the wastewater system. The existing rates, interim water rates, utility proposed rates and final approved rates are set forth below for comparison.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 26

SCHEDULE OF RATES

WATER
(**Bi-Monthly Billing**)

Apple Valley, Sanlando, Chuluota, Dol
Ray Manor, Bretton Woods, Hidden Estates,
Druid Hills, Fern Park, Harmony Homes, Lake
Brantley, Lake Harriet and Meredith Manor Systems

Residential and General Service

| <u>Meter</u> <u>Size</u> | <u>Utility</u> <u>Present</u> <u>Rates</u> | <u>Commission</u> <u>Approved</u> <u>Interim</u> <u>Rates</u> | <u>Utility</u> <u>Proposed</u> <u>Final</u> <u>Rates</u> | <u>Commission</u> <u>Approved</u> <u>Final</u> <u>Rates</u> |
|-----------------------------|--|--|---|--|
| 5/8"x 3/4" | \$ 9.81 | \$ 10.27 | \$ 13.39 | \$ 10.78 |
| 3/4" | 14.72 | 15.41 | 20.09 | 16.17 |
| 1" | 24.53 | 25.68 | 33.48 | 26.95 |
| 1-1/2" | 49.05 | 51.34 | 66.97 | 53.90 |
| 2" | 78.48 | 82.15 | 107.15 | 86.24 |
| 3" | 156.96 | 164.29 | 214.30 | 172.48 |
| 4" | 254.25 | 256.70 | 334.85 | 269.50 |
| 6" | 490.49 | 513.40 | 669.69 | 539.00 |
| Gallonge Charge | \$.89 | \$.93 | \$ 1.024 | \$ 1.00 |

PRIVATE FIRE PROTECTION
(**Bi-Monthly Billing**)

| <u>Line</u> <u>Size</u> | <u>Utility</u> <u>Present</u> <u>Rates</u> | <u>Commission</u> <u>Approved</u> <u>Interim</u> <u>Rates</u> | <u>Utility</u> <u>Proposed</u> <u>Final</u> <u>Rates</u> | <u>Commission</u> <u>Approved</u> <u>Final</u> <u>Rates</u> |
|----------------------------|--|--|---|--|
| 1" | 8.17 | 8.55 | 11.15 | 8.98 |
| 1-1/2" | 16.35 | 17.11 | - | 17.97 |
| 2" | 26.16 | 27.38 | - | 28.75 |
| 3" | 52.32 | 54.76 | - | 57.49 |
| 4" | 81.76 | 85.58 | - | 89.83 |
| 6" | 163.49 | 171.13 | - | 179.67 |
| 8" | 261.59 | 273.81 | - | 287.47 |

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 27

SCHEDULE OF RATES

WASTEWATER
 (**Bi-Monthly Billing**)

Apple Valley, Meredith Manor,
Chuluota and Florida Central Commerce Park

Residential

| <u>Meter Size</u> | <u>Utility Present Rates</u> | <u>Utility Proposed Final Rates</u> | <u>Commission Approved Final Rates</u> |
|-------------------|------------------------------|-------------------------------------|--|
| All Sizes | \$14.39 | \$ 29.70 | \$17.27 |
| Gallorage Charge | \$ 2.98 | \$ 4.083 | \$ 3.58 |
| Maximum Cap | 20,000 | 20,000 | 20,000 |
| Minimum Bill | \$14.39 | \$ 29.70 | \$17.27 |
| Maximum Bill | \$73.99 | \$111.37 | \$88.87 |

General Service
 (Bi-Monthly Billing)

| <u>Meter Size</u> | <u>Utility Present Rates</u> | <u>Utility Proposed Final Rates</u> | <u>Commission Approved Final Rates</u> |
|----------------------------------|------------------------------|-------------------------------------|--|
| 5/8"x 3/4" | \$ 14.39 | \$ 29.70 | \$ 17.27 |
| 3/4" | 21.59 | 44.55 | 25.91 |
| 1" | 35.98 | 74.24 | 43.18 |
| 1-1/2" | 71.96 | 148.49 | 86.35 |
| 2" | 115.14 | 237.58 | 138.17 |
| 3" | 230.28 | 475.16 | 276.34 |
| 4" | 359.82 | 742.44 | 431.78 |
| 6" | 719.62 | 1,484.88 | 863.54 |
| Gallorage Charge (No Maximum) | \$ 3.54 | \$ 4.893 | \$ 4.25 |

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 28

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989. Accordingly, we find that the water rates should be reduced by \$9,026 and the wastewater rates should be reduced by \$940 as shown in Schedule No. 4, at the end of the four year recovery period. The revenue reductions reflect the annual rate case amounts amortized (expensed) plus the gross-up for regulatory assessment fees.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer letter setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

By Orders Nos. 22620 and 22620-A, issued March 1, 1990 and March 3, 1990, respectively, we authorized the utility to collect increased water rates on an interim basis, subject to refund with interest, pending the outcome of this proceeding. Since the final revenue requirement for the water system is larger than the interim water system revenue requirement, no refund of interim water rates is required.

Service Availability Charges

Stipulation 35, which we accepted, states that service availability (plant capacity) charges should be implemented for the Chuluota wastewater system and adjusted for the Florida Central Commerce Park, to be consistent with Rule 25-30.580, Florida Administrative Code. However, the stipulation did not address the specific level of service availability charges. The utility's position is that the service availability charges resulting from the stipulation should be designed to generate the minimum levels of CIAC rather than the maximum. We recognize that the utility did not request a change in its water service availability charges. However, it is our policy to review service availability charges when a company comes in for a rate case so we can determine whether the utility's contribution levels are appropriate and consistent with our rule.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 29

Upon review of the utility's water service availability charges, we find that no adjustment is necessary. Of the four wastewater systems contained in the utility's filing, we will make no changes to the existing service availability charges for the Apple Valley and Meredith Manor systems. We will, however, implement and adjust, respectively, the charges for the Chuluota and Florida Central Commerce Park wastewater systems in order to achieve the maximum CIAC level of 75 percent as set forth in Rule 25-30.580, Florida Administrative Code.

A new wastewater treatment plant has been built to replace the old Chuluota plant. This system has no existing plant capacity charge. In order to achieve the 75 percent contribution level in conformance with our rule, we find that the utility should charge a plant capacity charge of \$2,730 per ERC, with an ERC equalling 250 gallons per day (gpd) for residential customers. For all others, the charge is \$11.04 per gpd. The utility should continue collecting the existing service line installation fees shown in its tariff. If we were to accept the utility's position of using the minimum CIAC level permitted by the rule, this system would be 7.70 percent contributed. Such a very small contribution level would be contrary to the intent of our rule. The purpose of CIAC is to reduce the utility's investment and thereby keep service rates within a reasonable range, which benefits the utility's customers over the long term.

The Florida Central Commerce Park wastewater treatment plant serves an industrial park. The existing plant capacity charge is \$350 per ERC.

At hearing, utility witness Lewis testified that the plant capacity charge should be increased from the present \$350 per ERC level. He further testified that the long range effect on wastewater rates would be to lower them if the plant capacity charge were increased. However, witness Lewis further expressed his concerns regarding a substantial increase in the plant capacity charge. He stated that the utility was now having problems getting the customers to abandon their septic tanks and hook-up to the utility's wastewater facilities at the present plant capacity charge of \$350 per ERC.

Utility witness Lewis further testified: "My concern is that if we don't come up with some kind of additional plant capacity fee, that keeping uniform rates, which we requested in

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 30

this rate case, would put more exposure on Apple Valley and Meredith Manor customers. So the alternative is, as you say, to increase the CIAC portion of these plants to back off the revenue requirement for everyone."

This witness further testified that, under the uniform rates proposed in the utility's application, the Apple Valley and Meredith Manor systems would be subsidizing the Chuluota and Florida Central Commerce Park systems, and it was this cross-subsidization impact that was a factor in the utility's stipulating to an across-the-board increase of 20 percent.

Upon consideration, we do not believe that Florida Central Commerce Park should be treated differently than any other wastewater system. Accordingly, the present plant capacity charge of \$350 must be increased. In order to achieve the maximum CIAC level of 75 percent, the appropriate charge is \$1,435 per ERC, with an ERC equalling 220 gpd. For all others, the charge shall be \$6.52 per gpd. If we were to implement the minimum CIAC level, this system would be 34.93 percent contributed. In addition, the same service line fees applicable to the other three wastewater systems shall be established for this system.

The service line fees are set forth below:

SERVICE LINE FEES

| <u>DESCRIPTION</u> | <u>COMMISSION</u> <u>APPROVED</u> <u>CHARGE</u> |
|---|---|
| Short Service Line (Note 1) - | \$ 350 |
| Long Service Line (Note 2) - | \$ 450 |
| Long Service Line (Note 3) - | \$ 650 |
| <p>Note 1: Short Service Line - Tapping into the wastewater collection main located on the same side of the street as property to be served.</p> <p>Note 2: Long Service Line - Tapping into the wastewater collection main located on the opposite side of an unpaved road of the property to be served.</p> | |

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 31

Note 3: Long Service Line - Tapping into the wastewater collection main located on the opposite side of a paved road of the property to be served, requiring jacking or boring the service line under the street.

The approved service availability charges should become effective for all connections made on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision and the proposed service availability charge notice is adequate for those parties known by the utility who will be affected by the change.

Allowance for Funds Prudently Invested (AFPI) Charges

The AFPI charge is designed to allow the utility to recover a fair rate of return on the portion of the plant facilities which were prudently constructed, but exceed the amount necessary to serve current customers. The utility requested AFPI charges for its Chuluota and Florida Central Commerce Park systems. Stipulation 37 provides that since the utility agrees with the AFPI methodology and agrees to the used and useful percentages for the Chuluota and Florida Central Commerce Park wastewater systems, the AFPI amounts are fall-out numbers. We have calculated the AFPI charges based on the audited actual costs of \$1,035,945 for the Chuluota system and \$1,372,667 for the Florida Central Commerce Park system. However, since \$479,413 of plant for the Florida Central Commerce Park system was contributed by the seller of this system, we have excluded this plant from the AFPI calculation because it does not represent an investment of the utility. This amount would be excluded from rate base in the ratemaking process, and the utility would not be allowed to earn a return on this contributed plant. Therefore, it is appropriate to exclude this amount from the AFPI calculation. Similarly, since advances for construction do not represent an investment of the utility and are excluded from earning a rate of return in the rate base calculation, advances for construction totalling \$400,000 have been excluded from the AFPI calculation. Therefore, based on these adjustments and the used and useful percentage of 20 percent for the Florida Central Commerce Park system, the amount of non-used and useful plant eligible to accrue AFUDC has been calculated to be \$433,254. The Chuluota plant was determined to be 39 percent used and useful. Therefore, the amount of non-used and useful plant eligible to accrue AFUDC was calculated to be \$742,496 for the Chuluota system.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 32

The calculation of the AFPI charges for the Chuluota and Florida Central Commerce Park systems is shown on Schedules Nos. 5 and 6, respectively. The cost of the qualifying assets is the net plant cost removed from the rate base. The capacity of the qualifying asset is that portion left over after considering test year consumption, fire flow, and margin reserve and the number of future customers is calculated based on the remaining capacity and the average usage of the current customers. The charge for the Chuluota system shall begin at \$46.25 in April 1990 and accumulate to \$3,197.04 over a five year period. The charge for the Florida Central Commerce Park system shall begin at \$20.07 at December 1989 and accumulate to \$1,372.75 over a five year period. While the utility is not prevented from collecting the charge after five years, after five years, the amount should remain fixed at the five year level. After the utility collects the charge from 244 ERCs for the Chuluota system and 347 ERCs for the Florida Central Commerce Park system, the charge should be discontinued.

Spray Irrigation Charge

During the course of this proceeding, the issue was raised regarding whether a charge should be implemented for spray irrigation and who should pay the charge if one is implemented.

The utility supports the establishment of a rate for treated effluent for spray irrigation. Its position is that this charge will reduce the charge for wastewater by the amount of revenues to be derived for effluent water and that the charge should only be applicable to the Florida Commerce Park system because none of the other systems have in place the necessary piping to transport effluent to individual property owners for use. In the future, it would be the intention of the utility to review the opportunity for expanding effluent disposal where cost effective. This will reduce the cost to the individual property owners in that they will not have to use and pay for potable water for irrigation purposes and, therefore, is a positive conservation effort on the part of the utility.

We believe a charge for spray irrigation is appropriate and have approved Stipulation 38 which explains how the charge should be developed. The only item absent at the time of the stipulation was the number of sprinkler heads to be used in the calculation. Our staff has received this information from the utility and we hereby develop the charge, which we find to be reasonable, as shown below.

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 33

Spray Irrigation Charge (bi-monthly)

| | | |
|----------------------------------|------------|-----------------|
| Gallons effluent treated (000's) | | 6,807 |
| Charge per 1,000 gallons | | <u>\$.25</u> |
| Annual revenues generated | | \$1,702 |
| Sprinkler head total | 2298 | |
| Bi-monthly billing periods | <u>X 6</u> | |
| Sprinkler heads-(Annual Billing) | | - <u>13,788</u> |
| Charge per sprinkler head | | <u>\$.12</u> |

The utility will determine how many sprinkler heads are located on each customer's property and multiply this number by \$.12 per head to determine the amount of the bi-monthly flat charge to be charged each customer. We have used this approach because the effluent is not metered at the customer location and because the water meter would not be representative of the effluent received by the customer. As an example, a large warehouse with several employees could have a very small green area.

Accordingly, a bi-monthly flat-charge of \$.12 per sprinkler head is hereby authorized for those customers who receive effluent for spray irrigation. The charge would be applicable only to Florida Central Commerce Park at this time because none of the other Seminole County systems have in place the necessary piping to transport effluent to individual property owners for use. The approved charge will be effective (pro rata) for service rendered on or after the stamped approval date on the original tariff sheet as the utility bills bi-monthly. The original tariff sheet will be approved upon staff's verification that the tariff is consistent with the Commission's decision and the proposed customer notice is adequate. A special customer notice should be mailed to those customers that will be affected by the charge.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction to determine the water and wastewater rates and charges of Southern States Utilities, Inc., pursuant to Sections 367.081 and 367.101, Florida Statutes.

2. As the applicant in this case, Southern States has the burden of proof that its proposed rates and charges are justified.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 34

3. The rates and charges approved herein are just, reasonable, compensatory, not unfairly discriminatory and in accordance with the requirements of Section 367.081(2), Florida Statutes, and other governing law.

4. Pursuant to Chapter 25-9.001(3), Florida Administrative Code, no rules and regulations, or schedules of rates and charges, or modifications or revisions of the same, shall be effective until filed with and approved by the Commission.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application by Southern States Utilities, Inc. for increased water and wastewater rates is hereby approved to the extent set forth in the body of this Order. It is further

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

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

ORDERED that the utility is authorized to implement the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

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

ORDERED that the approved AFPI charges shall be effective on the date the revised tariff sheets are approved. It is further

ORDERED that the spray irrigation charge shall be effective, pro rata, for service rendered on or after the stamped approval date on the original tariff sheet. It is further

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 35

ORDERED that the tariff sheets will be approved upon the filing thereof, and staff's verification that they are consistent with our decisions herein and the proposed customer notices are adequate. The customer notices shall explain the increased rates and charges and the reasons therefore. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall also file a proposed customer notice. It is further

ORDERED that the corporate undertaking filed by the utility in connection with the interim water rates may be released. It is further

ORDERED that this docket may be closed after staff's approval of the tariff sheets.

By ORDER of the Florida Public Service Commission
this 18th day of SEPTEMBER, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

NSD

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

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 36

Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by 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.

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 37

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED 12/31/90

SCHEDULE NO. 1-A
DOCKET NO. 890868-WS

| | (A) | (B) | (C) | (D) | (E) |
|----------------------------------|-------------------------------------|--------------------------|----------------------------------|-----------------------------------|------------------------|
| COMPONENT | AVERAGE TEST YEAR PER UTILITY | PRO FORMA ADJUSTMENTS | UTILITY ADJUSTED TEST YEAR | COMMISSION ADJUST. TO MFR'S | PRO FORMA TEST YEAR |
| 1 UTILITY | | | | | |
| 2 ----- | | | | | |
| 3 UTILITY PLANT IN SERVICE | \$ 2,556,815 | \$ 257,292 | \$ 2,814,107 | \$ 0 | \$ 2,814,107 |
| 4 LAND | 67,376 | 3,547 | 70,923 | 0 | 70,923 |
| 5 ACQUISITION ADJUSTMENTS | 62,200 | 0 | 62,200 | 0 | 62,200 |
| 6 C.I.A.C. | (595,474) | (44,853) | (640,327) | 0 | (640,327) |
| 7 ACCUMULATED DEPRECIATION | (677,887) | (186,824) | (864,711) | 0 | (864,711) |
| 8 AMORTIZATION OF C.I.A.C. | 176,171 | 35,236 | 211,407 | 0 | 211,407 |
| 9 ACCUM. AMORT. OF ACQ. ADJUST. | (13,929) | (3,591) | (17,520) | 0 | (17,520) |
| 10 WORKING CAPITAL ALLOWANCE | 30,541 | 8,982 | 39,523 | 0 | 39,523 |
| 11 ----- | | | | | |
| 12 | | | | | |
| 13 RATE BASE | \$ 1,605,813 | \$ 69,789 | \$ 1,675,602 | \$ 0 | \$ 1,675,602 |
| 14 ----- | | | | | |
| 15 STAFF | | | | | |
| 16 ----- | | | | | |
| 17 UTILITY PLANT IN SERVICE | \$ 2,556,815 | \$ 257,292 | \$ 2,814,107 | \$ (802) | \$ 2,813,305 |
| 18 LAND | 67,376 | 3,547 | 70,923 | 349 | 71,272 |
| 19 ACQUISITION ADJUSTMENTS | 62,200 | 0 | 62,200 | 0 | 62,200 |
| 20 C.I.A.C. | (595,474) | (44,853) | (640,327) | (65,703) | (706,030) |
| 21 ACCUMULATED DEPRECIATION | (677,887) | (186,824) | (864,711) | (6,459) | (871,170) |
| 22 AMORTIZATION OF C.I.A.C. | 176,171 | 35,236 | 211,407 | 9,432 | 220,839 |
| 23 ACCUM. AMORT. OF ACQ. ADJUST. | (13,929) | (3,591) | (17,520) | (618) | (18,138) |
| 24 WORKING CAPITAL ALLOWANCE | 30,541 | 8,982 | 39,523 | (2,562) | 36,961 |
| 25 ----- | | | | | |
| 26 | | | | | |
| 27 RATE BASE | \$ 1,605,813 | \$ 69,789 | \$ 1,675,602 | \$ (66,363) | \$ 1,609,239 |
| 28 ----- | | | | | |

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 38

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
SCHEDULE OF SEWER RATE BASE
TEST YEAR ENDED 12/31/90

SCHEDULE NO. 1-B
DOCKET NO. 890868-WS

| | (A) | (B) | (C) | (D) | (E) |
|-----------------------------------|-------------------------------------|--------------------------|----------------------------------|-----------------------------------|------------------------|
| COMPONENT | AVERAGE TEST YEAR PER UTILITY | PRO FORMA ADJUSTMENTS | UTILITY ADJUSTED TEST YEAR | COMMISSION ADJUST. TO MFR'S | PRO FORMA TEST YEAR |
| 1 UTILITY | | | | | |
| 2 ----- | | | | | |
| 3 UTILITY PLANT IN SERVICE | \$ 481,586 | \$ 1,457,380 | \$ 1,938,966 | \$ 0 | \$ 1,938,966 |
| 4 LAND | 10,268 | 130,446 | 140,714 | 0 | 140,714 |
| 5 NON-USED AND USEFUL COMPONENTS | 0 | (229,493) | (229,493) | 0 | (229,493) |
| 6 C.I.A.C. | (160,448) | (595,242) | (755,690) | 0 | (755,690) |
| 7 CONSTRUCTION WORK IN PROGRESS | 861,332 | (861,332) | 0 | 0 | 0 |
| 8 ACCUMULATED DEPRECIATION | (106,149) | (71,416) | (177,565) | 0 | (177,565) |
| 9 AMORTIZATION OF C.I.A.C. | 52,961 | 24,800 | 77,761 | 0 | 77,761 |
| 10 ADVANCES FOR CONSTRUCTION | 0 | 0 | 0 | 0 | 0 |
| 11 WORKING CAPITAL ALLOWANCE | 7,625 | 11,193 | 18,818 | 0 | 18,818 |
| 12 ----- | | | | | |
| 13 | | | | | |
| 14 RATE BASE | \$ 1,147,175 | \$ (133,664) | \$ 1,013,511 | \$ 0 | \$ 1,013,511 |
| 15 ----- | | | | | |
| 16 STAFF | | | | | |
| 17 ----- | | | | | |
| 18 UTILITY PLANT IN SERVICE | \$ 481,586 | \$ 1,457,380 | \$ 1,938,966 | \$ (143,278) | \$ 1,795,688 |
| 19 LAND | 10,268 | 130,446 | 140,714 | 140,005 | 280,719 |
| 20 NON-USED AND USEFUL COMPONENTS | 0 | (229,493) | (229,493) | (943,530) | (1,173,023) |
| 21 C.I.A.C. | (160,448) | (595,242) | (755,690) | 286,721 | (468,969) |
| 22 CONSTRUCTION WORK IN PROGRESS | 861,332 | (861,332) | 0 | 0 | 0 |
| 23 ACCUMULATED DEPRECIATION | (106,149) | (71,416) | (177,565) | 27,310 | (150,255) |
| 24 AMORTIZATION OF C.I.A.C. | 52,961 | 24,800 | 77,761 | 7,235 | 84,996 |
| 25 ADVANCES FOR CONSTRUCTION | 0 | 0 | 0 | (76,569) | (76,569) |
| 26 WORKING CAPITAL ALLOWANCE | 7,625 | 11,193 | 18,818 | (845) | 17,973 |
| 27 ----- | | | | | |
| 28 | | | | | |
| 29 RATE BASE | \$ 1,147,175 | \$ (133,664) | \$ 1,013,511 | \$ (702,951) | \$ 310,560 |
| 30 ----- | | | | | |

ORDER NO. 23511
DOCKET NO 890868-WS
PAGE 39

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
EXPLANATION OF THE ADJUSTMENTS TO
WATER AND SEWER RATE BASE

DOCKET NO. 890868-WS
SCHEDULE 1-C
PAGE 1 OF 2

| ADJUSTMENT | (A) WATER | (B) WASTEWATER |
|---|--------------|-------------------|
| ----- | ----- | ----- |
| 1 (1) UTILITY PLANT IN SERVICE | | |
| 2 ----- | | |
| 3 (a) To reconcile the December 31, 1985 | | |
| 4 plant balance to Order No. 17664. | \$ 1,287 | \$ (10,533) |
| 5 | | |
| 6 (b) To correct MFR mechanical errors from | | |
| 7 January 1, 1986 to April 30, 1989. | 9,799 | 7,255 |
| 8 | | |
| 9 (c) To reclassify land for the Chuluota | | |
| 10 water plant to the land account. | 0 | (140,000) |
| 11 | | |
| 12 (d) To remove unauthorized AFUDC on the | | |
| 13 Chuluota water plant. | (11,888) | 0 |
| 14 | ----- | ----- |
| 15 TOTAL ADJUSTMENT | \$ (802)\$ | (143,278) |
| 16 | ----- | ----- |
| 17 (2) LAND | | |
| 18 ----- | | |
| 19 (a) To reconcile the December 31, 1985 | | |
| 20 land balance to Order No. 17664. | \$ (40)\$ | (9) |
| 21 | | |
| 22 (b) To correct MFR mechanical errors from | | |
| 23 January 1, 1986 to April 30, 1989. | 389 | 14 |
| 24 | | |
| 25 (c) To reflect reclassification of land | | |
| 26 for the Chuluota water plant. | 0 | 140,000 |
| 27 | ----- | ----- |
| 28 TOTAL ADJUSTMENT | \$ 349 \$ | 140,005 |
| 29 | ----- | ----- |
| 30 (3) NON-USED AND USEFUL PLANT | | |
| 31 ----- | | |
| 32 (a) To reflect the Florida Central | | |
| 33 Commerce Park plant as being 20% used | \$ 0 \$ | (943,530) |
| 34 and useful. | ----- | ----- |
| 35 | | |
| 36 (4) ADVANCES FOR CONSTRUCTION | | |
| 37 ----- | | |
| 38 (a) To reflect the average balance of | | |
| 39 advances for construction. | \$ 0 \$ | (382,845) |
| 40 | | |
| 41 (b) To reflect non-used and useful advances. | 0 | 306,276 |
| 42 | ----- | ----- |
| 43 TOTAL ADJUSTMENT | \$ 0 \$ | (76,569) |
| 44 | ----- | ----- |
| 45 (5) ACCUM. AMORT. OF ACQUISITION ADJUSTMENT | | |
| 46 ----- | | |
| 47 (a) To reconcile the 12/31/85 balance | | |

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 40

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
EXPLANATION OF THE ADJUSTMENTS TO
WATER AND SEWER RATE BASE

DOCKET NO. 890868-WS
SCHEDULE 1-C
PAGE 2 OF 2

| ADJUSTMENT | (A) WATER | (B) WASTEWATER |
|---|---------------|-------------------|
| ----- | ----- | ----- |
| 1 (6) ACCUMULATED DEPRECIATION | | |
| 2 ----- | | |
| 3 (a) To reflect accumulated depreciation | | |
| 4 associated with adjustment 1-a. | \$ (266)\$ | 2,570 |
| 5 | | |
| 6 (b) To reflect staff's recalculation of | | |
| 7 accumulated depreciation using guideline | | |
| 8 rates and a half year's convention. | (6,193) | (16,721) |
| 9 | | |
| 10 (c) To reflect non-used and useful | | |
| 11 depreciation for the Chuluota plant. | 0 | 3,344 |
| 12 | | |
| 13 (c) To reflect non-used and useful | | |
| 14 depreciation for the FCCP plant. | 0 | 38,117 |
| 15 | ----- | ----- |
| 16 TOTAL ADJUSTMENT | \$ (6,459)\$ | 27,310 |
| 17 | ----- | ----- |
| 18 (7) CONTRIBUTIONS-IN-AID OF CONSTRUCTION | | |
| 19 ----- | | |
| 20 (a) To adjust the MFR balance to general | | |
| 21 ledger from 1/1/86 to 4/30/89. | \$ (65,703)\$ | (34,458) |
| 22 | | |
| 23 (b) To reflect non-used and useful CIAC. | 0 | 383,530 |
| 24 | | |
| 25 (c) CIAC imputation on margin reserve. | 0 | (48,946) |
| 26 | | |
| 27 (d) Reclassification of advances to CIAC. | 0 | (13,405) |
| 28 | ----- | ----- |
| 29 TOTAL ADJUSTMENT | \$ (65,703)\$ | 286,721 |
| 30 | ----- | ----- |
| 31 (8) ACCUMULATED AMORTIZATION OF CIAC | | |
| 32 ----- | | |
| 33 (a) Accum. amort. associated with adj. 7-a. | \$ 8,990 \$ | 4,938 |
| 34 | | |
| 35 (b) Staff's recalculation of accumulated | | |
| 36 amortization of CIAC. | 442 | 11,676 |
| 37 | | |
| 38 (c) Non-used and useful CIAC amortization. | 0 | (12,784) |
| 39 | | |
| 40 (d) Accum. amort. of CIAC on margin reserve. | 0 | 3,405 |
| 41 | ----- | ----- |
| 42 TOTAL ADJUSTMENT | \$ 9,432 \$ | 7,235 |
| 43 | ----- | ----- |
| 44 (9) WORKING CAPITAL ALLOWANCE | | |
| 45 ----- | | |
| 46 (a) To reflect the working capital | | |
| 47 allowance based on 1/8 of O&M expenses. | \$ (2,562)\$ | (845) |

| COMPONENT | BALANCE PER MFR | TEST YEAR ADJUSTMENTS | ADJUSTED TEST YEAR | PRO RATA ADJUSTMENTS | ADJUSTED BALANCE | WEIGHT | COST | WEIGHTED COST |
|-----------------------------|--------------------|--------------------------|-----------------------|-------------------------|---------------------|---------|--------|------------------|
| 1 UTILITY | | | | | | | | |
| 2 ----- | | | | | | | | |
| 3 LONG-TERM DEBT | 22,865,960 | 0 | 22,865,960 | (21,886,610) | 979,350 | 58.45% | 9.77% | 5.71% |
| 4 SHORT-TERM DEBT | 569,629 | 0 | 569,629 | (545,232) | 24,397 | 1.46% | 9.06% | 0.13% |
| 5 CUSTOMER DEPOSITS | 773,064 | 0 | 773,064 | (739,954) | 33,110 | 1.98% | 8.00% | 0.16% |
| 6 COMMON EQUITY | 13,276,851 | 0 | 13,276,851 | (12,708,203) | 568,648 | 33.94% | 13.95% | 4.73% |
| 7 ITC'S | 513,656 | 0 | 513,656 | (491,656) | 22,000 | 1.31% | 11.27% | 0.15% |
| 8 DEFERRED INCOME TAXES | 1,122,944 | 0 | 1,122,944 | (1,074,848) | 48,096 | 2.87% | 0.00% | 0.00% |
| 9 PREFERRED STOCK | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 10 ----- | | | | | | | | |
| 11 | | | | | | | | |
| 12 TOTAL | 39,122,104 | 0 | 39,122,104 | (37,446,502) | 1,675,602 | 100.00% | | 10.89% |
| 13 ===== | | | | | | | | |
| 14 | | | | | | | | |
| 15 STAFF | | | | | | | | |
| 16 ----- | | | | | | | | |
| 17 LONG-TERM DEBT | 22,865,960 | (400,000) | 22,465,960 | (21,450,575) | 1,015,385 | 52.89% | 9.77% | 5.17% |
| 18 SHORT-TERM DEBT | 569,629 | 0 | 569,629 | (543,884) | 25,745 | 1.34% | 9.06% | 0.12% |
| 19 CUSTOMER DEPOSITS | 773,064 | 0 | 773,064 | (738,124) | 34,940 | 1.82% | 8.00% | 0.15% |
| 20 COMMON EQUITY | 13,276,851 | 0 | 13,276,851 | (12,676,783) | 600,068 | 31.26% | 13.95% | 4.36% |
| 21 ITC'S | 513,656 | 0 | 513,656 | (490,441) | 23,215 | 1.21% | 10.27% | 0.12% |
| 22 DEFERRED INCOME TAXES | 1,122,944 | 152,884 | 1,275,828 | (1,218,165) | 57,663 | 3.00% | 0.00% | 0.00% |
| 23 PREFERRED STOCK | 0 | 3,601,650 | 3,601,650 | (3,438,868) | 162,782 | 8.48% | 0.00% | 0.00% |
| 24 ----- | | | | | | | | |
| 25 | | | | | | | | |
| 26 TOTAL | 39,122,104 | 3,354,534 | 42,476,638 | (40,556,839) | 1,919,799 | 100.00% | | 9.92% |
| 27 ===== | | | | | | | | |
| 28 | | | | | | | | |
| 29 RANGE OF REASONABLENESS: | | | | | HIGH | LOW | | |
| 30 ----- | | | | | | | | |
| 31 EQUITY | | | | | 14.95% | 12.95% | | |
| 32 ===== | | | | | | | | |
| 33 OVERALL RATE OF RETURN | | | | | 10.23% | 9.61% | | |
| 34 ===== | | | | | | | | |

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 41

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 42

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
EXPLANATION OF THE ADJUSTMENTS TO
CAPITAL STRUCTURE SCHEDULE NO. 2-A

DOCKET NO. 890868-WS
SCHEDULE 2-B
PAGE 1 OF 1

| ADJUSTMENT ----- | (A) STAFF ----- |
|--|-----------------------|
| 1 (1) LONG TERM DEBT | |
| 2 ----- | |
| 3 | |
| 4 (a) To remove advances for construction. | \$ (400,000) |
| 5 | ----- |
| 6 (2) DEFERRED INCOME TAXES | |
| 7 ----- | |
| 8 (a) To reflect staff's recalculated balance. | \$ 152,884 |
| 9 | ----- |
| 10 (3) PREFERRED STOCK | |
| 11 ----- | |
| 12 (a) To reflect the average balance of | \$ 3,601,650 |
| 13 preferred stock for the test year. | ----- |
| 14 | |
| 15 (4) LONG-TERM DEBT | |
| 16 ----- | |
| 17 (a) Prorata adjustment to reconcile rate | \$ (21,450,575) |
| 18 base and capital structure. | ----- |
| 19 | |
| 20 (5) SHORT-TERM DEBT | |
| 21 ----- | |
| 22 (a) Prorata adjustment to reconcile rate | \$ (543,884) |
| 23 base and capital structure. | ----- |
| 24 | |
| 25 (6) CUSTOMER DEPOSITS | |
| 26 ----- | |
| 27 (a) Prorata adjustment to reconcile rate | \$ (738,124) |
| 28 base and capital structure. | ----- |
| 29 | |
| 30 (7) COMMON EQUITY | |
| 31 ----- | |
| 32 (a) Prorata adjustment to reconcile rate | \$ (12,676,783) |
| 33 base and capital structure. | ----- |
| 34 | |
| 35 (8) ITC'S | |
| 36 ----- | |
| 37 (a) Prorata adjustment to reconcile rate | \$ (490,441) |
| 38 base and capital structure. | ----- |
| 39 | |
| 40 (9) DEFERRED INCOME TAXES | |
| 41 ----- | |
| 42 (a) Prorata adjustment to reconcile rate | \$ (1,218,165) |
| 43 base and capital structure. | ----- |
| 44 | |

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 12/31/90

SCHEDULE NO. 3-A
 DOCKET NO. 890868-WS

| | (A) AVERAGE TEST YEAR PER UTILITY | (B) UTILITY ADJUST. TO TEST YEAR | (C) UTILITY ADJUST. TY PER MFR'S | (D) COMM T/Y ADJUSTMENTS TO MFR'S | (E) COMMISSION ADJUSTED TEST YEAR | (F) ADJUSTMENT FOR REVENUE INCREASE | (G) ADJUSTED BALANCE |
|-----------------------------|--|---|---|--|--|--|----------------------------|
| 1 UTILITY | | | | | | | |
| 2 ----- | | | | | | | |
| 3 OPERATING REVENUES | \$ 527,576 | \$ 163,431 | \$ 691,007 | \$ 0 | \$ 691,007 | 0 | \$ 691,007 |
| 4 OPERATING EXPENSES: | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 5 OPERATION & MAINTENANCE | \$ 244,330 | \$ 71,859 | \$ 316,189 | \$ 0 | \$ 316,189 | 0 | \$ 316,189 |
| 6 DEPRECIATION | 83,811 | 11,580 | 95,391 | 0 | 95,391 | 0 | 95,391 |
| 7 AMORTIZATION | 2,234 | 4 | 2,238 | 0 | 2,238 | 0 | 2,238 |
| 8 TAXES OTHER THAN INCOME | 35,436 | 10,673 | 46,109 | 0 | 46,109 | 0 | 46,109 |
| 9 INCOME TAXES | 40,968 | 7,639 | 48,607 | 0 | 48,607 | 0 | 48,607 |
| 10 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 11 TOTAL OPERATING EXPENSES | \$ 406,779 | \$ 101,755 | \$ 508,534 | \$ 0 | \$ 508,534 | 0 | \$ 508,534 |
| 12 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 13 OPERATING INCOME | \$ 120,797 | \$ 61,676 | \$ 182,473 | \$ 0 | \$ 182,473 | 0 | \$ 182,473 |
| 14 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 15 RATE OF RETURN | 7.52% | | 10.89% | | 10.89% | | 10.89% |
| 16 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 17 | | | | | | | |
| 18 STAFF | | | | | | | |
| 19 ----- | | | | | | | |
| 20 OPERATING REVENUES | \$ 527,576 | \$ 163,431 | \$ 691,007 | \$ (126,023) | \$ 564,984 | 67,854 | \$ 632,838 |
| 21 OPERATING EXPENSES: | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 22 OPERATION & MAINTENANCE | \$ 244,330 | \$ 71,859 | \$ 316,189 | \$ (20,501) | \$ 295,688 | | \$ 295,688 |
| 23 DEPRECIATION | 83,811 | 11,580 | 95,391 | (799) | 94,592 | | 94,592 |
| 24 AMORTIZATION | 2,234 | 4 | 2,238 | 0 | 2,238 | | 2,238 |
| 25 TAXES OTHER THAN INCOME | 35,436 | 10,673 | 46,109 | (4,967) | 41,142 | 3,053 | 44,195 |
| 26 INCOME TAXES | 40,968 | 7,639 | 48,607 | (36,503) | 12,104 | 24,384 | 36,488 |
| 27 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 28 TOTAL OPERATING EXPENSES | \$ 406,779 | \$ 101,755 | \$ 508,534 | \$ (62,770) | \$ 445,764 | 27,437 | \$ 473,201 |
| 29 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 30 OPERATING INCOME | \$ 120,797 | \$ 61,676 | \$ 182,473 | \$ (63,253) | \$ 119,220 | 40,417 | \$ 159,637 |
| 31 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| 32 RATE OF RETURN | 7.52% | | 10.89% | | 7.41% | | 9.92% |
| 33 ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

ORDER NO. 23511
 DOCKET NO 890868-WS
 PAGE 43

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
STATEMENT OF SEWER OPERATIONS
TEST YEAR ENDED 12/31/90

SCHEDULE NO. 3-B
DOCKET NO. 890868-WS

| | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
|-----------------------------|-------------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------|
| DESCRIPTION | AVERAGE TEST YEAR PER UTILITY | UTILITY ADJUST. TO TEST YEAR | UTILITY ADJUST. TY PER MFR'S | COMM T/Y ADJUSTMENTS TO MFR'S | COMMISSION ADJUSTED TEST YEAR | ADJUSTMENT FOR REVENUE INCREASE | ADJUSTED BALANCE |
| 1 UTILITY | | | | | | | |
| 2 ----- | | | | | | | |
| 3 OPERATING REVENUES | \$ 109,738 | \$ 258,538 | \$ 368,276 | \$ 0 | \$ 368,276 | 0 | \$ 368,276 |
| 4 OPERATING EXPENSES: | | | | | | | |
| 5 OPERATION & MAINTENANCE | \$ 61,003 | \$ 89,543 | \$ 150,546 | \$ 0 | \$ 150,546 | 0 | \$ 150,546 |
| 6 DEPRECIATION | 14,866 | 35,021 | 49,887 | 0 | 49,887 | 0 | 49,887 |
| 7 AMORTIZATION | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 TAXES OTHER THAN INCOME | 10,487 | 17,581 | 28,068 | 0 | 28,068 | 0 | 28,068 |
| 9 INCOME TAXES | 29,268 | 135 | 29,403 | 0 | 29,403 | 0 | 29,403 |
| 10 ----- | | | | | | | |
| 11 TOTAL OPERATING EXPENSES | \$ 115,624 | \$ 142,280 | \$ 257,904 | \$ 0 | \$ 257,904 | 0 | \$ 257,904 |
| 12 ----- | | | | | | | |
| 13 OPERATING INCOME | \$ (5,886) | \$ 116,258 | \$ 110,372 | \$ 0 | \$ 110,372 | 0 | \$ 110,372 |
| 14 ----- | | | | | | | |
| 15 RATE OF RETURN | -0.51% | | 10.89% | | 10.89% | | 10.89% |
| 16 ----- | | | | | | | |
| 17 | | | | | | | |
| 18 STAFF | | | | | | | |
| 19 ----- | | | | | | | |
| 20 OPERATING REVENUES | \$ 109,738 | \$ 258,538 | \$ 368,276 | \$ (210,428) | \$ 157,848 | 33,401 | \$ 191,249 |
| 21 OPERATING EXPENSES: | | | | | | | |
| 22 OPERATION & MAINTENANCE | \$ 61,003 | \$ 89,543 | \$ 150,546 | \$ (6,759) | \$ 143,787 | 0 | \$ 143,787 |
| 23 DEPRECIATION | 14,866 | 35,021 | 49,887 | (33,185) | 16,702 | 0 | 16,702 |
| 24 AMORTIZATION | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 TAXES OTHER THAN INCOME | 10,487 | 17,581 | 28,068 | (4,735) | 23,333 | 1,503 | 24,836 |
| 26 INCOME TAXES | 29,268 | 135 | 29,403 | (46,495) | (17,092) | 12,003 | (5,089) |
| 27 ----- | | | | | | | |
| 28 TOTAL OPERATING EXPENSES | \$ 115,624 | \$ 142,280 | \$ 257,904 | \$ (91,174) | \$ 166,730 | 13,506 | \$ 180,236 |
| 29 ----- | | | | | | | |
| 30 OPERATING INCOME | \$ (5,886) | \$ 116,258 | \$ 110,372 | \$ (119,254) | \$ (8,882) | 19,895 | \$ 11,013 |
| 31 ----- | | | | | | | |
| 32 RATE OF RETURN | -0.51% | | 10.89% | | -2.86% | | 3.55% |
| 33 ----- | | | | | | | |

ORDER NO. 23511
DOCKET NO 890868-WS
PAGE 44

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 45

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
 EXPLANATION OF THE ADJUSTMENTS TO
 WATER AND SEWER OPERATING STATEMENT

DOCKET NO. 890868-WS
 SCHEDULE 3-C
 PAGE 1 OF 2

| ADJUSTMENT | (A) WATER | (B) WASTEWATER |
|---|--------------|-------------------|
| ----- | ----- | ----- |
| 1 (1) OPERATING REVENUES | | |
| 2 ----- | | |
| 3 (a) To remove the utility's requested | | |
| 4 revenue increase. | \$ (140,107) | \$ (132,873) |
| 5 | | |
| 6 (b) To show staff's calculation of | | |
| 7 annualized test year revenues. | 14,084 | (77,555) |
| 8 | ----- | ----- |
| 9 TOTAL ADJUSTMENT | \$ (126,023) | \$ (210,428) |
| 10 | ----- | ----- |
| 11 | | |
| 12 (2) OPERATION AND MAINTENANCE EXPENSES | | |
| 13 ----- | | |
| 14 (a) DER fines for Chuluota water. | \$ (1,920) | 0 |
| 15 | | |
| 16 (b) Purchased water and sewer increase. | (3,012) | (4,213) |
| 17 | | |
| 18 (c) Unaccounted for water adj. to chemicals. | (715) | 0 |
| 19 | | |
| 20 (d) To exclude pass-through items from | | |
| 21 calculation of projected 1990 expenses. | (2,806) | (1,444) |
| 22 | | |
| 23 (e) Unaccounted for water adjustment | | |
| 24 to purchased power. | (1,492) | 0 |
| 25 | | |
| 26 (f) To reflect amortization of rate case | | |
| 27 expense over four years. | (10,556) | (1,102) |
| 28 | ----- | ----- |
| 29 TOTAL ADJUSTMENT | \$ (20,501) | \$ (6,759) |
| 30 | ----- | ----- |
| 31 | | |
| 32 (3) DEPRECIATION EXPENSE | | |
| 33 ----- | | |
| 34 (a) Recalculation of depreciation | | |
| 35 expense using guideline rates. | \$ 2,329 | \$ 8,767 |
| 36 | | |
| 37 (b) Recalculation of CIAC amortization | | |
| 38 using the composite depreciation rate. | (3,128) | (937) |
| 39 | | |
| 40 (c) NU&U deprec. for Chuluota sewer. | 0 | (13,391) |
| 41 | | |
| 42 (d) NU&U deprec. for FCCP system. | 0 | (38,126) |
| 43 | | |
| 44 (e) NU&U CIAC amortization. | 0 | 12,772 |
| 45 | | |
| 46 (f) CIAC amortization on margin reserve. | 0 | (2,270) |
| 47 | ----- | ----- |
| 48 TOTAL ADJUSTMENT | \$ (799) | \$ (33,185) |

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 46

SOUTHERN STATES UTIL. - SEMINOLE COUNTY
EXPLANATION OF THE ADJUSTMENTS TO
WATER AND SEWER OPERATING STATEMENT

DOCKET NO. 890868-WS
SCHEDULE 3-C
PAGE 2 OF 2

| ADJUSTMENT | (A) WATER | (B) WASTEWATER |
|---|---------------|-------------------|
| ----- | ----- | ----- |
| 1 (4) TAXES OTHER THAN INCOME TAXES | | |
| 2 ----- | | |
| 3 | | |
| 4 (a) To remove regulatory assessment | | |
| 5 fees on requested revenue increase. | \$ (6,305)\$ | (5,979) |
| 6 | | |
| 7 (b) Reallocation of property taxes | | |
| 8 and real property taxes for FCCP. | 704 | 4,689 |
| 9 | | |
| 10 (c) Regulatory assessment fees for | | |
| 11 constructed test; 2 1/2% first six | | |
| 12 months, 4 1/2% last six months. | (5,016) | (5,023) |
| 13 | | |
| 14 (d) Annualized regulatory assessment | | |
| 15 fees for test year at 4 1/2%. | 5,650 | 1,578 |
| 16 | | |
| 17 TOTAL ADJUSTMENT | \$ (4,967)\$ | (4,735) |
| 18 ----- | | |
| 19 | | |
| 20 (5) INCOME TAXES | | |
| 21 ----- | | |
| 22 | | |
| 23 (a) To reflect income taxes on | | |
| 24 test year revenues. | \$ (36,503)\$ | (46,495) |
| 25 ----- | | |
| 26 | | |
| 27 (6) REVENUE REQUIREMENT | | |
| 28 ----- | | |
| 29 | | |
| 30 (a) To reflect the increase in | | |
| 31 the revenues required. | \$ 67,854 \$ | 33,401 |
| 32 ----- | | |
| 33 | | |
| 34 (7) TAXES OTHER THAN INCOME | | |
| 35 ----- | | |
| 36 | | |
| 37 (a) To reflect regulatory assessment | | |
| 38 fees associated with the revenue | | |
| 39 increase. | \$ 3,053 \$ | 1,503 |
| 40 ----- | | |
| 41 | | |
| 42 | | |
| 43 (8) INCOME TAXES | | |
| 44 ----- | | |
| 45 | | |
| 46 (a) To reflect staff's calculation | | |
| 47 of income taxes after revenue | | |
| 48 adjustment | \$ 24,384 \$ | 12,003 |

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 47

SCHEDULE NO. 4
 Page 1 of 3

Rate Schedule

Schedule of Staff Recommended
 Rates and Rate Decrease in
 Four Years

Water

(Bi-Monthly Rates)

Residential and General Service

| <u>Meter Size</u> | <u>Staff Recommended Rates</u> | <u>Rate Decrease</u> |
|-----------------------|--|--------------------------|
| 5/8" x 3/4" | \$ 10.78 | \$.15 |
| 3/4" | \$ 16.17 | \$.23 |
| 1" | \$ 26.95 | \$.38 |
| 1 1/2" | \$ 53.90 | \$.77 |
| 2" | \$ 86.24 | \$ 1.22 |
| 3" | \$ 172.48 | \$ 2.45 |
| 4" | \$ 269.50 | \$ 3.83 |
| 6" | \$ 539.00 | \$ 7.65 |
| Gallonge Charge: | \$ 1.00 | \$.01 |

ORDER NO. 23511
DOCKET NO 890868-WS
PAGE 48

SCHEDULE NO. 4
Page 2 of 3

Private Fire Protection
(Bi-Monthly Billing)

| <u>Line</u> <u>Size</u> | <u>Staff</u> <u>Recommended</u> <u>Rates</u> | <u>Rate</u> <u>Decrease</u> |
|----------------------------|--|--------------------------------|
| 1" | \$ 8.98 | \$.13 |
| 1 1/2" | \$ 17.97 | \$.26 |
| 2" | \$ 28.75 | \$.41 |
| 3" | \$ 57.49 | \$.82 |
| 4" | \$ 89.83 | \$ 1.28 |
| 6" | \$ 179.67 | \$ 2.55 |
| 8" | \$ 287.47 | \$ 4.08 |

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 49

SCHEDULE NO. 4
 Page 3 of 3

Rate Schedule

Schedule of Staff Recommended
 Rates and Rate Decrease in
 Four Years

Wastewater
 (Bi-Monthly Rates)

Residential

| <u>Meter Size</u> | <u>Staff Recommended Rates</u> | <u>Rate Decrease</u> |
|-----------------------|--|--------------------------|
| All Sizes | \$ 17.27 | \$.08 |
| Gallage Charge | \$ 3.58 | \$.02 |

General Service

| <u>Meter Size</u> | <u>Staff Recommended Rates</u> | <u>Rate Decrease</u> |
|-----------------------|--|--------------------------|
| 5/8" x 3/4" | \$ 17.27 | \$.08 |
| 3/4" | \$ 25.91 | \$.13 |
| 1" | \$ 43.18 | \$.21 |
| 1 1/2" | \$ 86.35 | \$.42 |
| 2" | \$ 138.17 | \$.68 |
| 3" | \$ 276.34 | \$ 1.35 |
| 4" | \$ 431.78 | \$ 2.12 |
| 6" | \$ 863.54 | \$ 4.23 |
| Gallage Charge: | \$ 4.25 | \$.02 |

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 50

SOUTHERN STATES - SEMINOLE - CHULUOTA SEWER
 DOCKET NO. 890868-WS

SCHEDULE NO. 5
 Page 1 of 5

Allowance for Funds Prudently Invested
 Calculation of Carrying Costs for Each ERC

 Information Needed

| | | |
|----------------------------------|----|------------|
| 1. Cost of Qualifying Assets | \$ | 742,496 |
| 2. Capacity of Qualifying Assets | | 61,000 GPD |
| 3. Number of Future Customers | | 244 ERC |
| 4. Annual Depreciation Expense | \$ | 34,526 |
| 5. Rate of Return | | 9.92% |
| 6. Weighted Cost of Equity | | 4.36% |
| 7. Federal Income Tax Rate | | 34.00% |
| 8. State Income Tax Rate | | 5.50% |
| 9. Annual Property Tax | \$ | 0 |
| 10. Other Costs | \$ | 0 |
| 11. Depreciation Rate of Assets | | 4.65% |
| 12. Test Year | | 1990 |

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 51

SOUTHERN STATES - SEMINOLE - CHULUOTA SEWER
 DOCKET NO. 890868-WS

SCHEDULE NO. 5
 Page 2 of 5

Allowance for Funds Prudently Invested
 Calculation of Carrying Costs for Each ERC:

| | | | |
|------------------------------------|-------------|------------------------------|-----------|
| Cost of Qualifying Assets: | \$ 742,496 | Annual Depreciation Expense: | \$ 34,526 |
| Divided By Future ERC: | 244 | Future ERC's: | 244 |
| | ----- | | ----- |
| Cost/ERC: | \$ 3,043.02 | Annual Depr. Cost per ERC: | \$ 141.50 |
| Multiply By Rate of Return: | 9.92% | | ----- |
| | ----- | | |
| Annual Return Per ERC: | \$ 301.87 | Annual Property Tax Expense: | \$ 0 |
| | ----- | Future ERC's: | 244 |
| Annual Reduction in Return: | \$ 14.04 | | ----- |
| (Annual Depreciation Expense | ----- | Annual Prop. Tax per ERC: | \$ 0.00 |
| per ERC Times Rate of Return) | | | ----- |
| | | | |
| Federal Tax Rate: | 34.00% | Weighted Cost of Equity: | 4.36% |
| Effective State Tax Rate: | 3.63% | Divided by Rate of Return: | 9.92% |
| | ----- | | ----- |
| Total Tax Rate: | 37.63% | % of Equity in Return: | 43.95% |
| | ----- | | ----- |
| | | | |
| Effective Tax on Return: | 16.54% | Other Costs: | \$ 0 |
| (Equity % Times Tax Rate) | ----- | Future ERC's: | 244 |
| | | | ----- |
| Provision For Tax: | 26.52% | Cost per ERC: | \$ 0.00 |
| (Tax on Return/(1-Total Tax Rate)) | ----- | | ----- |

SOUTHERN STATES - SEMINOLE - CHULUOTA SEWER
 DOCKET NO. 890868-WS

SCHEDULE NO. 5
 Page 3 of 5

Allowance for Funds Prudently Invested
 Calculation of Carrying Cost Per ERC Per Year:

| | 90/91 | 91/92 | 92/93 | 93/94 | 94/95 | 95/96 | 96/97 | 97/98 |
|---|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Unfunded Other Costs: | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Unfunded Annual Depreciation: | 141.50 | 141.50 | 141.50 | 141.50 | 141.50 | 141.50 | 141.50 | 141.50 |
| Unfunded Property Tax: | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Subtotal Unfunded Annual Expense: | \$ 141.50 | \$ 141.50 | \$ 141.50 | \$ 141.50 | \$ 141.50 | \$ 141.50 | \$ 141.50 | \$ 141.50 |
| Unfunded Expenses Prior Year: | 0.00 | 141.50 | 283.00 | 424.50 | 566.00 | 707.50 | 849.00 | 990.50 |
| Total Unfunded Expenses: | \$ 141.50 | \$ 283.00 | \$ 424.50 | \$ 566.00 | \$ 707.50 | \$ 849.00 | \$ 990.50 | \$ 1,132.00 |
| Return on Expenses Current Year: | 14.04 | 14.04 | 14.04 | 14.04 | 14.04 | 14.04 | 14.04 | 14.04 |
| Return on Expenses Prior Year: | 0.00 | 14.04 | 28.07 | 42.11 | 56.15 | 70.18 | 84.22 | 98.26 |
| Return on Plant Current Year: | 301.87 | 287.83 | 273.79 | 259.76 | 245.72 | 231.68 | 217.65 | 203.61 |
| Earnings Prior Year: | 0.00 | 301.87 | 633.68 | 998.41 | 1,399.32 | 1,840.00 | 2,324.39 | 2,856.84 |
| Compound Earnings from Prior Year: | 0.00 | 29.95 | 62.86 | 99.04 | 138.81 | 182.53 | 230.58 | 283.40 |
| Total Compounded Earnings: | \$ 315.90 | \$ 647.72 | \$ 1,012.44 | \$ 1,413.35 | \$ 1,854.03 | \$ 2,338.43 | \$ 2,870.88 | \$ 3,456.14 |
| Earnings Expansion Factor for Tax: | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 |
| Revenue Required to Fund Earnings: | \$ 399.67 | \$ 819.47 | \$ 1,280.92 | \$ 1,788.14 | \$ 2,345.68 | \$ 2,958.52 | \$ 3,632.16 | \$ 4,372.62 |
| Revenue Required to Fund Expenses: | 141.50 | 283.00 | 424.50 | 566.00 | 707.50 | 849.00 | 990.50 | 1,132.00 |
| Subtotal: | \$ 541.17 | \$ 1,102.47 | \$ 1,705.42 | \$ 2,354.14 | \$ 3,053.18 | \$ 3,807.52 | \$ 4,622.66 | \$ 5,504.62 |
| Divided by Factor for Gross Receipts Tax: | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 |
| ERC Carrying Cost for 1 Year: | \$ 566.67 | \$ 1,154.42 | \$ 1,785.78 | \$ 2,465.07 | \$ 3,197.04 | \$ 3,986.93 | \$ 4,840.48 | \$ 5,764.00 |

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 52

SOUTHERN STATES - SEMINOLE - CHULUOTA SEWER
DOCKET NO. 890868-WS

SCHEDULE NO. 5
Page 4 of 5

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per ERC Per Month:

| | 90/91 | 91/92 | 92/93 | 93/94 | 94/95 | 95/96 | 96/97 | 97/98 |
|-----------|--------|----------|----------|----------|----------|----------|----------|----------|
| April | 46.25 | 612.74 | 1,204.13 | 1,839.48 | 2,526.07 | 3,262.87 | 4,058.06 | 4,917.44 |
| May | 92.51 | 661.72 | 1,256.74 | 1,896.09 | 2,587.06 | 3,328.69 | 4,129.19 | 4,994.40 |
| June | 138.76 | 710.70 | 1,309.35 | 1,952.69 | 2,648.06 | 3,394.52 | 4,200.32 | 5,071.36 |
| July | 185.98 | 759.68 | 1,361.97 | 2,009.30 | 2,709.06 | 3,460.34 | 4,271.45 | 5,148.32 |
| August | 233.20 | 808.66 | 1,414.58 | 2,065.91 | 2,770.06 | 3,526.17 | 4,342.58 | 5,225.28 |
| September | 280.43 | 857.64 | 1,467.19 | 2,122.51 | 2,831.06 | 3,591.99 | 4,413.71 | 5,302.24 |
| October | 327.65 | 906.62 | 1,519.81 | 2,179.12 | 2,892.05 | 3,657.81 | 4,484.84 | 5,379.20 |
| November | 374.87 | 955.60 | 1,572.42 | 2,235.73 | 2,953.05 | 3,723.64 | 4,555.97 | 5,456.16 |
| December | 422.10 | 1,004.58 | 1,625.03 | 2,292.34 | 3,014.05 | 3,789.46 | 4,627.10 | 5,533.12 |
| January | 469.32 | 1,053.56 | 1,677.64 | 2,348.94 | 3,075.05 | 3,855.29 | 4,698.22 | 5,610.08 |
| February | 516.54 | 1,102.53 | 1,730.26 | 2,405.55 | 3,136.05 | 3,921.11 | 4,769.35 | 5,687.04 |
| March | 563.76 | 1,151.51 | 1,782.87 | 2,462.16 | 3,197.04 | 3,986.93 | 4,840.48 | 5,764.00 |

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 53

ORDER NO. 23511
 DOCKET NO. 890868-WS
 PAGE 54

SOUTHERN STATES - SEMINOLE - FCCP SEWER
 DOCKET NO. 890868-WS

SCHEDULE NO. 6
 Page 1 of 5

Allowance for Funds Prudently Invested
 Calculation of Carrying Costs for Each ERC

 Information Needed

| | | |
|----------------------------------|----|------------|
| 1. Cost of Qualifying Assets | \$ | 433,254 |
| 2. Capacity of Qualifying Assets | | 76,350 GPD |
| 3. Number of Future Customers | | 347 ERC |
| 4. Annual Depreciation Expense | \$ | 24,089 |
| 5. Rate of Return | | 9.92% |
| 6. Weighted Cost of Equity | | 4.36% |
| 7. Federal Income Tax Rate | | 34.00% |
| 8. State Income Tax Rate | | 5.50% |
| 9. Annual Property Tax | \$ | 0 |
| 10. Other Costs | \$ | 0 |
| 11. Depreciation Rate of Assets | | 5.56% |
| 12. Test Year | | 1990 |

ORDER NO. 23511
DOCKET NO. 890868-WS
PAGE 55

SOUTHERN STATES - SEMINOLE - FCCP SEWER
DOCKET NO. 890868-WS

SCHEDULE NO. 6
Page 2 of 5

Allowance for Funds Prudently Invested
Calculation of Carrying Costs for Each ERC:

| | | | |
|------------------------------------|-------------|------------------------------|-----------|
| Cost of Qualifying Assets: | \$ 433,254 | Annual Depreciation Expense: | \$ 24,089 |
| Divided By Future ERC: | 347 | Future ERC's: | 347 |
| | ----- | | ----- |
| Cost/ERC: | \$ 1,248.57 | Annual Depr. Cost per ERC: | \$ 69.42 |
| Multiply By Rate of Return: | 9.92% | | ----- |
| | ----- | | ----- |
| Annual Return Per ERC: | \$ 123.86 | Annual Property Tax Expense: | \$ 0 |
| | ----- | Future ERC's: | 347 |
| Annual Reduction in Return: | \$ 6.89 | | ----- |
| (Annual Depreciation Expense | ----- | Annual Prop. Tax per ERC: | \$ 0.00 |
| per ERC Times Rate of Return) | ----- | | ----- |
| | ----- | | ----- |
| Federal Tax Rate: | 34.00% | Weighted Cost of Equity: | 4.36% |
| Effective State Tax Rate: | 3.63% | Divided by Rate of Return: | 9.92% |
| | ----- | | ----- |
| Total Tax Rate: | 37.63% | % of Equity in Return: | 43.95% |
| | ----- | | ----- |
| | ----- | | ----- |
| Effective Tax on Return: | 16.54% | Other Costs: | \$ 0 |
| (Equity % Times Tax Rate) | ----- | Future ERC's: | 347 |
| | ----- | | ----- |
| Provision For Tax: | 26.52% | Cost per ERC: | \$ 0.00 |
| (Tax on Return/(1-Total Tax Rate)) | ----- | | ----- |

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per ERC Per Year:

| | 89/90 | 90/91 | 91/92 | 92/93 | 93/94 | 94/95 | 95/96 | 96/97 |
|---|-----------|-----------|-----------|-------------|-------------|-------------|-------------|-------------|
| Unfunded Other Costs: | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Unfunded Annual Depreciation: | 69.42 | 69.42 | 69.42 | 69.42 | 69.42 | 69.42 | 69.42 | 69.42 |
| Unfunded Property Tax: | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Subtotal Unfunded Annual Expense: | \$ 69.42 | \$ 69.42 | \$ 69.42 | \$ 69.42 | \$ 69.42 | \$ 69.42 | \$ 69.42 | \$ 69.42 |
| Unfunded Expenses Prior Year: | 0.00 | 69.42 | 138.84 | 208.26 | 277.68 | 347.10 | 416.52 | 485.95 |
| Total Unfunded Expenses: | \$ 69.42 | \$ 138.84 | \$ 208.26 | \$ 277.68 | \$ 347.10 | \$ 416.52 | \$ 485.95 | \$ 555.37 |
| Return on Expenses Current Year: | 6.89 | 6.89 | 6.89 | 6.89 | 6.89 | 6.89 | 6.89 | 6.89 |
| Return on Expenses Prior Year: | 0.00 | 6.89 | 13.77 | 20.66 | 27.55 | 34.43 | 41.32 | 48.21 |
| Return on Plant Current Year: | 123.86 | 116.97 | 110.09 | 103.20 | 96.31 | 89.43 | 82.54 | 75.65 |
| Earnings Prior Year: | 0.00 | 123.86 | 260.00 | 409.65 | 574.15 | 754.96 | 953.71 | 1,172.18 |
| Compound Earnings from Prior Year: | 0.00 | 12.29 | 25.79 | 40.64 | 56.96 | 74.89 | 94.61 | 116.28 |
| Total Compounded Earnings: | \$ 130.74 | \$ 266.89 | \$ 416.54 | \$ 581.04 | \$ 761.85 | \$ 960.60 | \$ 1,179.07 | \$ 1,419.21 |
| Earnings Expansion Factor for Tax: | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 | 1.27 |
| Revenue Required to Fund Earnings: | \$ 165.42 | \$ 337.66 | \$ 527.00 | \$ 735.11 | \$ 963.87 | \$ 1,215.33 | \$ 1,491.73 | \$ 1,795.54 |
| Revenue Required to Fund Expenses: | 69.42 | 138.84 | 208.26 | 277.68 | 347.10 | 416.52 | 485.95 | 555.37 |
| Subtotal: | \$ 234.84 | \$ 476.50 | \$ 735.26 | \$ 1,012.80 | \$ 1,310.98 | \$ 1,631.85 | \$ 1,977.67 | \$ 2,350.91 |
| Divided by Factor for Gross Receipts Tax: | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 | 0.955 |
| ERC Carrying Cost for 1 Year: | \$ 245.90 | \$ 498.96 | \$ 769.90 | \$ 1,060.52 | \$ 1,372.75 | \$ 1,708.75 | \$ 2,070.86 | \$ 2,461.69 |

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per ERC Per Month:

| | 89/90 | 90/91 | 91/92 | 92/93 | 93/94 | 94/95 | 95/96 | 96/97 |
|-----------|--------|--------|--------|----------|----------|----------|----------|----------|
| December | 20.07 | 264.05 | 518.60 | 791.18 | 1,086.54 | 1,400.75 | 1,738.92 | 2,103.43 |
| January | 40.14 | 285.14 | 541.17 | 815.40 | 1,112.56 | 1,428.75 | 1,769.10 | 2,136.00 |
| February | 60.22 | 306.23 | 563.75 | 839.62 | 1,138.58 | 1,456.75 | 1,799.27 | 2,168.57 |
| March | 80.29 | 327.31 | 586.33 | 863.84 | 1,164.60 | 1,484.75 | 1,829.45 | 2,201.14 |
| April | 100.36 | 348.40 | 608.91 | 888.05 | 1,190.62 | 1,512.75 | 1,859.63 | 2,233.70 |
| May | 120.43 | 369.49 | 631.49 | 912.27 | 1,216.64 | 1,540.75 | 1,889.80 | 2,266.27 |
| June | 140.50 | 390.58 | 654.07 | 936.49 | 1,242.65 | 1,568.75 | 1,919.98 | 2,298.84 |
| July | 160.99 | 411.66 | 676.65 | 960.71 | 1,268.67 | 1,596.75 | 1,950.16 | 2,331.41 |
| August | 181.49 | 432.75 | 699.23 | 984.93 | 1,294.69 | 1,624.75 | 1,980.33 | 2,363.98 |
| September | 201.98 | 453.84 | 721.81 | 1,009.14 | 1,320.71 | 1,652.75 | 2,010.51 | 2,396.55 |
| October | 222.47 | 474.93 | 744.39 | 1,033.36 | 1,346.73 | 1,680.75 | 2,040.68 | 2,429.12 |
| November | 242.96 | 496.02 | 766.96 | 1,057.58 | 1,372.75 | 1,708.75 | 2,070.86 | 2,461.69 |

23511
ORDER NO. 890868-WS
DOCKET NO. 890868-WS
PAGE 57

Allowance for Funds Prudently Invested
Schedule of Charges:

| | 89/90 | 90/91 | 91/92 | 92/93 | 93/94 | 94/95 | 95/96 |
|-----------|--------|--------|--------|----------|----------|----------|----------|
| December | 20.07 | 264.05 | 518.60 | 791.18 | 1,086.54 | 1,400.75 | 1,738.92 |
| January | 40.14 | 285.14 | 541.17 | 815.40 | 1,112.56 | 1,428.75 | 1,769.10 |
| February | 60.22 | 306.23 | 563.75 | 839.62 | 1,138.58 | 1,456.75 | 1,799.27 |
| March | 80.29 | 327.31 | 586.33 | 863.84 | 1,164.60 | 1,484.75 | 1,829.45 |
| April | 100.36 | 348.40 | 608.91 | 888.05 | 1,190.62 | 1,512.75 | 1,859.63 |
| May | 120.43 | 369.49 | 631.49 | 912.27 | 1,216.64 | 1,540.75 | 1,889.80 |
| June | 140.50 | 390.58 | 654.07 | 936.49 | 1,242.65 | 1,568.75 | 1,919.98 |
| July | 160.99 | 411.66 | 676.65 | 960.71 | 1,268.67 | 1,596.75 | 1,950.16 |
| August | 181.49 | 432.75 | 699.23 | 984.93 | 1,294.69 | 1,624.75 | 1,980.33 |
| September | 201.98 | 453.84 | 721.81 | 1,009.14 | 1,320.71 | 1,652.75 | 2,010.51 |
| October | 222.47 | 474.93 | 744.39 | 1,033.36 | 1,346.73 | 1,680.75 | 2,040.68 |
| November | 242.96 | 496.02 | 766.96 | 1,057.58 | 1,372.75 | 1,708.75 | 2,070.86 |