

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff- ) DOCKET NO. 920717-SU  
assisted rate case in Highlands ) ORDER NO. PSC-93-0508-FOF-SU  
County by Harder Hall-Howard, ) ISSUED: 4/5/93  
Inc. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
THOMAS M. BEARD  
SUSAN F. CLARK  
JULIA L. JOHNSON  
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

Harder Hall-Howard, Inc. (HHH or utility) is a developer-owned class C wastewater utility that serves the Harder Hall development in Highlands County. There are 45 residential customers, two 14-unit time-share condominiums, and five general service customers being served by the utility.

In September 1982, the Highlands County Commission transferred jurisdiction of its water and wastewater utilities to this Commission. In April 1983, Harder Hall, Inc., applied to this Commission for a certificate to operate its existing wastewater system pursuant to Section 367.171, Florida Statutes. By Order No. 12878, issued January 13, 1984, the Commission granted the utility Certificate No. 349-S to provide wastewater service.

DOCUMENT NUMBER-DATE

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FILE NUMBER/REPORTING

In February 1988, the Commission received a joint petition from HHR Associates (HHR) and Security Savings and Loan Association (Security) for the transfer of the assets of Harder Hall Corporation (Harder) and Certificate No. 349-S to Security. This transfer was the result of a foreclosure by Security against HHR for the assets of Harder. The transfer was found to be in the public interest; therefore, by Order No. 19855, issued August 22, 1988, this Commission transferred Certificate No. 349-S and the assets of Harder to Security.

Approximately one year later, Security, which was undergoing dissolution, was placed in a conservatorship by the Federal Savings and Loan Insurance Corporation. The conservatorship was subsequently transferred to the Resolution Trust Corporation (RTC). In August 1989, Harder Hall-Howard, Inc. (HHH) agreed to purchase the utility from RTC. The sale occurred on January 15, 1991, prior to Commission approval.

In February 1991, an application was filed with this Commission seeking approval of the transfer of Certificate No. 349-S from Security to HHH. The transfer was found to be in the public interest. By Order No. 24713, issued June 25, 1991, this Commission transferred the certificate to HHH.

In January 1992, Highlands Utilities Corporation (Highlands) filed a Complaint and Petition against HHH for infringing on its certificated service area by offering wastewater service to a customer in Highlands' service area. HHH subsequently responded to Highlands' complaint by giving notice that it would seek an amendment to its Certificate No. 349-S to include territory presently certificated by this Commission to Highlands. The territory at issue was a 5-acre parcel of land on which an outlet mall development known as Inn On The Lakes (the Inn) had been constructed. The parcel was partially in Highlands' certificated territory and partially in HHH's certificated territory.

The developer of the Inn entered into a service agreement with HHH to provide service to the development. HHH then applied to this Commission to amend its certificate to include the entire development and Highlands objected. In June 1992, a Settlement agreement was reached between HHH and Highlands, whereby HHH gave Highlands \$12,000, and in return, Highlands withdrew its objection to HHH providing service to the Inn. By Order No. PSC-92-1185-AS-SU, issued October 19, 1992, this Commission approved the settlement as a reasonable solution to the controversy.

The utility's application for staff assistance was docketed on July 10, 1992. Staff selected the test year ended June 30, 1992. During that period, the utility booked wastewater system operating revenues of \$11,364 and operating expenses of \$37,152, resulting in a net operating loss of \$25,788.

Water in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District. The district has designated the region as a "water use caution area." The Commission has a memorandum of understanding with the Florida Water Management Districts. The Commission has recognized that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy. This will be discussed in greater detail in a subsequent section of this Order.

#### QUALITY OF SERVICE

The customer meeting was held on December 12, 1992, at the Harder Hall-Howard Clubhouse, located in the utility's service area in Sebring, Florida. Four customers spoke at the meeting, none of whom had complaints concerning the quality of service provided by the utility.

In addition to the customers' apparent satisfaction with the quality of service, it has been determined that the utility is in compliance with the Department of Environmental Regulation (DER) and the local health department.

Based on the facts stated above and the information from DER, we find the quality of service provided by HHH 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 standard used and useful formulas were applied to the specific parameters of the wastewater plants. A discussion of the

used and useful components of the utility's wastewater system follows.

Wastewater Treatment Plant - The wastewater treatment facility has a maximum capacity of 60,000 gallons per day. The average daily flow of the peak flow month during the test year was 24,000 gallons per day. With no adjustments for excessive infiltration, and 8,558 gallons per day allowed for margin reserve considerations, the wastewater treatment plant is 54.3% used and useful.

Wastewater Collection System - The wastewater collection system currently has a connection capacity of 240 equivalent residential connections (ERCs). With a test year average of 122 ERCs and 43.5 ERCs added for margin reserve consideration, the wastewater collection system is 62.5% used and useful.

Amortizable Assets

The utility had recorded nothing in this account at the end of the test period. However, as previously discussed, the utility was involved in a docketed dispute before this Commission regarding amendment of its certificated territory. We increased the account balance by \$18,343 to reflect the expenses incurred by the utility during the certificate amendment process. All of these expenses occurred during the test period. The averaging adjustment of \$9,171 reduces the approved balance to \$9,171.

Depreciable Plant in Service

The utility's books reflected a balance of \$0 at the end of the test period. The original cost of utility plant at the beginning of the test year was \$552,176. The 1984 NARUC Uniform System of Accounts requires that all utility plant be recorded on the books at its original cost. Therefore, an adjustment of \$552,176 is necessary to reflect the plant value at its original cost at the beginning of the test period.

There were \$4,372 in test year additions that were reclassified from operation and maintenance expenses. There also was a \$30,000 test year addition associated with a portion of the collection system that was installed by a customer of the utility. That portion of the collection system was subsequently purchased by the utility. The averaging adjustment of \$17,186 reduces the average test year balance to \$569,362.

Land

During our audit of the utility's books and records, the utility's books reflected a balance of \$0 at the end of the test period. However, since the land on which the assets are located is in the name of the utility, it is necessary to establish the appropriate value of the land to include in rate base. Based on previous property tax bills and on the land's assessed value at the time it was placed in service, the appropriate amount to include in rate base is \$5,000.

Acquisition Adjustments

As discussed earlier, in August 1988, this Commission transferred Certificate No. 349-S from Harder to Security, as a result of a foreclosure by Security against HHR Associates for the assets of Harder. During that proceeding, Security could not locate the documents that were necessary to calculate rate base. This Commission found it inappropriate to require Security to bear the expense of an original cost appraisal. Therefore, the utility's rate base, representing the previous owners' net investment, was set at zero.

Security subsequently was placed in a conservatorship by the Federal Savings and Loan Insurance Corporation. The conservatorship subsequently was transferred to the RTC. In January 1991, HHH purchased the utility from RTC. By Order No. 24713, this Commission transferred Certificate No. 349-S to HHH. As discussed in that Order, HHH did not provide any information to determine rate base in that docket. Therefore, due to insufficient supporting documentation, rate base was not set in that proceeding.

During the audit in the instant proceeding, the utility provided sufficient documentation to calculate the original cost of the treatment plant. However, it was necessary for our Staff to perform an original cost study of the utility's collection and disposal system. Based on the information provided by the utility and our Staff's original cost study, the gross book value of plant in service at the date of acquisition (January 1991) was \$557,176, and the corresponding net book value was \$95,413. The purchase price was \$103,608. This results in a positive acquisition adjustment of \$8,195. The utility has not requested that this adjustment be included in rate base.

When this Commission considers whether to approve or deny an acquisition adjustment, it does so on an individual case-by-case basis. However, it is this Commission's policy that, absent extraordinary circumstances, neither positive nor negative acquisition adjustments are recognized in the calculation of rate base. Specifically, when considering a positive acquisition adjustment, this Commission has stated that the customers should derive certain benefits from the acquisition, such as: increased quality of service; lowered operating costs; increased ability to attract capital for improvements; a lower overall cost of capital; and more professional and experienced managerial, financial, technical, and operational resources.

As will be discussed in further detail later in this Order, the utility does have a low overall cost of capital. However, we do not believe the remainder of the aforementioned benefits have been provided to the ratepayers in this instance. Although the transfer of the certificate to HHH was found to be in the public interest, we do not believe that the premium paid for the system should be recovered from the customers. Therefore, we find that the positive acquisition adjustment shall not be recognized or included in rate base for rate setting purposes.

#### Plant Held for Future Use

As discussed earlier, the wastewater treatment plant is 54.3% used and useful, and the wastewater collection system is 62.5% used and useful. To determine the average amount of plant held for future use (PHFU), the non-used and useful percentages of 45.7% and 37.5%, respectively, are applied to the corresponding average balances of plant-in-service, accumulated depreciation, contributions-in-aid-of-construction (CIAC), and accumulated amortization of CIAC. The effect of these adjustments results in an average PHFU balance of \$40,347.

#### Contributions-in-Aid-of-Construction (CIAC)

The utility had recorded no CIAC on its books at the end of the test period. When determining the amount of CIAC that should be reflected on the utility's books, it is appropriate to refer to Rule 25-30.570, Florida Administrative Code. This rule provides:

- (1) If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of



CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

Due to the lack of documentation, we were unable to determine the actual amount of non-cash CIAC that had been received before the beginning of the test year. Therefore, we imputed the \$346,247 value of the collection and disposal system as CIAC, in conformity with the above-referenced rule. The utility also has been collecting cash CIAC, but has failed to record any of these contributions. An additional adjustment of \$27,668 was made to bring the balance to the appropriate level at the beginning of the test year.

The utility assessed the Inn a system capacity charge of \$80,080 and collected \$1,950 in other cash CIAC during the test period. The averaging adjustment of \$41,015 reduces the average test year balance to \$414,930. As previously discussed, the treatment plant is 54.3% used and useful, and, as will be discussed later, our approved service availability charge is \$300 per ERC. Based on an allowance of 43.5 ERCs for margin reserve considerations, the margin reserve allowance of \$13,050 increases the balance to \$427,980.

#### Accumulated Amortization

The utility had no accumulated amortization recorded on its books, as the utility had no related assets prior to the test period. As discussed previously, our approved balance of amortizable assets for the test period is \$9,171. The related test year amortization expense is \$355. The averaging adjustment of \$177 reduces our balance in this account to \$177.

#### Accumulated Depreciation

The utility had no accumulated depreciation recorded on its books. Since there is no recorded accumulated depreciation, and this is the utility's first rate case, it is appropriate for us to calculate accumulated depreciation for the period of time that it was not recorded.

To calculate the accumulated depreciation balance at the beginning of the test period, we used a composite depreciation rate of 2.5%, and applied it to the plant balances from the time of initial construction in 1978 through 1983. The depreciation rates were changed in early 1984 to more closely reflect the average service lives of the individual utility plant components. The average service lives are outlined in Rule 25-30.140, Florida Administrative Code. The average service lives were applied to the corresponding plant balances from 1984 through June 1991. The result was an accumulated depreciation balance of \$181,901 at the beginning of the test period.

Test period depreciation expense is \$22,025, calculated in conformity with Rule 25-30.140, Florida Administrative Code. This adjustment increases the balance to \$203,926. An averaging adjustment of \$11,012 was made, which reduced the average accumulated depreciation balance at the end of the test period to \$192,914.

#### Accumulated Amortization of CIAC

As discussed previously, the utility had not recorded CIAC on its books. To determine the appropriate balance of accumulated amortization at the beginning of the test period, we applied the same rates that were used to calculate accumulated depreciation associated with the value of the imputed lines as of the beginning of the test period. The accumulated amortization of CIAC associated with those lines is \$85,047, and the corresponding accumulated amortization associated with the cash contributions is \$4,325. This results in a beginning of the test period balance of \$89,372.

Annual amortization of CIAC for the test period is \$11,702, and the related averaging adjustment is \$5,851. The account balance also is increased by \$368 to reflect the annual amortization of CIAC associated with margin reserve. The resulting average test period balance is \$95,591.

#### Amortization of Acquisition Adjustment

Consistent with the treatment of the acquisition adjustment, we find that the amortization of the acquisition adjustment shall not be recognized in the calculation of rate base for rate setting purposes.



### Working Capital

We find it appropriate to use the formula method in calculating the working capital requirement of 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 \$25,258. Therefore, we have included one-eighth of this amount, \$3,157, in rate base as the utility's working capital allowance.

### Test Year Rate Base

Based on the foregoing, we find the appropriate average test year rate base to be \$20,863.

### CAPITAL STRUCTURE

The only component in the utility's capital structure is intercompany loans. When our approved rate base balance is less than the sum of the balances in the utility's capital structure, it is our Commission policy to reduce each component in the capital structure by its weighted share of the excess capital. The pro rata adjustment is necessary in this instance. A discussion of each component of the utility's capital structure and the related pro rata adjustment follows.

Return on Equity: The utility's capital structure contained no equity components as of the end of the test period. As discussed in the Commission's leverage graph order (Order No. PSC-92-0686-FOF-WS, issued July 21, 1992), to discourage imprudent financial risk, the authorized return on common equity is capped at 12.44% for all water and wastewater utilities with equity ratios of less than 40%. Therefore, the appropriate return on equity is 12.44%.

Cost of Debt: The only component recorded in the utility's capital structure is intercompany loans in the amount of \$103,608 at the end of the test period. There are executed debt instruments associated with these loans, at a stated interest rate of 5.00%. This represents the appropriate cost rate for these loans. The pro rata adjustment results in a \$82,745 reduction to the intercompany loan balance.

Overall Rate of Return: As a result of the pro rata adjustment discussed above, the capital structure was reconciled to the average rate base balance at the end of the test period. Applying

the 12.44% return on equity to the 0% of equity in the capital structure results in a weighted cost of equity of 0%. Applying the 5.00% cost of debt to the 100% of debt in the capital structure results in a weighted cost of debt of 5.00%. Therefore, the resulting overall rate of return is also 5.00%.

Capital structure and the overall rate of return are shown on Schedule No. 2.

#### NET OPERATING INCOME

Our calculation of net operating income is 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 \$11,364 during the test period. Additional revenues were imputed to reflect what would have been collected from the Inn, restaurant, and pro shop had those establishments been billed throughout the test period. This results in test period operating revenues of \$15,552.

#### Test Year Operating Expenses

The components of the utility's operating expenses include operation and maintenance expenses, depreciation expense (net of related amortization of CIAC), amortization expense, taxes other than income taxes, and income taxes. A discussion of each component follows.

Operation and Maintenance Expense (O&M): The utility charged \$29,326 to O&M expenses during the test year. A summary of our adjustments follows.

1) Salaries and Wages - Employees - The utility recorded no salaries during the test period. We find that certain allowances should be made to reflect allocations for a part-time manager, billing clerk, maintenance employee, and a groundskeeper. This results in an allowance of \$4,860.

2) Salaries and Wages - Officers - The utility recorded no salaries during the test period. Based on the size of the utility and the corresponding duties involved, we believe a reasonable allowance for the utility's director is \$501.

3) Sludge Removal - The utility recorded \$0 in this account during the test period. However, the test year charge of \$660 was included on the contract operator's invoice. An adjustment was made to reflect the proper classification. Based on a review of the treatment plant flows, we believe an additional adjustment of \$660 is necessary to reflect the appropriate amount of sludge that should be removed during a 12-month period. Therefore, an allowance of \$1,320 was made.

4) Purchased Power - The utility recorded \$3,432 in this account during the test period. However, the utility's purchased water and purchased power bills are reflected on the same statement each month. We reclassified \$1,053 associated with purchased water expense to miscellaneous expense. An adjustment of \$19 was made to reduce the account balance to the approved amount of \$2,359.

5) Chemicals - The utility recorded \$0 in this account during the test period. However, \$800 of test year expense was included on the contract operator's monthly invoices; therefore, the appropriate adjustment was made to reclassify this expense. In addition, we increased the balance by \$129 for test year expenses not reflected in the audit. Therefore, our approved balance is \$929.

6) Materials and Supplies - The utility recorded \$5,074 in this account during the test period. However, \$3,195 associated with a new pump was reclassified to plant-in-service, and repair expense of \$890 was reclassified to contractual services. We increased the balance by \$58 to reflect test year expenses not reflected in the audit. Therefore, our approved allowance is \$1,048.

7) Contractual Services - The utility charged \$19,619 to this account during the test period. Numerous adjustments were necessary to reflect reclassifications, allowances, removal of unamortized repairs expense, and disallowances.

We reduced the account balance by reclassifying \$6,343 to amortizable assets, \$1,177 to plant-in-service, and \$2,373 to other O&M accounts. The account balance also was reduced by \$1,911 to

reflect the unamortized portion of repairs expenses. The balance was increased by \$2,600 to reflect the annualization of the contract operator's fee based on the new contract, \$100 to reflect the approximate annual charge to be paid to the Sebring Utilities Commission for the provision of water consumption information, and \$1,592 to reclassifications from other O&M accounts. The remainder of the expenses account appears reasonable; therefore, no further adjustments were made. Our approved balance in this account is \$12,107.

8) Rents - The utility recorded no rents expense during the test period. We believe a reasonable allowance for office space overhead is \$600 per year.

9) Transportation Expense - The utility rents a golf cart at a monthly rate of \$25 (\$300 per year). The utility uses this cart to inspect manholes and other facilities located on the golf course. We believe this charge is reasonable. There are no other expenses associated with this account.

10) Insurance Expense - The utility recorded no insurance expense during the test period. However, the utility's insurance is incorporated into the policy of a related company. We believe a reasonable allocation to the utility is \$250 per year.

11) Regulatory Commission Expense - The utility recorded no expense during the test period. The filing fee for the instant rate case is \$150. In addition, we increased the account balance by \$913 to reflect legal fees associated with the preparation of the staff-assisted rate case application. These expenses will be amortized over four years. The resulting annual expense is \$266.

12) Miscellaneous Expense - The utility recorded \$1,111 in this account during the test period. This balance was increased by \$1,053 to reflect the reclassification of purchased water from the purchased power expense account. However, \$743 of the purchased water expense has been disallowed because it relates to non-utility operations. The balance also was reduced by \$702 to reclassify repairs expense to the contractual services account. The resulting annual expense is \$719.

Depreciation Expense (Net of Amortization of CIAC): The utility recorded \$5,937 in this account during the test year. Our approved test period depreciation expense associated with used and useful plant is \$13,038. This expense was calculated in conformity

with Rule 25-30.140, Florida Administrative Code. This amount is offset by the corresponding annual amortization of CIAC of \$8,112. The depreciation expense net of amortization of CIAC is \$4,926.

Amortization Expense: The utility recorded no expense in this account during the test year. Applying the test year composite depreciation rate to the average balance of amortizable assets results in our approved balance of \$355.

Taxes Other Than Income Taxes: The utility recorded \$1,979 on its books during the test period. We removed this entire amount from the account. We made allowances for payroll taxes associated with the approved salaries allowance and property tax expense associated with used and useful plant, and also to reflect the regulatory assessment fees associated with test year revenues. We made a reduction to reflect the discount not taken for early payment of the tax. These adjustments result in an annual allowance of \$1,697.

Income Tax Expense: The utility is a Sub Chapter S corporation; therefore, there is no income tax expense.

#### Increases in Operating Expenses for Ratesetting Purposes

Taxes Other Than Income Taxes: This expense has been increased by an additional \$835 to reflect the regulatory assessment fees of 4.5% to be paid resulting from our approved revenue increases.

Operating Expenses Summary: The application of the approved adjustments to the utility's test year operating expenses results in operating expenses for rate setting purposes of \$33,071.

Test Year Operating Loss: The appropriate test period balances are operating revenues of \$15,552 and operating expenses of \$32,236, resulting in a test year operating loss of \$16,684.

#### 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 \$34,115. Accordingly, we find it appropriate to approve an annual increase in revenue of \$18,563 (119.4 percent). This revenue requirement will allow the utility the opportunity to recover its operating expenses and allow it the opportunity to earn a 5.00 percent return on its investment.

RATES AND RATE STRUCTURE

We have calculated new rates for the utility that are designed to achieve the revenue requirement approved herein. We find these new rates to be fair, just, reasonable, and not unduly discriminatory. The utility's existing rates and the rates we hereby approve are set forth below.

The utility's customers are provided water service by the City of Sebring. Since the utility does not know each customer's monthly water consumption information so that the base facility and gallonage charge rate structure may be implemented, the utility uses a flat rate structure, and bills on a quarterly basis.

However, the preferred rate structure is the base facility and gallonage rate structure because it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the fixed costs of providing service (through the base facility charge) and also pay their share of the variable costs of providing service (through the consumption or gallonage charge).

We have investigated the cost to the utility of obtaining the monthly water consumption data from the City of Sebring (the City). We did not find that obtaining the information from the City is cost prohibitive. Therefore, based on our findings, we believe the utility should convert to the base facility and gallonage charge rate structure, and should bill on a monthly basis.

The base facility and gallonage rate structure is an appropriate rate structure for conservation purposes as well. Based on flow data at the wastewater treatment plant, the average consumption is estimated to be approximately 170 gallons per ERC per day. This figure is not indicative of high consumption; therefore, no additional rate structure conservation measures are necessary.



The utility's current and the approved rates are shown below.

MONTHLY RATES - WASTEWATER  
RESIDENTIAL, MULTI-RESIDENTIAL, AND GENERAL SERVICE

	<u>Current Flat Rates</u> <sup>1</sup>
Residential	\$ 10.00
Multi-Residential (per living unit)	10.00
Inn on the Lakes	309.20
Restaurant	174.80

MONTHLY RATES - WASTEWATER  
RESIDENTIAL, MULTI-RESIDENTIAL, AND GENERAL SERVICE

	<u>Approved Rates</u>
<u>Base Facility Charge:</u>	
Meter Sizes - 5/8" x 3/4"	\$ 17.80
3/4"	26.70
1"	44.50
1 1/2"	88.99
2"	142.39
3"	284.77
4"	444.96
6"	889.92
<u>Gallonage Charge:</u>	
Residential (capped at 10,000 gallons)	\$ 1.95
Multi-Residential	1.95
General Service	2.34

Review of Water Consumption

As discussed earlier in this Order, the utility's customers are provided water service by the City of Sebring; therefore, the utility did not have each customer's monthly water consumption information. Absent this historical consumption information, we based the wastewater gallonage charges on a combination of actual

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<sup>1</sup> Based on \$10.00 per ERC per month. One ERC is based on 250 gallons per day of consumption.

gallons of wastewater treated at the plant and estimated consumption for the various customer classes.

We believe that these estimates and the resulting gallonage charges are reasonable. However, we find it appropriate to review the water consumption information on a quarterly basis for a period of one year. The utility will provide our Staff with this individual water consumption data on a quarterly basis for each customer of the utility. Our Staff will review this information to determine whether it is necessary to adjust the utility's approved wastewater gallonage charges. If, based on our Staff's review, it appears that the wastewater gallonage charges should be revised during the period of review, our Staff will initiate a proceeding to adjust the charges.

#### Use of Effluent

Water use in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District (SWFWMD). The area has been designated a critical use area, thereby requiring water conservation methods to be implemented.

The owner of the utility owns two golf courses adjacent to the utility. The SWFWMD has placed restrictions on the amount of golf course irrigation that may come from either surface or ground water. The restricted irrigation flow does not meet the golf courses' needs; therefore, the utility provides the golf courses with effluent (reclaimed water) irrigation. Although this arrangement is beneficial to the golf courses, the effluent irrigation is not a part of the golf courses' consumptive use permit at this time.

When designing appropriate gallonage charges for effluent reuse, we believe it is important to establish cost-based charges, whereby the rates generated by the charges covers the costs to provide the service. However, a cost-based charge is not applicable in this instance, as the utility has no investment in the irrigation plant items. Further, the utility is not responsible for paying the recurring expenses, e.g., pumping expenses, of irrigating with the effluent, as these expenses are paid by the golf courses.

We believe that the utility, and ultimately its customers, also benefits from the irrigation arrangement, as this is the utility's sole means of effluent disposal. Absent the irrigation,

the utility would need to invest in additional land for percolation ponds. This investment would increase rate base, and therefore, increase the rates.

Therefore, based on the absence of cost-based criteria and the fact that the irrigation arrangement benefits both the utility and the golf courses, we find it appropriate that there be no charge for the effluent.

#### Service Availability Charge

When designing service availability charges, it is appropriate to refer to Rule 25-30.580, Florida Administrative Code, entitled "Guidelines for Designing Service Availability Policy." This rule provides:

- (1) A utility's service availability policy shall be designed in accordance with the following guidelines:
  - (a) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their design capacity; and
- (2) In any case where compliance with the guidelines of subsection (1) introduces unusual hardship or unreasonable difficulty, and the Commission, utility, or interested party shows that it is not in the best interests of the customers of the utility to require compliance, the Commission may exempt the utility from the guidelines.

As discussed previously, we imputed the value of the utility's entire collection system as CIAC, in conformity with Rule 25-30.570, Florida Administrative Code. In addition, the utility, since its inception, has been collecting cash CIAC in the form of a system capacity charge of \$650 per ERC. As a result, the utility's net contribution level is 88%. This exceeds the 75% contribution level discussed in the above-referenced rule; therefore, the utility's current service availability charge must be revised.

Although the utility is at a contribution level of greater than 75%, we do not believe the service availability charge should be discontinued altogether. The wastewater treatment plant is only 54.3% used and useful and there is the potential for growth of the utility's customer base. There are lots in the Harder Hall development that are unsold and there is another hotel located within the utility's service area. Although not in operation currently, due to ongoing litigation and the need for renovation, it is possible that at a future date the hotel may become a customer of the utility.

Discontinuing the service availability charge altogether would place an undue burden on the utility because the utility, rather than a new customer, would be required to pay for the physical connection necessary to provide service to that new customer. We also believe that it would be inappropriate for current customers to have paid for (at least a portion of) the costs of reserving the plant capacity necessary to serve them, while future customers would not pay their share of those costs if the service availability charge is discontinued.

Based on the foregoing, we find the utility exempt from the 75% net contribution level guideline as referenced above. We believe a reduced system capacity charge of \$300 per ERC is appropriate. This charge will ensure that each customer will not only defray the cost of the physical connection necessary to provide service, but also will pay at least a portion of the cost of reserving the plant capacity necessary to serve that customer.

Miscellaneous Service Charges

The utility's current tariff contains the following provisions for miscellaneous service charges:

	<u>Wastewater</u>
Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00

We believe the utility's current charges are appropriate. These charges are designed to more accurately reflect the costs associated with each service and to place the burden of payment on

the person who causes the cost to be incurred, the "cost causer," rather than on the entire ratepaying body as a whole.

System Capacity Charge - Inn on the Lakes

Upon its request for wastewater service, the Inn was assessed a system capacity charge of \$80,080. This charge was computed correctly, based on the Inn's potential estimated demand on the system of 123.2 ERCs and the current system capacity charge of \$650 per ERC. The Inn received a \$30,000 credit from the utility to recognize the value of a portion of the collection system that was installed by the Inn to obtain service. The Inn paid the remaining \$50,080 of the assessed connection charge in cash.

Subsequent to these events, a representative of the Inn wrote a letter to this Commission, asking for an opinion on the appropriateness of the assessed connection charge. We reviewed the estimated flow information used to calculate the potential ERCs of the Inn. Our calculation of the estimated flows was substantially less than the flows used by the utility to calculate potential estimated ERCs. Based on this preliminary analysis, we believed that the number of potential ERCs was overstated, resulting in an overcharge to the Inn. Since the instant rate case proceeding was underway, and a refund, if found to be appropriate, would have a direct effect on the rate base calculation, it was decided that the potential overcharge issue should be decided concurrent with the instant proceeding.

We have concluded our investigation and now find that the Inn was assessed the appropriate system capacity charge. There are several factors that led to this decision. When we initially calculated the level of charges we believed to be appropriate, we were under the impression that the estimates of potential flows had been prepared by the utility's consulting engineer. However, this was not the case. The Inn's consulting engineer prepared the estimated flow data. The utility then relied on this information to compute the charge.

In addition, our review of the Inn's actual water flows confirms that the estimated flows used to calculate the connection charge were not excessive. For one month during its short existence, the Inn actually used more gallons per occupied unit than was estimated by the Inn's consulting engineer. Since the connection charges are based on the maximum anticipated flow during the peak hour of the peak season, we believe the Inn was not

overcharged for its system capacity charge, and therefore, no refund is appropriate.

Effective Date

The approved monthly metered rates shall be effective for meter readings on or after 30 days from the stamped approval date on the revised tariff sheets. The revised service availability charge shall be effective for service rendered or connections made on or after the stamped approval date on 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 proper security for refund has been provided, if applicable, and that the proposed customer notice is adequate.

Statutory Rate Reduction and Recovery Period

Section 367.0816, Florida Statutes, entitled "Recovery of Rate Case Expenses" 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 4 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 regulatory commission expenses to be recovered are the \$150 filing fee for the instant rate case and \$913 of legal fees associated with the preparation of the staff-assisted rate case application. Based on the above-mentioned statute, the appropriate recovery period for this expense is four years, which allows the utility to recover \$266 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 \$279.

At the end of four years, the utility's rates shall be reduced by \$279 annually. Assuming no change in the utility's current revenues, expenses, capital structure, and customer base, the effect of this rate reduction is a \$.14 reduction in the base facility charge for a 5/8" x 3/4" meter. The residential and



general service gallonage charges will be reduced by \$.02 per 1,000 gallons.

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 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 wastewater 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 the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our Staff's approval of tariff sheets, the security for the potential refund, and a copy of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of \$12,648. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

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

- 1) The Commission approves 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 security, it shall 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 security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds 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 result of the rate increase shall 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 security provided, and the amount of revenues that are subject to refund. 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.

This docket may be closed administratively if no protest is timely filed and the revised tariff sheets have been approved.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Harder Hall-Howard, Inc. for an increase in its wastewater rates in Highlands 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 25-22.029, 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 Harder Hall-Howard, 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 metered 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

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

ORDERED that prior to its implementation of the rates and charges approved herein, Harder Hall-Howard, 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 our 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, Harder Hall-Howard, 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, Harder Hall-Howard, 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 Harder Hall-Howard, Inc. has furnished satisfactory security for any potential refund and provided that it has submitted and our Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that in the event of a protest by a party other than the utility, prior to its implementation of the rates and charges approved herein on a temporary basis, subject to refund, Harder Hall-Howard, Inc. shall submit and have approved a bond or letter of credit in the amount of \$12,648 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

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ORDERED that this docket shall be closed administratively if no timely protest is received from a substantially affected person by the expiration of the protest period and if the revised tariff sheets have been approved by our staff.

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

  
\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

LAJ

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, except for the granting of temporary rates, subject to refund, in the event of a 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 April 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.



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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 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.

HARDER HALL-HOWARD, INC.  
 DOCKET NO. 920717-SU  
 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1  
 RATE BASE

Account Title =====	Balance per Utility =====	Commission Adjustments to Utility Balance =====	Balance per Commission =====	Rate-making Adjustments =====	Rate-making Balance =====
Amortizable Assets	\$0	\$9,171 A	\$9,171		\$9,171
Depreciable Plant in Service	0	569,362 B	569,362		569,362
Land/Nondepreciable Assets	0	5,000 C	5,000		5,000
Plant Held for Future Use	0	(40,347) D	(40,347)		(40,347)
Contributions in Aid of Construction	0	(427,980) E	(427,980)		(427,980)
Acquisition Adjustment	0	8,195 F	8,195	(8,195) L	0
Accum Amort of Amortizable Assets	0	(177) G	(177)		(177)
Accumulated Depreciation	0	(192,914) H	(192,914)		(192,914)
Accumulated Amortization of CIAC	0	95,591 I	95,591		95,591
Accumulated Amort of Acquisition Adjust	0	(319) J	(319)	319 M	0
Working Capital Allowance	0	3,157 K	3,157		3,157
RATE BASE	\$0	\$28,739	\$28,739	(\$7,876)	\$20,863

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HARDER HALL-HOWARD, INC.  
DOCKET NO. 920717-SU  
TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 1 OF 4

A. AMORTIZABLE ASSETS:

-----	
1. To record costs incurred during test year associated with amendment of its certificated territory	18,343
2. Test year averaging adjustment	(9,171)
	-----
Subtotal	9,171

B. DEPRECIABLE PLANT IN SERVICE:

-----	
1. To reflect the appropriate balance of unrecorded plant in service at the beginning of the test year	552,176
2. Reclassified from O&M expense (pump)	3,195
3. Reclassified from O&M expense (chlorinator)	245
4. Reclassified from O&M expense (blower)	932
5. Remaining test year additions	30,000
6. Test year averaging adjustment	(17,186)
	-----
Subtotal	569,362

C. LAND/NONDEPRECIABLE ASSETS:

-----	
1. To reflect the appropriate balance of unrecorded land	5,000

D. PLANT HELD FOR FUTURE USE (PHFU):

-----	
1. Average test year balance of PHFU	(222,923)
2. Accumulated depreciation associated with test year PHFU	82,591
3. CIAC associated with test year PHFU	135,468
4. Accumulated amortization of CIAC associated with test year PHFU	(35,483)
	-----
Subtotal	(40,347)

HARDER HALL-HOWARD, INC.  
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SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 2 OF 4

E. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC):  
-----

1. Record imputed contribution of collection system at the beginning of the test year	(346,247)
2. Record unbooked cash contributions at the beginning of the test year	(27,668)
2. Test year additions	(82,030)
4. Test year averaging adjustment	41,015
5. Allowance for margin reserve	(13,050)
	-----
Subtotal	(427,980)

F. ACQUISITION ADJUSTMENT:  
-----

1. To record acquisition adjustment at date of purchase	8,195
--	-------

G. ACCUM AMORT OF AMORTIZABLE ASSETS:  
-----

1. Test year addition	(355)
2. Test year averaging adjustment	177
	-----
Subtotal	(177)

H. ACCUMULATED DEPRECIATION:  
-----

1. Adjustment that results in the appropriate balance at the beginning of the test year	(181,901)
2. Test year depreciation expense	(22,025)
3. Test year averaging adjustment	11,013
	-----
Subtotal	(192,914)

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HARDER HALL-HOWARD, INC.  
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SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 3 OF 4

I. ACCUMULATED AMORTIZATION OF CIAC:  
-----

1. Record unbooked amounts associated with contributed system at the beginning of the test period	85,047
2. Record unbooked amounts associated with cash contributions at the beginning of the test period	4,325
3. Test year additions	11,702
4. Test year averaging adjustment	(5,851)
5. Amortization of margin reserve	368
	-----
Subtotal	95,591

J. ACCUMULATED AMORT OF ACQUISITION ADJ:  
-----

1. To record accumulated amortization of acquisition adjustment at the beginning of the test period	(160)
2. Test year amortization expense	(317)
3. Test year averaging adjustment	159
	-----
Subtotal	(319)

K. WORKING CAPITAL ALLOWANCE:  
-----

1. Working capital allowance based on one-eighth of O&M expenses	3,157
--	-------

L. ACQUISITION ADJUSTMENT:  
-----

1. To disallow positive acquisition adjustment consistent with Commission policy	(8,195)
--	---------

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HARDER HALL-HOWARD, INC.  
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SCHEDULE NO. 1A  
ADJUSTMENTS TO  
RATE BASE  
PAGE 4 OF 4

M. ACCUMULATED AMORT OF ACQUISITION ADJ:  
-----

1. To remove corresponding accumulated  
amortization of disallowed acquisition  
adjustment

319

TOTAL ADJUSTMENTS:

-----  
20,864  
=====



HARDER HALL-HOWARD, INC.  
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 TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 2  
 COST OF CAPITAL

Component	Average Balance Per Utility	Commission Adjustments to Utility Balance	Adjusted Balance	Pro Rata Adjustments	Balance per Commission	Percent of Total	Weighted Cost	Weighted Cost
=====	=====	=====	=====	=====	=====	=====	=====	=====
Equity	\$0	\$0	\$0	\$0	\$0	0.00%	12.44%	0.00%
Intercompany Loans	103,608	0	103,608	(\$82,745)	20,863	100.00%	5.00%	5.00%
TOTAL	\$103,608	\$0	\$103,608	(\$82,745)	\$20,863	100.00%		5.00%
								=====

Zones of Reasonableness:

	Low	High
=====	=====	=====
Equity	11.44%	13.44%
Rate of Return	5.00%	5.00%

HARDER HALL-HOWARD, INC.  
DOCKET NO. 920717-SU  
TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 3  
OPERATING INCOME

	Balance Per Utility =====	Commission Adjustments to Utility Balance =====		Test Year Balance per Commission =====	Commission Adjustments for Increase =====		Balance per Commission =====
Operating Revenues	\$11,364	\$4,188	A	\$15,552	\$18,563	F	\$34,115
Operating Expenses:							
Operation and Maintenance	\$29,236	(\$3,978)	B	\$25,258	\$0		\$25,258
Depreciation	5,937	(1,011)	C	4,926	0		4,926
Amortization	0	355	D	355	0		355
Taxes Other Than Income	1,979	(282)	E	1,697	835	G	2,532
Income Taxes	0	0		0	0		0
Total Operating Expenses	\$37,152	(\$4,916)		\$32,236	\$835		\$33,071
Operating Income (Loss)	(\$25,788)	\$9,104		(\$16,684)	\$17,728		\$1,044
Rate Base	\$0			\$20,863			\$20,863
Rate of Return	N/A			-79.97%			5.00%
	=====			=====			=====

HARDER HALL-HOWARD, INC.  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 1 OF 4

A. OPERATING REVENUES:

-----  
1. Adjustment that results in the Commission's  
approved balance 4,188

B. OPERATION AND MAINTENANCE EXPENSES:

-----  
1. Salaries and Wages Expense - Employees:  
1. Allowance for manager 1,080  
2. Allowance for maintenance personnel 3,420  
3. Allowance for billing clerk 360  
-----  
Subtotal 4,860  
  
2. Salaries and Wages Expense - Officers:  
1. Allowance for director 501  
  
3. Sludge Removal Expense  
1. Reclassified from contractual services expense 660  
2. Adjustment that results in the Commission's  
approved allowance 660  
-----  
Subtotal 1,320  
  
4. Purchased Power Expense:  
1. Reclassified purchased water to miscellaneous  
expense (1,053)  
2. Adjustment that reflect's the Commission's  
approved allowance (19)  
-----  
Subtotal (1,072)  
  
5. Chemicals Expense:  
1. Reclassified from contractual services expense 800  
2. Additional test year expenses not reflected  
in the audit 129  
-----  
Subtotal 929

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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 2 OF 4

6. Materials and Supplies Expense:	
1. Additional test year expenses not reflected in the audit	58
2. Reclassified to Plant in Service (pump)	(3,195)
3. Reclassified electric panel repair expense to contractual services expense	(890)
	-----
Subtotal	(4,027)
7. Contractual Services Expense:	
1. Reclassified to sludge removal expense	(660)
2. Reclassified to chemicals expense	(800)
3. Annualization of contract operator expense based on new contract	2,600
4. Reclassified to Plant in Service (chlorinator)	(245)
5. Remove unamortized portion of pump repair expense	(850)
6. Reclassified electric panel repair expense from materials and supplies expense	890
7. Remove unamortized portion of electric panel repair expense	(593)
8. Reclassified to Plant in Service (blower)	(932)
9. Reclassified driveway repair expense from miscellaneous expense	702
10. Remove unamortized portion of driveway repair expense	(468)
11. Pro forma allowance for water consumption information to be obtained from Sebring Utilities	100
12. Reclassified legal fees associated with certificate amendment to amortizable assets	(6,343)
13. Reclassified legal fees to regulatory commission expense	(913)
	-----
Subtotal	(7,512)
8. Rents Expense:	
1. Allowance for office space overhead	600
9. Transportation Expense:	
1. Rental of golf cart	300
10. Insurance Expense:	
1. Allowance for utility's portion of insurance expense	250

HARDER HALL-HOWARD, INC.  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 3 OF 4

11. Regulatory Commission Expense:

1. Reclassified legal fees from contractual services expense	913
2. Filing fee for the instant proceeding	150
3. Remove unamortized portion of regulatory commission expense	(797)
	-----
Subtotal	266

12. Miscellaneous Expense:

1. Reclassified purchased water from purchased power expense	1,053
2. Remove purchased water expense associated with nonutility operations	(743)
3. Reclassified driveway repair expense to contractual services expense	(702)
	-----
Subtotal	(393)

TOTAL O&M ADJUSTMENTS:

(3,978)  
=====

C. DEPRECIATION EXPENSE (NET OF CIAC AMORTIZATION):

1. Remove test year depreciation expense per utility	(5,937)
2. Used and useful test year depreciation expense as approved by the Commission	13,038
3. Used and useful test year CIAC amortization as approved by the Commission	(8,112)
	-----
Subtotal	(1,011)

D. AMORTIZATION EXPENSE:

1. Test year amortization expense	355
-----------------------------------	-----

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HARDER HALL-HOWARD, INC.  
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SCHEDULE NO. 3A  
ADJUSTMENTS TO  
OPERATING INCOME  
PAGE 4 OF 4

E. TAXES OTHER THAN FEDERAL INCOME TAXES:  
-----

1. Remove test year amount per utility	(1,979)
2. Regulatory assessment fees based on the Commission's approved test year revenues	700
3. Payroll taxes associated with the Commission's approved salaries and wages allowance	410
4. Disallowed expense associated with discount not taken	(42)
5. Used and useful property tax expense	629

Subtotal (282)

F. OPERATING REVENUES:  
-----

1. Commission's approved revenue increase	18,563
---	--------

F. TAXES OTHER THAN INCOME TAXES:  
-----

1. To reflect increase in regulatory assessment fees associated with the Commission's approved revenue increase	835
---	-----

HARDER HALL-HOWARD, INC.  
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TEST YEAR ENDED JUNE 30, 1992

SCHEDULE NO. 38  
DETAIL OF OPERATION AND  
MAINTENANCE EXPENSES

---- Account ---- No. Description === =====	Balance per Utility =====	Commission Adjustments =====		Balance per Commission =====
701 Salaries and Wages - Employees	\$0	\$4,860	1	\$4,860
703 Salaries and Wages - Officers	0	501	2	501
704 Employee Pensions and Benefits	0	0		0
710 Purchased Sewage Treatment	0	0		0
711 Sludge Removal Expense	0	1,320	3	1,320
715 Purchased Power	3,432	(1,072)	4	2,359
716 Fuel for Power Production	0	0		0
718 Chemicals	0	929	5	929
720 Materials and Supplies	5,074	(4,027)	6	1,048
730 Contractual Services	19,619	(7,512)	7	12,107
740 Rents	0	600	8	600
750 Transportation Expenses	0	300	9	300
755 Insurance Expense	0	250	10	250
765 Regulatory Commission Expense	0	266	11	266
770 Bad Debt Expense	0	0		0
775 Miscellaneous Expenses	1,111	(393)	12	719
TOTAL OPERATION AND MAINTENANCE EXPENSES	\$29,236	(\$3,978)		\$25,258
	=====	=====		=====



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HARDER HALL-HOWARD, INC.  
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SCHEDULE 4  
 RATE REDUCTION AFTER  
 RECOVERY OF RATE CASE EXPENSE

MONTHLY RATES - WASTEWATER

	COMMISSION APPROVED RATES -----	RATE DECREASE -----
RESIDENTIAL AND GENERAL SERVICE -----		
Base Facility Charge: -----		
Meter Sizes:     5/8" x 3/4"	\$     17.80	\$     0.14
3/4"	26.70	0.21
1"	44.50	0.36
1 1/2"	88.99	0.70
2"	142.39	1.13
3"	284.77	2.25
4"	444.96	3.52
6"	889.92	7.05
Gallonge Charge per 1,000 Gallons: -----		
Residential (capped at 10,000 gallons)	\$     1.95	\$     0.02
General Service	2.34	0.02