

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Rate) DOCKET NO. 910976-WS
Increase in Brevard County) ORDER NO. PSC-92-0563-FOF-WS
By Florida Cities Water) ISSUED: 06/24/92
Company, Barefoot Bay)
Division)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED RATES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature, and as such, will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Florida Cities Water Company, Barefoot Bay Division, (FCWC or utility) provides water and wastewater service for a mobile home community located about 15 miles south of Melbourne, Florida. The community has mostly full-time residents. At August 31, 1991, the utility was serving about 4,300 customers. The Barefoot Bay system is in an area that has been designated by the St. Johns Water Management District as a critical use area.

On December 13, 1991, the utility filed the instant request for interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. On January 6, 1992, the utility cured the deficiencies which we found in its original filing, so that date is the official date of filing for this proceeding. Pursuant to Section 367.081(8), Florida Administrative Code, the utility requested that we process this case using our proposed agency action (PAA) procedure. The approved test year for this proceeding is the twelve-month period ended August 31, 1991.

DOCUMENT NUMBER-DATE

06698 JUN 24 1992

FPSC-RECORDS/REPORTING

The utility requested approval of interim and final rates, to generate annual revenues of \$719,387 for the water system and \$851,601 for the wastewater system. By Order No. PSC-92-0027-FOF-WS, issued March 10, 1992, we suspended the utility's proposed rates and granted interim rates to generate annual revenues of \$711,911 for the water system, an increase of \$113,964 (19.06%), and revenues of \$817,948 for the wastewater system, an increase of \$327,568 (69.84%).

QUALITY OF SERVICE

FCWC pumps its water from seven area wells that have a designed pumping capacity of 1.3 million gallons per day (mgd). The water is treated in a 1 mgd general filter plant with lime for softening and chlorine and ammonia (chloramine) for disinfection and trihalomethane (THM) control. The treatment plant is served by five high service pumps and is equipped with a diesel auxiliary generator for emergency power to run two high service pumps. A booster station is served by four high service pumps with a connection for a portable auxiliary generator. For storage, the utility has one .3 million gallon (mg) steel tank located adjacent to the water plant and one .5 mg concrete tank at the booster station.

The wastewater treatment plant is a 1 mgd Westinghouse, extended aeration, steel facility currently permitted by the Department of Environmental Regulation (DER) to treat .9 mgd. Effluent is disposed of by two evaporation/percolation ponds and by spray irrigation in a 40 acre orange grove adjacent to the Barefoot Bay community. Under the terms of a DER consent order, the utility is also discharging effluent into a nearby canal. To comply with the DER consent order, the utility must add ferric sulfate to the effluent to reduce nutrients before discharging into the canal. The utility is currently seeking approval to dispose of effluent by spray irrigation over a 300 acre orange grove. This application has been challenged by surrounding property owners, and a final decision is not expected until mid-June.

During our March, 1992, field inspection of the water and wastewater treatment facilities, the plants appeared in good condition. Safety practices were good but automatic features for starting and switching wells nos. 7 and 8 were lacking. These wells are located in a field partially obscured by shrubs and growth. Since these wells do not have automatic features or alarms, plant personnel must visit the well sites and manually restart the pumps if a power failure occurs. Accordingly, we

encourage FCWC to consider installing automatic or remote features and alarms on wells nos. 7 and 8.

Our staff conducted a customer meeting in the service area on February 26, 1992. Several customers complained about sediment in the water. We asked the utility to provide a glass of tap water and a glass of ice cubes from the same location. After several hours the tap water remained clear but sediment was found in the glass of melted ice cubes. In all likelihood, the sediment is calcium carbonate, which becomes less soluble when water is frozen and solidifies into a sandy-looking substance when the ice melts. The sediment does not represent a health problem.

In consideration of the above, we find that the quality of service provided by FCWC is satisfactory.

RATE BASE

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

Used and Useful

In its MFRs, FCWC calculated used and useful for the water and wastewater treatment plants by comparing the number of existing connections plus 15% to the total number of possible connections. This method for calculating used and useful differs from our traditional method where, generally, we compare the hydraulic flows experienced with flows permitted. Furthermore, the 15% figure FCWC added to the number of existing connections is labeled in Schedules Nos. F-5 and F-6 as a "margin reserve," yet FCWC offers no supporting calculations for margin reserve in Schedule No. F-8, as required, and we do not see the relationship between FCWC's 15% figure and growth.

As we have stated in the past, margin reserve represents capacity that the utility must have available beyond that demanded by the test year's customers so the utility can serve new customers without plant expansion over the next eighteen months. This clarification aside, we find that FCWC's water and wastewater treatment plants are each 100% used and useful absent margin reserve.

FCWC claims its water treatment plant is 100% used and useful, but FCWC calculated this figure by a means other than our traditional flows-based method. We have calculated used and useful by the traditional method and agree that FCWC's water treatment plant is 100% used and useful.

The current demand on the water treatment plant is above permitted capacity. To establish the used and useful percentage, we have divided the sum of the 908,800 gallons per day (gpd) five-day average daily flow and an allowance for fire flow by the 1,000,000 gpd capacity of the plant. Only a fraction of the utility's 800,000 gallons of available storage capacity need be considered for the fire flow allowance to arrive at a used and useful percentage greater than 100%.

If we used the traditional flows-based method to calculate used and useful, the wastewater treatment plant would not be 100% used and useful. FCWC states in its MFRs that the capacity of its wastewater treatment plant is 1.00 mgd; however, the plant is currently operating under a DER consent order with maximum flows of 900,000 gpd. The five-day maximum average daily flow during the test year was 678,355 gpd. However, we do not consider our traditional method or FCWC's method appropriate in this case.

The plant was installed to accommodate anticipated growth for the entire Barefoot Bay subdivision. In order to grow with the service area, the utility had the alternative of installing several small package plants (as the need arose) or building a larger plant. Based on a current growth, however, it appears as though the plant will not be operating to full capacity when build-out occurs in three or four years.

Under unique circumstances, we believe it is appropriate to consider economies of scale in evaluating used and useful. See Application for a rate increase in Lee County by Gulf Utility Company, Order No. 24735, issued July 1, 1991. In the instant case, we believe the utility acted prudently when it built one plant rather than several smaller plants, because the latter alternative was more cost-effective for the utility and its customers. FCWC's plant was prudently designed and properly sized to serve the reasonably anticipated needs of the service area.

Therefore, in consideration of the unique circumstances of this case, we find that the wastewater treatment plant is 100% used and useful.

As indicated above, the wastewater disposal facilities are not currently large enough to handle all of the effluent from the plant. The utility's request to dispose of effluent by spray irrigation over a 300 acre parcel is pending. Under these circumstances, we consider the disposal facilities 100% used and useful.

On Schedule No. F-7 of the MFRs, the utility states, regarding its water distribution facilities, "It is normal practice and the Company's public utility responsibility to have service available to additional lots in the area." A used and useful percentage was not listed on this schedule, but is elsewhere claimed to be 100%. In addition, FCWC has stated that its water distribution facilities are entirely contributed. On the same schedule, the utility further stated, regarding its wastewater collection facilities, "All on-site collection systems . . . are contributed to the utility. Therefore, the collection facilities are 100% used and useful."

Based on the above, our audit of the company's books, and our field investigation we agree that the water distribution and wastewater collection facilities are 100% used and useful.

Accumulated Depreciation

Our auditors compared the rate base accounts reported in the MFRs with corresponding information in the utility's general ledger and detected an error in the amount of accumulated depreciation for the wastewater system in the MFRs. Therefore, we shall correct this error by reducing wastewater system accumulated depreciation by \$8,899.

Working Capital

FCWC used the formula approach, or one-eighth of operation and maintenance expenses (1/8th of O&M), to calculate working capital. FCWC's use of the formula approach is consistent with the method prescribed by Form PSC/WAS 17 of the MFRs, which is incorporated in Rule 25-30.437, Florida Administrative Code, by reference.

We find it appropriate to use the formula method to calculate the working capital requirement of this utility. In a later section of this Order, we find that the proper amounts of test year operation and maintenance expense are \$476,056 for the water system and \$468,281 for the wastewater system. Therefore, we have included one-eighth of those amounts, \$59,507 for the water system

and \$58,535 for the wastewater system, in rate base as the utility's working capital allowance.

Test Year Rate Base

In consideration of the foregoing, we find that average test year rate base is \$951,751 for the water system and \$1,764,545 for the wastewater system.

COST OF CAPITAL

Our calculation of the appropriate cost of capital is depicted on Schedule No. 2-A. Our adjustments are itemized on Schedule No. 2-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Deferred Taxes

The utility's proposed capital structure does not include a \$3,863,500 average test year balance for deferred taxes relating to accrual of allowance for funds prudently invested (AFPI) charges. We disagree with the utility's exclusion of this amount and therefore have increased deferred taxes by the subject amount.

The utility recorded accrual of AFPI charges (a deferred debit account) on its balance sheet, and, after subtracting the tax impact of these revenues (the deferred tax account), it closed the resulting net income to retained earnings, thus increasing the equity balance. The utility argues that since the accrual of AFPI charges is a non-cash transaction, deferred taxes are properly excluded from the schedule of capital accounts.

We believe that the utility has taken a piecemeal approach to defining capital investment. If AFPI-related taxes should be excluded from the capital structure because AFPI accrual is a non-cash transaction, an associated reduction to the equity balance should be made for the same reason. AFPI charges are designed to allow the utility to recover prudently incurred carrying costs -- depreciation charges, interest expense, property taxes, and equity return -- for non-used and useful facilities. Were we to reduce equity capital to be consistent with the exclusion of deferred taxes, the utility would be penalized for having to defer recovery of prudently incurred carrying charges.

Further, we believe the utility's proposed adjustment to exclude the cost-free deferred tax account is an attempt to trace funds to a particular asset. Generally, this Commission rejects all such proposals. We normally reconcile rate base and the capital structure on a pro rata basis and do not assign particular capital accounts to specific asset accounts, which is effectively what FCWC has asked us to do.

In consideration of the foregoing, we have increased the provision for cost-free tax accounts by \$3,863,500. This adjustment reduces the weighted cost of capital.

Debt

The utility's outstanding debt capital includes a credit line component used for short-term financing of construction. The utility pays the prevailing prime rate of interest, and thus a variable rate, for this source of funds. During the historical year ended August 31, 1991, the utility was charged an 8.5% interest rate for the credit line. The current prime rate, however, is 6.5%. We think it is appropriate to use the current prime rate to establish the overall cost of debt capital. Therefore, the overall cost of debt capital is thus reduced from 10.01% to 9.73%.

Preferred Stock

During the test year, Florida Cities Water Company issued \$9,000,000 of preferred stock to its parent company, which in turn issued an equal amount of preferred stock to Allstate Insurance Company. Florida Cities Water Company used the proceeds from its preferred stock transaction, which occurred on June 15, 1991, to redeem an equivalent amount of common stock.

The utility included \$4,500,000 of preferred stock in its capital structure. That amount represents the simple average for the 1991 test year, which the MFRs show as beginning with a zero balance and ending with a \$9,000,000 balance. The dividend rate for the preferred stock is 9.00%, or about 4% less than the comparative return allowed for common stock. The full amount of the preferred stock will be outstanding when the final rates approved in this case are implemented, and the preferred stock cannot be redeemed before March of 1997.

The preferred stock issue replaced an equivalent amount of common equity and did not increase total capital. No plant improvements were built from funds infused by the preferred stock

issue. It was simply a conversion of capital: a less expensive form of equity capital in exchange for a more expensive source of equity capital.

In consideration of the above, and because we think it appropriate to take into account a known change, we have increased the balance of preferred stock by \$4,500,000 and reduced common equity accordingly.

Investment Tax Credits

The utility's capital structure includes an allocated share of deferred investment tax credits (ITCs) for Florida Cities Water Company as a whole. The \$100,252 amount reported on Schedule No. D-1 of the MFRs was computed by reconciling rate base and the capital structure on a pro rata basis. Although the pro rata reconciliation is proper, the utility employed the wrong cost rate for the ITCs.

The cost rate for the ITCs in the MFRs is 10.15%, which matches the utility's requested overall cost of capital. The cost rate for ITCs should be a weighted average cost rate for investor supplied sources of capital. The utility calculated its cost rate for the ITCs as a weighted average for all components in the capital structure, including a cost-free component for deferred taxes. Therefore, we have recalculated the cost rate for the ITCs so as to exclude deferred taxes from the weighted average. The proper cost rate is 10.83%.

Return on Equity

We have calculated the allowed return on equity using the leverage formula set forth in Order No. 24246, issued March 18, 1991. According to that Order, the appropriate return on equity for this utility is 13.11%. Therefore, FCWC's authorized rate of return on equity is 13.11%, with a range of reasonableness of between 12.11% to 14.11%.

Overall Rate of Return

After making the described adjustments to the balances and cost rates for the capital structure components, we have calculated an overall weighted average cost of capital. The proper overall rate of return for this utility is 9.27%, with a range of 8.97% to 9.57%.

NET OPERATING INCOME

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

Operating and Maintenance Expense (O & M)

We have reviewed the utility's expense accounts for proper amounts, periods, and classifications. Our review did not disclose any significant out-of-period, non-recurring, or non-utility expenses.

The utility's reported expenses for the test year are substantially larger than corresponding expenses in the utility's last rate case (a 1981 test year), and the amount of the increase exceeds comparative growth in customers and inflation. Although the actual expenses exceed this benchmark, the utility explained the increases in detail. For instance, the utility explained that certain expenses increased because of greater manpower costs, sludge removal, chemical treatment, and monitoring requirements required by DER. The utility also stated that the aging of its Barefoot Bay systems has contributed to rising maintenance costs. Further, the utility noted it began operating a 40-acre irrigation system for effluent disposal in 1989, and this facility has contributed to increased labor and other operating costs since the last rate case.

Having reviewed the utility's expenses during field and audit investigations, and having detected no evidence of imprudent expenses, we have not reduced operating expenses, except as described below for rate case expense.

Rate Case Expense

The utility included a \$130,000 estimate for rate case expense in its MFRs. At our request, the utility submitted updated rate case expense information showing actual expenses as of the date of submittal and an estimate of costs through completion of the PAA process. According to the utility's updated information, overall rate case expense is \$50,556.

We have reviewed the actual payments and the projected completion costs for evidence of unreasonable or unnecessary costs, and we detected none. The updated rate case expense included payments for legal services totaling \$14,519, the rate case filing fee of \$4,500, accounting and other regulatory services provided by affiliated companies totaling \$16,125, and various costs incurred to notify customers about this proceeding. Therefore, we find that the updated request for rate case expense, \$50,556, is reasonable, and the utility shall be allowed to recover said amount, divided equally between the two systems and amortized over a four-year period.

In addition, the utility is to submit, within 60 days of this Order, a breakdown of actual rate case expense incurred. The information shall be submitted in the manner required for Schedule B-10 of the MFRs.

Depreciation Expense

The utility's revenue requirement calculation includes pro forma provisions for increased depreciation charges. The added expenses were computed using the guideline depreciation rates prescribed by Rule 25-30.140, Florida Administrative Code. In the utility's last rate case, Order No. 12191, issued July 1, 1983, Docket No. 820014-WS, we used composite depreciation rates of 2.2% and 1.85%, respectively, to compute the allowed depreciation expense for the water and wastewater systems. Pursuant to the guideline rates, depreciation is accrued on an individual account basis. The guideline rates generally yield a greater annual expense, which is evident for this utility since comparative depreciation rates in this proceeding are, effectively, 3.48% and 3.56%.

As the pro forma depreciation expenses were computed using the guideline depreciation rates prescribed by our rule, we approve the utility's requested amounts of depreciation expense: \$42,288 for the water system and \$64,696 for the wastewater system.

Test Year Operating Income

By our calculations, the utility would experience operating income of \$29,248 for water service and an operating loss of \$38,209 for wastewater service if current rates were retained.

REVENUE REQUIREMENT

The permanent rates requested by the utility are designed to produce annual revenues of \$719,387 for the water system, an overall increase of 20.3%, and \$851,601 for the wastewater system, an overall increase of 76.8%.

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that the appropriate annual revenue requirements for this utility are \$697,023 for the water system and \$820,477 for the wastewater system. These revenue requirements represent an annual increase in revenues of \$99,076 (16.57%) for the water system and \$338,866 (70.36%) for the wastewater system. This revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 9.27% overall rate of return on average rate base.

RATES AND CHARGES

Monthly Service Rates

We have calculated new rates designed to allow the utility to achieve the revenue requirement approved herein. We find that these new rates are fair, just, and reasonable, and are not unduly discriminatory. The utility's existing rates, its approved interim rates, its requested final rates, and the rates which we hereby approve are set forth below for comparison. We have designed the approved rates using the base facility charge (BFC) rate structure. The BFC rate structure allows the utility to more accurately track its costs and allows the customers to have some control over their bills. Each customer pays for his or her pro rata share of the fixed costs necessary to provide utility service through the base facility charge and pays for his or her usage through the gallonage charge.

The amount of the wastewater rate increase for general service customers will be greater than the increase for residential customers. The present wastewater rates, approved in Order No. 12191, issued July 1, 1983, did not take into account the difference between the residential and the general service wastewater return determinant, which assumes 80% of residential customers' water up to the wastewater gallonage cap and 96% of general service customers' water is returned to the wastewater system. The approved rates below take the return determinant into account.

FLORIDA CITIES WATER COMPANY
 Barefoot Bay Division

Schedule of Rates
Water
Residential and General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
5/8" X 3/4"	\$ 5.07	\$ 6.04	\$ 6.10	\$ 5.92
3/4"	7.59	9.05	9.15	8.88
1"	12.66	15.09	15.25	14.80
1-1/2"	25.29	30.14	30.50	29.60
2"	40.48	48.25	48.80	47.36
3"	80.95	96.48	97.60	94.72
4"	126.47	150.74	152.50	148.00
6"	252.99	301.54	305.00	296.00
Gallonge Charge	\$ 1.55	\$ 1.85	\$ 1.87	\$ 1.81

Schedule of Rates
Wastewater
Residential

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
All Sizes	\$ 4.33	\$ 7.35	\$ 7.88	\$ 7.36
Gallonge Charge	\$ 1.59	\$ 2.70	\$ 2.72	\$ 2.70
Maximum Gallons	6M	6M	6M	6M
Minimum Bill	\$ 4.33	\$ 7.35	\$ 7.88	\$ 7.36
Maximum Bill	\$13.87	\$23.55	\$24.20	\$23.56

FLORIDA CITIES WATER COMPANY
 Barefoot Bay Division

Schedule of Rates
Wastewater
General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Final Rates</u>
5/8" X 3/4"	\$ 4.33	\$ 7.35	\$ 7.88	\$ 7.36
3/4"	6.54	11.11	11.82	11.04
1"	10.88	18.48	19.70	18.40
1-1/2"	21.75	36.94	39.40	36.80
2"	34.79	59.09	63.04	58.88
3"	69.57	118.16	126.08	117.76
4"	108.69	184.60	197.00	184.00
6"	217.38	369.20	394.00	368.00
Gallonage Charge (No maximum)	\$ 1.59	\$ 2.70	\$ 3.26	\$ 3.24

The approved rates will be effective for meters read on or after thirty days from the stamped approval date on the revised tariff sheets. The utility must submit revised tariff sheets reflecting the approved rates and a proposed customer notice listing the new rates and explaining the reasons therefor. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the protest period has expired and the proposed customer notice is adequate.

Statutory Four-year Rate Reduction

Section 367.0816, Florida Statutes, states,

The amount of rate case expense determined by the commission . . . to be recovered through . . . rate[s] shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate[s] . . . shall be reduced immediately by the amount of rate case expense previously included in rates.

Accordingly, we have amortized the amount of allowed rate case expense over four years and then adjusted the altered revenue requirement for RAFs. By our calculations, at the end of the four-year recovery period, the utility's water rates should be reduced by \$6,618 and its wastewater rates should be reduced by \$6,618. The rates at the end of this period are shown on Schedule No. 4, which is attached hereto.

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

Service Availability Charges

The utility did not propose any changes to its service availability charges in its MFRs. The utility's present levels of net plant to net contributions-in-aid-of-construction (CIAC) are 70.82% for the water system and 52.12% for the wastewater system. These levels fall within the guidelines of Rule 25-30.580, Florida Administrative Code; therefore we do not think that adjustments to the utility's service availability charges are necessary.

DISPOSITION OF EXCESS INTERIM RATES

By Order No. PSC-92-0027-FOF-WS, issued on March 10, 1992, we suspended the utility's proposed rates and granted it interim water and wastewater rates, subject to refund. The interim revenue requirement for wastewater was \$817,948; the approved final revenue requirement is \$820,477. Therefore, the question of a refund of excess interim wastewater rates is not present. However, the interim revenue requirement for water was \$711,911, and the approved final revenue requirement is \$697,023. Therefore, there

is a question of a refund with regard to excess interim water rates. The amount of the refund would be approximately \$5,000. Given the insignificant amount of the refund, the utility has requested that the subject amount be credited to CIAC. We think that the utility's proposal is reasonable and hereby direct it to credit the subject amount to CIAC.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Florida Cities Water Company, Barefoot Bay Division, for an increase in its water and wastewater rates in Brevard County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are by reference incorporated herein. It is further

ORDERED that all that is contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that all of the provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division, is authorized to charge the new rates as set forth in the body of this Order. It is further

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

ORDERED that prior to its implementation of the rates approved herein, Florida Cities Water Company, Barefoot Bay Division, shall submit and have approved a proposed notice to its customers showing the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates approved herein, Florida Cities Water Company, Barefoot Bay Division, shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are

ORDER NO. PSC-92-0563-FOF-WS
DOCKET NO. 910976-WS
PAGE 16

consistent with our decision herein and that the protest period has expired. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division, shall credit the excess of interim water rates it has collected to water system contributions-in-aid-of-construction, as set forth in the body of this Order. It is further

ORDERED that Florida Cities Water Company, Barefoot Bay Division, shall submit, within sixty (60) days of the date of this Order, an itemized report of the actual rate case expense incurred as set forth in the body of this Order. It is further

ORDERED that this docket may be closed if no timely protest is received from a substantially affected person and upon the utility's filing of revised tariff sheets and Staff's approval of them.

By ORDER of the Florida Public Service Commission, this 24th of June, 1992.

STEVE TRIBBLE, Director,
Division of Records and Reporting

(S E A L)

by: Kay J. [Signature]
Chief, Bureau of Records

MJF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule

25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 15, 1992.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 1-A
 DOCKET NO. 910976-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 4,146,293	\$ 0	\$ 4,146,293		\$ 4,146,293
2 LAND	5,637	0	5,637		5,637
3 NON-USED & USEFUL COMPONENTS		0	0		0
4 ACCUMULATED DEPRECIATION	(726,681)	0	(726,681)		(726,681)
5 CONSTRUCTION WORK IN PROGRESS	28,306	(28,306)	0		0
6 CIAC	(2,936,285)	0	(2,936,285)		(2,936,285)
7 AMORTIZATION OF CIAC	510,518	0	510,518		510,518
8 ADVANCES FOR CONSTRUCTION	(107,238)	0	(107,238)		(107,238)
9 WORKING CAPITAL ALLOWANCE	58,717	2,031	60,748	(1,241)	59,507
RATE BASE	\$ 979,267	\$ (26,275)	\$ 952,992	(1,241)	\$ 951,751

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 1-B
 DOCKET NO. 910976-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 4,374,860	\$ 0	\$ 4,374,860	\$ 0	4,374,860
2 LAND	363,923	0	363,923	0	363,923
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(795,024)	0	(795,024)	8,899	(786,125)
5 CONSTRUCTION WORK IN PROGRESS	5,802	(5,802)	0	0	0
6 CIAC	(2,557,980)	0	(2,557,980)	0	(2,557,980)
7 AMORTIZATION OF CIAC	497,832	0	497,832	0	497,832
8 ADVANCES FOR CONSTRUCTION	(186,500)	0	(186,500)		(186,500)
9 WORKING CAPITAL ALLOWANCE	57,745	2,031	59,776	(1,241)	58,535
RATE BASE	\$ 1,760,658	\$ (3,771)	\$ 1,756,887	\$ 7,658	\$ 1,764,545

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 1-C
 PAGE 1 OF 1
 DOCKET NO. 910976-WS

EXPLANATION	WATER	WASTEWATER
<hr/>		
ACCUMULATED DEPRECIATION		
Adjustment to correct overstatement of accumulated depreciation		\$ 8,899 =====
WORKING CAPITAL		
Adjustment to reflect use of formula approach and recommended operating expenses	\$ (1,241) =====	\$ (1,241) =====

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION
 CAPITAL STRUCTURE
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 2-A
 DOCKET NO. 910976-WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMM.
1 LONG TERM DEBT	\$ 23,124,375	40.12%	10.01%	4.02%	\$ (22,103,176)	\$ 1,021,199	37.60%	9.73%	3.66%
2 SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
3 CUSTOMER DEPOSITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
4 PREFERRED STOCK	4,500,000	7.81%	9.00%	0.70%	(4,102,550)	397,450	14.63%	9.00%	1.32%
5 COMMON EQUITY	22,907,139	39.74%	12.74%	5.06%	(22,094,258)	812,881	29.93%	13.11%	3.92%
6 INVESTMENT TAX CREDITS	2,132,581	3.70%	10.15%	0.38%	(2,038,404)	94,177	3.47%	10.83%	0.38%
7 DEFERRED TAXES	4,981,109	8.64%	0.00%	0.00%	(4,590,521)	390,588	14.38%	0.00%	0.00%
8 TOTAL CAPITAL	\$ 57,645,204	100.00%		10.15%	\$ (54,928,909)	\$ 2,716,295	100.00%		9.27%

RANGE OF REASONABLENESS

LOW HIGH

RETURN ON EQUITY

12.11% 14.11%

OVERALL RATE OF RETURN

8.97% 9.57%

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION
 ADJUSTMENTS TO CAPITAL STRUCTURE
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 2-B
 DOCKET NO. 910976-WS

DESCRIPTION	SPECIFIC ADJUSTMENT (EXPLAIN)	SPECIFIC ADJUSTMENT (EXPLAIN)	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$	\$	0 \$ (22,103,176)\$	(22,103,176)
2 SHORT TERM DEBT			0	0
3 CUSTOMER DEPOSITS			0	0
4 PREFERRED STOCK	4,500,000		(8,602,550)	(4,102,550)
5 COMMON EQUITY	(4,500,000)	0	(17,594,258)	(22,094,258)
6 INVESTMENT TAX CREDITS			(2,038,404)	(2,038,404)
7 DEFERRED INCOME TAXES	3,863,500		(8,454,021)	(4,590,521)
8 TOTAL CAPITAL	\$ 3,863,500 \$	0 \$	(58,792,409)\$	(54,928,909)

FLORIDA CITIES WATER CO. - BAREFOOT
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 3-A
 DOCKET NO. 910976-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
1 OPERATING REVENUES	\$ 572,433	\$ 146,954	\$ 719,387	\$(121,440)	\$ 597,947	\$ 99,076	\$ 697,023
OPERATING EXPENSES						16.57%	
2 OPERATION AND MAINTENANCE	\$ 469,736	\$ 16,250	\$ 485,986	\$(9,931)	\$ 476,056	\$	\$ 476,056
3 DEPRECIATION	35,659	6,629	42,288	0	42,288		42,288
4 AMORTIZATION	1,134	0	1,134	0	1,134		1,134
5 TAXES OTHER THAN INCOME	55,920	6,613	62,533	\$(5,465)	57,068	4,458	61,527
6 INCOME TAXES	39,087	\$(8,369)	30,718	\$(38,564)	\$(7,846)	35,605	27,758
7 TOTAL OPERATING EXPENSES	\$ 601,536	\$ 21,123	\$ 622,659	\$(53,960)	\$ 568,699	\$ 40,063	\$ 608,762
8 OPERATING INCOME	\$(29,103)	\$ 125,831	\$ 96,728	\$(67,480)	\$ 29,248	\$ 59,013	\$ 88,260
9 RATE BASE	\$ 979,267		\$ 952,992		\$ 951,751		\$ 951,751
RATE OF RETURN	-2.97%		10.15%		3.07%		9.27%

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 3-B
 DOCKET NO. 910976-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
1 OPERATING REVENUES	\$ 470,063	\$ 381,538	\$ 851,601	\$ (369,990)	\$ 481,611	\$ 338,866	\$ 820,477
OPERATING EXPENSES						70.36%	
2 OPERATION AND MAINTENANCE	\$ 461,961	\$ 16,250	\$ 478,211	\$ (9,931)	\$ 468,281	\$	\$ 468,281
3 DEPRECIATION	29,802	34,894	64,696	0	64,696		64,696
4 AMORTIZATION	977	0	977	0	977		977
5 TAXES OTHER THAN INCOME	55,697	17,170	72,867	(16,650)	56,217	15,249	71,466
6 INCOME TAXES	2,800	53,727	56,527	(126,878)	(70,351)	121,777	51,426
7 TOTAL OPERATING EXPENSES	\$ 551,237	\$ 122,041	\$ 673,278	\$ (153,458)	\$ 519,820	\$ 137,026	\$ 656,846
8 OPERATING INCOME	\$ (81,174)	\$ 259,497	\$ 178,323	\$ (216,532)	\$ (38,209)	\$ 201,840	\$ 163,631
9 RATE BASE	\$ 1,760,658		\$ 1,756,887		\$ 1,764,545		\$ 1,764,545
RATE OF RETURN	-4.61%		10.15%		-2.17%		9.27%

FLORIDA CITIES WATER CO. - BAREFOOT BAY DIVISION
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED AUGUST 31, 1991

SCHEDULE NO. 3-C
PAGE 1 OF 1
DOCKET NO. 910976-WS

EXPLANATION	WATER	WASTEWATER
OPERATING REVENUES		
1) Reverse utility's requested rate increase	\$ (123,982)	\$ (360,726)
2) Billing analysis adjustment	2,542	(9,264)
	\$ (121,440)	\$ (369,990)
OPERATING EXPENSES		
Adjustment to reduce provision for rate case expense	\$ (9,931)	\$ (9,931)
TAXES OTHER THAN INCOME TAXES		
Adjustment to reflect provision for RAF taxes consistent with annualized revenues	\$ (5,465)	\$ (16,650)
INCOME TAXES		
Adjustment to reflect provision for income taxes consistent with test year income	\$ (38,564)	\$ (126,878)
OPERATING REVENUES		
Recommended provision for final rate increase	\$ 99,076	\$ 338,866
TAXES OTHER THAN INCOME TAXES		
Adjustment for RAF taxes	\$ 4,458	\$ 15,249
INCOME TAXES		
Adjustment to reflect increased income	\$ 35,605	\$ 121,777

FLORIDA CITIES WATER COMPANY
Barefoot Bay Division

Rate Schedule

Schedule of Commission Approved
Rates and Rate Decrease in Four Years
Water
(Monthly Rates)
Residential and General Service

<u>Meter Size</u>	<u>Commission Approved Rates</u>	<u>Rate Decrease</u>
5/8" X 3/4"	\$ 5.92	\$.06
3/4"	8.88	.08
1"	14.80	.14
1-1/2"	29.60	.28
2"	47.36	.45
3"	94.72	.90
4"	148.00	1.41
6"	296.00	2.81
Gallonage Charge	\$ 1.81	\$.02

Rate Schedule

Schedule of Commission Approved
Rates and Rate Decrease in Four Years
WasteWater
(Monthly Rates)
Residential

<u>Meter Size</u>	<u>Commission Approved Rates</u>	<u>Rate Decrease</u>
All Sizes	\$7.36	\$.06
Gallonage Charge	\$2.70	\$.02

FLORIDA CITIES WATER COMPANY
Barefoot Bay Division

Rate Schedule

Schedule of Commission Approved
Rates and Rate Decrease in Four Years

WasteWater
(Monthly Rates)

General Service

<u>Meter Size</u>	<u>Commission Approved Rates</u>	<u>Rate Decrease</u>
5/8" X 3/4"	\$ 7.36	\$.06
3/4"	11.04	.09
1"	18.40	.15
1-1/2"	36.80	.30
2"	58.88	.48
3"	117.76	.95
4"	184.00	1.49
6"	368.00	2.98
Gallonage Charge	\$ 3.24	\$.03