

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a) DOCKET NO. 920418-WU
staff-assisted rate case by) ORDER NO. PSC-93-0013-FOF-WU
HOLIDAY GARDENS UTILITIES, INC.) ISSUED: 01/05/93
in Pasco County)
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES
IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates subject to refund, in the event of a protest, is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Holiday Gardens Utilities, Inc. (Holiday or utility) is a Class C water utility located in Pasco County, Florida. The utility provides water service to the Holiday Gardens subdivision and immediately surrounding area, and it has been certificated by this Commission since 1973.

On May 11, 1992, Holiday applied for staff assistance. The utility paid the appropriate filing fee. The official date of filing is July 10, 1992. The test year for this case is the historical test year ended March 31, 1992. The utility served 444 residential customers and 4 general service customers during the test year.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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The Southwest Florida Management District has designated the utility's service area as a "Water use caution area."

QUALITY OF SERVICE

A customer meeting was held on October 15, 1992, at the Orangewood Village Civic Association, in Holiday, Florida. Approximately 35 customers attended the meeting. Of the 35 customers in attendance, one customer complained about the quality of the water. However, all other customers were satisfied with the water quality.

The utility recently has been cited by the Department of Environmental Regulation (DER) for lacking an operational emergency power source with automatic start up capabilities. There have been no water outages as a result of this deficiency, so this problem is not considered an immediate health risk to the customers. The utility is currently in the process of determining what it will take to comply with DER's request. If auxiliary power is required, a significant capital expenditure will be necessary at some future date.

It appears that the utility is addressing the situation. Time will be required to explore possible options.

Based on the foregoing, we find that the quality of service is satisfactory.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedule No. 1, and our adjustments are itemized on Schedule No. 1-A. Those adjustments which are self-explanatory or 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

The water treatment plants are considered to be 100 percent used and useful because the system is built out and because 100 percent used and useful was allowed in a previous rate case (Docket No. 890169-WU).

In addition, during the test year there was an average of 448 customers. The water distribution system is at design capacity.

Plant-in-Service

During our audit of the books and records of this utility, the utility's books reflected a balance of \$70,561 for plant-in-service at the end of the test year. This amount has been adjusted by \$70,632 to reconcile the utility's plant balance at December 31, 1988, with plant balances established by Order No. 21920. Plant also has been adjusted by \$6,000 to reflect pro forma plant additions requested by the utility and recommended by the staff engineer. An averaging adjustment of (\$3,587) was made by the utility. The total adjustment for plant-in-service is \$73,045.

Based on the foregoing, we find the appropriate average utility plant-in-service is \$143,506.

Land Value

In Order No. 21920, the Commission established the value of the land in rate base to be \$2,414. The utility recorded land value of \$3,059. There has been no additional land purchased since Order No. 21920 was issued. Therefore, the land value has been adjusted by (\$645) to reflect the appropriate value.

Contributions-in-Aid-of-Construction

In Order No. 21920, the Commission set Contributions-in-Aid-of-Construction (CIAC) of \$85,629 at December 31, 1988. The utility has not recorded this CIAC on its books. Therefore, we have adjusted the utility's CIAC balance by (\$85,629) to reflect CIAC as approved by Order No. 21920. The utility has not collected any CIAC since 1988 because the customer base has remained constant.

Accumulated Depreciation

The utility's books reflected a balance of (\$60,056) in accumulated depreciation at the end of the test period. We have adjusted accumulated depreciation by (\$1,895) to adjust the utility's balance at December, 1988, to the amount established by Order No. 21920. We also have adjusted accumulated depreciation by (\$13,468) to update depreciation on plant through March 31, 1992. An averaging adjustment of \$2,653 also was made. The total adjustment for accumulated depreciation is (\$12,710). Therefore, the total average amount of accumulated depreciation is (\$72,766).

Accumulated Amortization

The utility's books did not record accumulated amortization of CIAC on its books. Order No. 21920 established accumulated

amortization of CIAC of \$39,795 at December 1988. We have adjusted the utility's total to the amount established by Order No. 21920. We have also adjusted accumulated amortization of CIAC by \$7,319, to update amortization through March 31, 1992. An averaging adjustment of (\$1,126) was also made. Therefore, the accumulated amortization of CIAC for this utility is \$45,988.

Working Capital

We find it appropriate to use the formula method in calculating the working capital allowance for this utility, or one-eighth of operation and maintenance expenses. In a later section of this Order, we find that the appropriate operation and maintenance expenses are \$43,256. Therefore, we have included one-eighth of that amount, \$5,407, in rate base as the utility's working capital allowance.

Test Year Rate Base

Based on the foregoing, we find the appropriate test year rate base to be \$39,020.

CAPITAL STRUCTURE

The utility's capital structure is composed of 100 percent equity. Applying the leverage formula approved in Order No. PSC-92-0680-FOF-WS, issued July 31, 1992, we established the return on equity for future purposes to be 10.44 percent. The overall rate of return is 10.44 percent. The capital structure is shown on Schedule No. 2.

NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedule No. 3, and our adjustments are itemized on Schedule No. 3-A. Those adjustments that are self-explanatory or essentially mechanical in nature are shown on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Test Year Operating Revenues

The utility recorded revenues of \$43,838. A revenue check based on test year bills and consumption times the utility's authorized rates during the test year does not agree with revenue recorded by the utility. The utility's recorded test year revenue has been adjusted by \$566, to reflect test year revenue based on test year number of customers, consumption, and those rates that were in effect during the year.

On June 22, 1992, we granted the utility a rate adjustment through a price index application. We have annualized revenues based on test year number of customers, consumption, and the existing rates. Revenue has been adjusted by \$2,537 to reflect test year annualized revenue. The total adjustment for test year revenue is \$3,103. Therefore, the appropriate test year operating revenue is \$46,941.

Operation and Maintenance Expenses

The components of the utility's operating expenses include operation and maintenance expenses, depreciation expense, and taxes other than income taxes.

The utility recorded test year operating expenses of \$45,394. These expenses include operation and maintenance expense of \$39,122, depreciation expense of \$1,733 and taxes other than income of \$4,539.

We have reviewed the utility's expense accounts for proper amounts, period, and classifications. The utility's test year operating expenses have been traced to invoices. All expenses allocated by the parent company, Holiday Gulf Homes, Inc., have been tested for reasonableness and adjustments have been made accordingly. We find that the appropriate amount of operation and maintenance expenses is \$51,454. A summary of adjustments that corresponds to Schedule No. 3 follows.

A. Operation and Maintenance Expense

1) Salaries and Wages - Employees (601) -

The utility recorded \$6,907 as salary expense for its clerk/office manager. The utility has requested a pro forma salary adjustment of \$203 for this expense. We find this to be reasonable and have adjusted this expense by \$203.

2. Employee Pension and Benefits (604) -

The utility recorded \$1,079 in this expense for group insurance. We have adjusted this amount by \$198 to reflect the appropriate test year total per audit.

3. Contractual Services (630) -

The utility recorded \$14,158 in this expense account. We have adjusted this amount by \$1,065 to reflect test year contractual maintenance and repairs expense.

The utility has also requested a proforma adjustment of \$54 annually for the meter reader allowance. We find this amount is reasonable, and we have adjusted this expense by \$54.

The utility has provided us with documentation of DER-required water testing expense of \$3,558. Our staff engineer has verified the cost of the testing with the contractual vendor. These tests are required every three years. Therefore, the appropriate annual expense for DER required water testing is \$1,186 ($\$3,558/3$). The utility recorded \$922 in contractual services for DER required water testing. We have adjusted this expense by \$194 to reflect the appropriate annual allowance for DER-required water testing. The total adjustment for contractual services expense is \$1,313.

4. Insurance Expense (655) -

The utility recorded \$797 in this expense. We have adjusted this expense by \$291 to reflect test year amount per audit.

5. Regulatory Commission Expense (665) -

This expense has been adjusted by \$225 ($\$900/4$) to allow the utility's rate case filing fee amortized over four years.

6. Miscellaneous Expense (675) -

The utility recorded \$4,034 in this expense. We have adjusted this expense by \$300 to reflect the cost of painting and priming a hydrotank (\$900 amortized over three years), by \$19 to reflect a new ten-year public use permit (\$185 amortized over ten years), by \$822 to reflect various miscellaneous expenses per audit, by \$577 to reflect postage expense per audit, and by \$186 to reflect a corporate filing fee. The total adjustment for miscellaneous expense is \$1,904. The total adjustment for operation and maintenance expense is \$4,134.

B. Depreciation Expense - Test year depreciation expense has been calculated using rates prescribed by Rule 25-30.140, Florida Administrative Code. We have adjusted the utility's test year depreciation expense by \$3,574 to reflect staff's calculated test year depreciation expense. Therefore, the appropriate depreciation expense is \$5,307.

C. Amortization of CIAC - This expense has been adjusted by (\$2,252) to adjust the utility's total to the calculated test year total.

D. Taxes Other than Income Taxes - The utility recorded taxes other than income of \$4,539. This expense has been adjusted by \$103 to reflect the appropriate payroll taxes per audit and by \$114 to reflect test year regulatory assessment fees at 4.5 percent applicable to test year revenues. The total adjustment for this expense is \$217.

E. Operating Revenues - Revenue has been adjusted by \$8,587 to reflect the increase in revenue required to cover expenses and allow our approved rate of return on investment.

F. Taxes Other than Income Taxes - This expense has been increased by an additional \$387 to reflect the regulatory assessment fee of 4.5 percent on the increase in revenue.

Operating Expenses Summary

Based on the foregoing, the appropriate amount of operating expenses is \$51,454.

Test Year Operating Loss

The appropriate test year operating revenue for Holiday is \$46,941, while the corresponding test year operating expenses equal \$51,067. Therefore, the test year operating loss is \$4,126.

Test year operating expenses and loss are shown on Schedule No. 3. Adjustments are shown on Schedule No. 3-A, and the Analysis of Water Operation and Maintenance expenses is shown on Schedule No. 3-B.

REVENUE REQUIREMENT

Based on our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$55,528. Accordingly, we find it appropriate to approve an annual increase in revenue of \$8,587 (18.29 percent). These revenue requirements will allow the utility the opportunity to recover its operating expenses and allow it the opportunity to earn a 10.44 percent return on its investment.

RATES AND RATE STRUCTURE

We have calculated new water rates for the utility that are designed to achieve the revenue requirement approved herein. We

find these new rates to be fair, just, and reasonable. The utility's existing rates and the rates we hereby approve are set forth below. The utility currently employs the base facility charge rate structure. The base facility charge rate structure is an appropriate rate structure for this utility for conservation purposes. The utility's customer usage is very low, and no additional rate structure conservation measures are necessary. We find that the existing rate structure should be retained.

Based on the test year billing analysis, the utility provided water service to approximately 444 residential and 4 general service metered customers. The utility's average water usage is approximately 4,000 gallons per month per customer. Rates have been calculated based on test year customers and consumption.

Water

Monthly Rates

Residential, Multi-residential and General Service

<u>Base Facility Charge</u>	<u>Existing</u>	<u>Approved</u>
<u>Meter Size</u>		
5/8 x 3/4"	\$ 4.11	\$ 4.96
3/4"	N/A	7.44
1"	10.29	12.40
1-1/2"	20.59	24.80
2"	32.95	39.68
3"	65.90	79.36
4"	102.96	124.00
6"	205.94	248.00
<u>Gallonage Charge</u>	\$.76	\$.88
Per 1,000 gallons		

Effective Date

The approved monthly metered rates shall be effective for meter readings on or after 30 days from the stamped approval date of the revised tariff sheets. Tariff sheets will not be approved until Staff verifies that the tariff sheets are consistent with this Commission's decision, that the proposed customer notice is adequate, and that no protest has been filed.

Statutory Rate Reduction and Recovery Period

The appropriate recovery period for rate case expenses is four years. The appropriate annual rate reduction at the end of that period is \$236.

Section 367.0816, Florida Statutes entitled "Recovery of Rate Case Expense" states that:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of four years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The rate case expense incurred by the utility for this case totaled \$900. Based on the above-mentioned statute, the appropriate recovery period for this expense is four years which allows the utility to recover approximately \$225 per year through its rates. Once the annual Regulatory Commission Expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to \$236.

At the end of four years the utility's rates should be reduced by \$236 annually. Using the utility's current revenues, expenses, capital structure and customer base, the rate reduction is \$.02 in the base facility charge for a 5/8 X 3/4" meter.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility should 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 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.

The four year rate case expense reductions are shown on Schedule No. 4.

Temporary Rates in the Event of Protest

This Order proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund, provided that the utility first furnish and have approved by Commission Staff, adequate security for a potential refund through a bond, letter of credit in the amount of \$5,868, or an escrow agreement, as well as a proposed customer notice and revised tariff sheets.

If the utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approved the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If the security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No funds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase should be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360 (4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Holiday Gardens Utilities, Inc. for an increase in its water rates in Pasco 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 is hereby approved in every respect. It is further

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

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, subject to refund, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-222.029, Florida Administrative Code, is received by the Director 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 Holiday Gardens Utilities, Inc. is authorized to charge the new rates and charges 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 30 days after the stamped approval date on the revised tariff pages. It is further

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ORDERED that prior to its implementation of the rates and charges approved herein, Holiday Gardens Utilities, Inc. shall submit and have approved a proposed notice to its customers of 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 and charges approved herein, Holiday Gardens Utilities, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Holiday Gardens Utilities, Inc. is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice and the company has submitted adequate security. It is further

ORDERED that, in the event of protest, prior to its implementation of the rates and charges approved herein on a temporary basis, subject to refund, Holiday Gardens Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of \$5,868 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that this docket shall be closed if no timely protest is received from a substantially affected person by the expiration of the protest period.

By ORDER of the Florida Public Service Commission this 5th day of January, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action herein except for the granting of temporary rates, subject to refund, in the event of protest, 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 January 26, 1993. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or 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.

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

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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 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 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.

HOLIDAY GARDENS UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED MARCH 31, 1992

SCHEDULE NO. 1
 DOCKET NO. 920418-WU

	TEST YEAR PER UTILITY	COMMISSION ADJUST TO UTIL. BAL.	BALANCE PER COMMISSION
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 70,561 A	\$ 73,045	\$ 143,606
LAND/NON-DEPRECIABLE ASSETS	3,059 B	(645)	2,414
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	0	0	0
C.W.I.P.	0	0	0
C.I.A.C.	0 C	(85,629)	(85,629)
ACCUMULATED DEPRECIATION	(60,056) D	(12,710)	(72,766)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	0 E	45,988	45,988
WORKING CAPITAL ALLOWANCE	4,972 F	435	5,407
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WATER RATE BASE	\$ 18,536	\$ 20,484	\$ 39,020
	=====	=====	=====

HOLIDAY GARDENS UTILITIES, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reconcile the utility's balance at December 31, 1988 with balances per Order No. 21920.	\$ 70,632
2. To reflect out of test period plant addition	6,000
3. To reflect the averaging adjustment	<u>(3,587)</u>
	<u>73,045</u>
B. <u>LAND</u>	
To reflect land value established by Order No. 21920	<u>\$ (645)</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>	
To reflect CIAC established by Order No. 21920	<u>\$(85,629)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. To reconcile the utility's balance with balance established by Order No. 21920	\$ (1,895)
2. To reflect staff's calculated accumulated depreciation from January 1989 through March 31, 1992	\$(13,468)
3. To reflect average adjustment	<u>\$ 2,653</u> <u>\$(12,710)</u>

HOLIDAY GARDENS UTILITIES, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE

	<u>WATER</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. To reconcile the utility's balance at December 31, 1988 with balance established by Order No. 21920	\$ 39,795
2. To reflect staff's calculated CIAC amortization from January 1989 through March 31, 1992	7,319
3. To reflect average adjustment	<u>(1,126)</u>
	<u>\$ 45,988</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
To reflect one-eighth of operation and maintenance expense	<u>\$ 435</u>

HOLIDAY GARDENS UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED MARCH 31, 1992

SCHEDULE NO.2
 DOCKET NO. 920418-WJ

	BALANCE PER UTILITY	COMMISSION ADJUST TO UTIL. BAL.	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG-TERM DEBT	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	187,300	(148,280)	39,020	100.00%	10.44%	10.44%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 187,300	\$ (148,280)	\$ 39,020	100.00%		10.44%

RANGE OF REASONABLENESS

	LOW	HIGH
	-----	-----
RETURN ON EQUITY	9.44%	11.44%
OVERALL RATE OF RETURN	9.44%	11.44%

HOLIDAY GARDENS UTILITIES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED MARCH 31, 1992

SCHEDULE NO.3
DOCKET NO. 920418-WU

	TEST YEAR PER UTILITY	COMM. ADJUST TO UTIL. BAL.	COMM. ADJUST TEST YEAR	COMM. ADJUST FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 43,838	A \$ 3,103	\$ 46,941	F \$ 8,587	55,528
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	39,122	B 4,134	43,256	0	43,256
DEPRECIATION	1,733	C 3,574	5,307	0	5,307
AMORTIZATION (C.I.A.C.)	0	D (2,252)	(2,252)	0	(2,252)
TAXES OTHER THAN INCOME TAXES	4,539	E 217	4,756	G 387	5,143
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 45,394	\$ 5,673	\$ 51,067	\$ 387	\$ 51,454
OPERATING INCOME/(LOSS)	\$ (1,556)	\$ (2,570)	\$ (4,126)	\$ 8,200	\$ 4,074
WATER RATE BASE	\$ 18,536		\$ 39,020		\$ 39,020
RATE OF RETURN	-8.39%		-10.57%		10.44%

HOLIDAY GARDENS UTILITIES, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES

	<u>WATER</u>
A. <u>OPERATING REVENUES</u>	
1. To reflect test year revenues based on test year rates	\$ 566
2. To reflect test year annualized revenue	<u>2,537</u>
	<u>\$ 3,103</u>
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>	
1. To reflect salary increase for office clerk and manager as requested by the utility.	\$ 203
2. To adjust employee pensions and benefits to test year amount per audit.	198
3. To reflect test year contractual maintenance and repairs expense	1,065
4. To reflect meter reader allowance requested by the utility	54
5. To adjust the utility's DER required water testing expense to the appropriate annual amount of \$1,186	194
6. To adjust insurance expense to total per audit.	291
7. To reflect rate case filing fee amortized over four years (\$900/4)	225
8. To reflect priming and painting expense of hydrotank amortized over three years. (900/3)	300
9. To adjust postage expense to total per audit	822
10. To reflect various miscellaneous expenses per audit	577
11. To reflect public use permit expense per audit	19
12. To reflect corporate filing fee per audit	<u>186</u>
	<u>\$ 4,134</u>

HOLIDAY GARDENS UTILITIES, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES

C.	<u>DEPRECIATION EXPENSE</u> To adjust the utility's test year depreciation expense to staff's calculated depreciation	<u>\$ 3,574</u>
D.	<u>AMORTIZATION OF CIAC</u> To adjust the utility test year amortization of CIAC expense to staff's calculated expense	<u>\$(2,252)</u>
E.	<u>TAXES OTHER THAN INCOME</u>	
1.	To reflect test year payroll taxes per audit	\$ 103
2.	To reflect regulatory assessment fee at 4.5% on staff's adjusted test year revenue	<u>114</u>
		<u>\$ 217</u>
F.	<u>OPERATING REVENUES</u> To reflect increase in revenue required to cover expenses and allow staff's recommended rate of return on investment	<u>\$ 8,587</u>
G.	<u>TAXES OTHER THAN INCOME</u> To reflect regulatory assessment fee at 4.5% on staff's recommended increase in revenue.	<u>\$ 387</u>

HOLIDAY GARDENS UTILITIES, INC.
 ANALYSIS OF WATER O & M EXPENSES
 TEST YEAR ENDED MARCH 31, 1992

ACCOUNT TITLE	BALANCE PER UTIL.	COMMISSON ADJUST.	COMMISSION BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 6,907	\$ 203	\$ 7,110
SALARIES AND WAGES - OFFICERS	5,333	0	5,333
PENSIONS AND BENEFITS	1,079	198	1,277
PURCHASED WATER	0	0	0
PURCHASED POWER	1,986	0	1,986
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	700	0	700
MATERIALS AND SUPPLIES	1,317	0	1,317
CONTRACTUAL SERVICES	14,158	1,313	15,471
RENTS	2,232	0	2,232
TRANSPORTATION EXPENSES	579	0	579
INSURANCE EXPENSE	797	291	1,088
REGULATORY COMMISSION EXPENSES	0	225	225
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	4,034	1,904	5,938
TOTAL	\$ 39,122	\$ 4,134	\$ 43,256

ORDER NO. PSC-93-0013-FOF-WU

DOCKET NO. 920418-WU

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DOCKET NO. 920418-WU

Holiday Gardens Utilities, Inc.
Test Year Ended March 31, 1992.

Schedule No. 4
Rate Reduction After
Recovery Of Rate
Case Expense

Residential and General Service
Monthly Rates

	<u>Commission</u> <u>Approved</u> <u>Rates</u>	<u>Commission</u> <u>Approved</u> <u>Rate</u> <u>Decrease</u>
<u>BASE FACILITY CHARGE</u>		
<u>METER SIZE</u>		
5/8" X 3/4"	\$ 4.96	\$ 0.02
3/4"	\$ 7.44	\$ 0.03
1"	\$ 12.40	\$ 0.05
1-1/2"	\$ 24.80	\$ 0.10
2"	\$ 39.68	\$ 0.16
3"	\$ 79.36	\$ 0.32
4"	\$ 124.00	\$ 0.50
6"	\$ 248.00	\$ 1.00
<u>Gallonage Charge</u> (Per 1,000 gallons)	\$.88	\$ 0.00