

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate) DOCKET NO. 920733-WS
increase for Silver Springs)
Shores Division in Marion County)
by General Development)
Utilities, Inc.)
_____)
In Re: Application for a rate) DOCKET NO. 920734-WS
increase for Port LaBelle) ORDER NO. PSC-93-1113-FOF-WS
Division in Glades and Hendry) ISSUED: 07/30/93
Counties by General Development)
Utilities, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
LUIS J. LAUREDO

APPEARANCES: RICHARD MELSON, Esquire, and CHERYL G. STUART, Esquire, Hopping, Boyd, Green & Sams, Post Office Box 6526, Tallahassee, Florida 32314
On behalf of General Development Utilities, Inc.

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On behalf of the Citizens of the State of Florida.

MR. RAY RUSH, 521 Spring Lake Road, Ocala, Florida 34472
On his own behalf.

MR. THOMAS HOFFMAN, Post Office Box 7004, Ocala, Florida 34472-7004
On his own behalf.

W. HAROLD REECER, 4565 Springview Circle, Port LaBelle, Florida 33935
On his own behalf.

CHARLES A. FULP, 4532 Springview Circle, LaBelle, Florida 33935
On his own behalf.

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PAM KARBOWSKI, Post Office Box 2321, LaBelle,
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On her own behalf.

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On behalf of the Port LaBelle Unit Four Property
Homeowners Association, Inc., Laurel Oaks Village
Unit Five Property Owners Association, Inc., Port
LaPelle Villas Property Homeowners Association,
Inc., Country Village Property Owners Association
and Villas At River Run I Condominium Association.

LILA A. JABER, Esquire, and CATHERINE BEDELL,
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On behalf of the Commission Staff.

FINAL ORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

BACKGROUND

Prior to 1992, General Development Utilities, Inc. (GDU or utility) was a wholly owned subsidiary of General Development Corporation (GDC). In early 1992, GDC reorganized and was renamed Atlantic Gulf Communities Corporation (AGCC). GDU is now a wholly owned subsidiary of AGCC. On September 29, 1992, GDU filed applications for general water and wastewater rate increases for two of its divisions, Silver Springs Shores (SSS) and Port LaBelle (PLB). The applications, as filed, did not meet the minimum filing requirements (MFRs). On October 19, 1992, the utility completed the MFRs for both applications and that date was established as the official filing date for each division.

By Order No. PSC-92-1207-PCO-WS, issued October 12, 1992, the above-referenced dockets were consolidated for purposes of hearing. By Orders Nos. PSC-92-1165-PCO-WS and PSC-92-1168-PCO-WS, issued October 12, 1992, the Commission acknowledged the Office of Public Counsel's (OPC) intervention. By Order No. PSC-93-0010-FOF-WS, issued January 4, 1993, this Commission suspended the utility's proposed rates and granted interim water and wastewater rate increases, subject to refund. By Order No. PSC-93-0257-PCO-WS, issued February 18, 1993, the Commission granted Messers. Rush and Hoffman's Petition to Intervene. By Order No. PSC-93-0262-PCO-WS, issued February 18, 1993, the Commission granted the Port LaBelle Homeowners Association's (POA) intervention.

On March 15, 1993, a prehearing conference was held in Tallahassee, Florida. On March 24, 1993, a Petition to Intervene was filed by Messers. Fulp, Reecer, and Ms. Karbowski. At the March 31, 1993, hearing, their Petition to Intervene was granted. The administrative hearing for these dockets was held during March 31, 1993, through April 2, 1993 in Silver Springs Shores, Florida. By Order No. PSC-93-0574-PCO-WS, issued April 14, 1993, the portion of the case involving capital structure was postponed until June 10, 1993, and held in Tallahassee, Florida.

On April 26, 1993, the utility, OPC, Ms. Karbowski and Mr. Reecer filed briefs on the first portion of the hearing. On June 18, 1993, the utility and OPC filed briefs on the capital structure

issues. The briefs filed by Ms. Karbowski and Mr. Reecer were not in compliance with Rule 25-22.056, Florida Administrative Code, in that issues and positions were not clearly identified. Nevertheless, to the extent the concerns of Mr. Reecer and Ms. Karbowski could be addressed into this Order, we have done so herein.

The test year for the interim increase is based on the historical twelve-month period that ended December 31, 1991. A projected test year ended December 31, 1992, was used for determining the final rates. For Silver Springs Shores, the utility requested final rates designed to generate \$881,921 for water and \$1,623,032 for wastewater. For Port LaBelle, the utility requested final rates designed to generate \$453,047 for water and \$314,560 for wastewater.

Silver Spring Shores

According to the MFRs, the Silver Springs Shores water system had actual operating revenues of \$478,941 and a net operating income of \$15,547 for the twelve months that ended December 31, 1991. The wastewater system had actual operating revenues of \$889,061 and a net operating income of \$118,734 for the same period. Rate base was last established by Order No. 11873, issued April 21, 1983. Silver Springs Shores has had one prior rate case, Docket No. 870239-WS, which ended prior to the final hearing because the parties signed a stipulated agreement. The agreement, approved by Order No. 18869, issued February 16, 1988, did not establish rate base for the utility.

Port LaBelle

According to the MFRs, the Port LaBelle water system had actual operating revenues of \$230,813 and a net loss of \$14,611 for the twelve months that ended December 31, 1991. The wastewater system had actual operating revenues of \$165,764 and a net loss of \$65,029 for the same period. The Commission granted water and wastewater certificates to Port LaBelle in February 1990. This Commission has not previously considered Port LaBelle's rates within a full rate case. The last general rate increase was approved prior to the Commission's receiving jurisdiction from Glades and Hendry counties.

FINDINGS OF FACT, LAW, AND POLICY

Having heard the evidence presented at the hearing in this proceeding and having reviewed the recommendation of the Commission Staff (Staff), as well as the briefs of the parties, we now enter our findings and conclusions.

STIPULATIONS

Prior to the hearing, the utility, OPC, the customer intervenors and Staff agreed upon a number of stipulations. At the hearing, we accepted the following stipulations:

Category A

Those stipulations where OPC, the utility, Ray Rush, Thomas T. Hoffman and Staff agreed are set forth below:

1. As stated in Audit Disclosure 3 for Silver Springs Shores, water land should be increased by \$2,331. As shown in Audit Disclosure 2 for Port LaBelle, land should be reduced by \$1,665 for water and \$15,908 for wastewater, respectively.
2. For Silver Springs Shores, wastewater land should be reduced by \$22,913 to reflect a sale of a portion of the Perry Property.
3. For Silver Springs Shores, adjustments are necessary to reflect unrecorded contributions-in-aid-of-construction (CIAC). The rate base amounts are the year-end adjustments as of October 31, 1992, and the expenses reflect annual amounts. The adjustments are as follows:

DESCRIPTION	WATER	WASTEWATER
PLANT	\$ 54,455	\$ 57,186
CIAC	\$(54,455)	\$(57,186)
ACCUMULATED DEPRECIATION	\$ 4,175	\$ 4,384
ACCUMULATED AMORTIZATION	\$ (4,175)	\$ (4,384)
DEPRECIATION EXPENSE	\$ 1,252	\$ 1,315
AMORTIZATION EXPENSE	\$ (1,252)	\$ (1,315)

4. For Port LaBelle, projected test year revenues should be reduced by the amount of overcollected miscellaneous service charge revenues.
5. For Silver Springs Shores, actual 1992 numbers should be used to determine the appropriate test year revenues, purchased power expense, chemical and fuel expense for water and wastewater, and should also be used for purposes of the billing analysis.
6. For Port LaBelle, an adjustment should be made to the following water and wastewater accounts to reclassify plant in service as construction work-in-progress (CWIP):

	<u>WATER</u>	<u>WASTEWATER</u>
Plant	\$(65,571)	(7,100)
Acc. Depreciation	3,812	592
Depreciation Expense	(1,525)	236

7. For Port LaBelle, CIAC should be increased by \$880 for the water system and \$1,648 for the wastewater system.
8. For Silver Springs Shores, adjustments in the amounts of \$103 for wastewater and \$708 for water are necessary to remove taxes on land sold and held for future use. These adjustments are consistent with Staff Audit Exception 2, part II (A) (D) and (E).

Category B

Those stipulations where the utility, Ray Rush, Thomas T. Hoffman and Staff agreed, but OPC and POA did not take a position nor participate in the stipulations are set forth below:

1. The cost of equity should be set using the leverage formula in effect at the Agenda Conference for the final order in this case. The range for the cost of equity should be plus or minus 100 basis points.
2. Private fire protection rates should be developed by dividing the approved base facility charge for the comparable meter size by 1/3.
3. Customer deposits should be increased in accordance with Rule 25-30.311, Florida Administrative Code.
4. The proposed miscellaneous service charges should be approved. The new \$10 premises visit charge which applies when a customer requests a problem be investigated and the problem is within the lines maintained by the customer should be renamed a service problem identification charge and approved.
5. For Silver Springs Shores and Port LaBelle, the residential wastewater cap should be set at 8,000 gallons.
6. The appropriate allowance for funds used during construction (AFUDC) rate should equal the weighted cost of capital and the effective date is January 1, 1993.

QUALITY OF SERVICE

For Port LaBelle customers, a service hearing was held on February 24, 1993, at the City of LaBelle Civic Center. Approximately 250 customers attended 14 customers testified. The customers testified about the rate increase, GDC's escrow accounts and the County's restriction on lot development. The customers generally expressed satisfaction with the utility's quality of service.

The Silver Springs Shores customer service hearing was held on March 31, 1993, at the Silver Spring Shores' Community Center. This service hearing was held in conjunction with the technical hearing. Approximately 200 customers attended and 67 customers

provided testimony. Most of the customers testified about the size of the proposed rate increase, and a few customers provided testimony about the utility's quality of service. These customers testified about GDU's meter reading practices, poor customer relations, the water's odor and taste, and sewer line back ups.

Utility witness Betschart described how GDU reads the meters. He testified that the meter reader inputs the reading into a hand held computer. This unit has the three-month history of the customer's consumption and will compare this consumption with the number that the meter reader has input. If the reading is not within 10 percent of the average three-month consumption, then the computer signals an alarm and the meter must be reread. Mr. Betschart testified that the hand held computer makes it difficult for the meter reader to merely estimate the customer's consumption since the historical information is stored in the computer. He testified that a meter reader will be fired for falsifying meter readings. Mr. Betschart testified that two meter readers are used when a new person is being trained or if bad weather causes the meter reader to fall behind schedule. In light of Mr. Betschart's testimony, it appears that GDU's meter reading procedures are adequate.

With regard to the odor problems, Mr. Betschart testified that GDU was not able to detect any bad odors or taste at the residences. Mr. Betschart also testified that GDU's water and wastewater operations are in compliance with Department of Environmental Regulation (DER) standards for both divisions.

Staff presented four DER witnesses. DER witnesses Ansag, Dentice, Cherukara, and Grob did not find any violations or ongoing consent orders on the utility's water and wastewater systems. According to DER, GDU's water and wastewater operations are in full compliance with all applicable DER standards. Further, the results of water and effluent analyses were submitted to the DER offices in a timely manner.

Based on the evidence in the record, we find that GDU is in compliance with DER's rules and regulations at both Port LaBelle and Silver Springs Shores, and we find that the utility's quality of service is satisfactory.

PROJECTIONS

We have evaluated three sets of operation and maintenance (O&M) expenses for Port LaBelle and Silver Springs Shores. The sets of expenses include the MFR projections, the actual figures reported by GDU, and the Staff auditor's projection from 10 months of audited data. GDU requested that we use the MFR projections for all accounts except for the Silver Springs Shores chemical, fuel, and purchased power expenses, and OPC recommended we use actual expenses with appropriate adjustments.

In its filing, GDU used a 1992 projected test year. Utility witness Fancher testified that using a projected test year better reflected the utility's cost of service. In October 1992, GDU's largest divisions, Port Malabar and West Coast, were sold to municipal governments. The closing for the division sales occurred in December 1992. These sales will have an affect on GDU's expenses since allocations will change and some items may be reduced. The Staff Auditor did not audit the financial information for the last two months of 1992. Instead, an audit of the 10-month data was used to project the remaining two months of 1992. As reflected in Exhibit No. 43, Staff the auditor's projection consisted of dividing the 10-month audited data by ten and then multiplying the product by 12.

GDU has the burden of proving that each expense requested is reasonable and prudent. In instances where the utility did not meet its burden, we have individually examined each account for reasonableness and made the appropriate adjustments. We believe it is appropriate to make an independent analysis of each account to find the amount which is reasonable. We have examined the evidence available and made findings herein about methodology and the appropriateness of specific items. We believe that actual information is better than projections, but we do not have access to fully audited test year information. Therefore, our findings have been made on the best available information for each account.

RATE BASE

Our calculations of the appropriate rate bases for both divisions are depicted on Schedule No. 1-A for water and Schedule No. 1-B for wastewater. Our adjustments are itemized on Schedule No. 1-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules

without further discussion in the body of this Order. The major adjustments are discussed below.

Margin Reserve

In its application, the utility requested that a margin reserve be included in the calculations of used and useful plant. Because Chapter 367, Florida Statutes, requires each utility to provide service within a reasonable period of time, we allow a margin reserve to recognize that a utility needs to expand prudently beyond current demands to enable it to meet reasonably projected short term growth. This practice allows the utility to include a reasonable cost of expansion in its rate base without placing an unreasonable burden on current customers to pay for long term growth.

Mr. Guastella testified that the Commission should use the eighteen month period for evaluating margin reserve for all treatment facilities, water distribution lines, and wastewater collection lines because of the regulatory lag and variations of construction projects. Mr. Guastella suggested that the Commission use a 2.1 percent margin reserve for Port LaBelle water based on 19 equivalent residential connections (ERCs) and a 1.3 percent margin reserve for Port LaBelle wastewater based on 11 ERCs. The utility used the linear regression method in calculating these projections.

Staff witness Crouch testified that a 12 month margin reserve is more appropriate for the water distribution and wastewater collection systems. Utility witness Fancher testified that DER ordinarily takes approximately 30 days to issue a line extension permit. Therefore, based on the testimony in the record, we find that a 12 month period is a sufficient amount of time to cover the regulatory lag and the variations of construction. In consideration of the foregoing, we find it appropriate to allow a 12 month margin reserve for the water distribution and wastewater collection systems, and an 18 month margin reserve for the water and wastewater treatment plants. Therefore, using the linear regression method, the appropriate amounts for margin reserve for Silver Springs Shores are 2.8 percent, 1.7 percent, 2.9 percent, and 1.6 percent for the water plant, water transmission and distribution system, wastewater treatment and disposal facilities and the wastewater collection system, respectively. For Port LaBelle, the appropriate respective amounts are 2.1 percent, 1.6 percent, 1.3 percent, and .8 percent.

Used and Useful - Water Distribution Systems

Port LaBelle

In the MFRs, the utility calculated the used and useful percentage for the water distribution system by calculating the components of the system separately. The utility calculated the water transmission mains to be 50 percent used and useful and the water distribution mains to be 95.14 percent used and useful.

We agree with the utility's used and useful calculation for water transmission mains. However, the used and useful calculation for the water distribution mains included an allowance for fire flow demand and compared ERCs to total lots on lines for the water distribution mains.

Utility witness Guastella testified that the fire flow requirement and varying ERC demands justified the inclusion of fire flow and comparison of ERCs to total lots on lines. In addition, witness Guastella testified that the formula he used in this case has been used in other cases.

Staff witness Crouch testified that the comparison of ERCs to ERCs or lots to lots methods are the more preferred methods of calculating used and useful percentages. Witness Crouch also opined that the fire flow requirement should not be included in the water distribution lines because both the American Water Works Association (AWWA) Manual and the Recommended Standards for Water Works consider fire flow in the water storage facility design.

This Commission has not previously considered fire flow in the water distribution systems or approved the ERCs to lots method to calculate used and useful percentages. We find that taking the ratio of ERCs to lots may unreasonably increase the used and useful percentage in those instances where one lot equals two or more ERCs. Therefore, based on the evidence in the record, we find that the comparison of ERCs to ERCs or lots to lots provides a reasonable calculation of used and useful percentages. Also, we find it reasonable to eliminate the fire flow allowance from the used and useful calculation of the water distribution system because it has been considered in the water storage component.

In support of his comparison of ERCs to lots, witness Guastella testified that in Order No. 17600, issued May 26, 1987, this Commission determined that the comparison of lots with service

connections to total number of lots is not appropriate. However, our review of that Order indicates that the lots to lots comparison was rejected in Order No. 17600 because the utility had a mix of large condominiums and single family residents. In contrast, GDU's Port LaBelle system serves mainly residential customers. Therefore, we find that our decision in Order No. 17600 is not applicable in this instance. As stated above, witness Guastella also relied on his previous method of calculating used and useful percentages in other cases, specifically in Dockets Nos. 911030 and 911067. We note that in those cases this Commission made no final determination of used and useful percentages prior to the rate proceedings being withdrawn. In our calculation of the water distribution system used and useful percentages, we have used the lots to lots method.

Based on the record and the foregoing discussion, we find the appropriate used and useful percentage for the water distribution mains to be 60.13 percent. We calculated this percentage by comparing 835 current connections plus 14 margin reserve connections with the total 1,412 lots on lines capacity. Therefore, we find the appropriate used and useful percentage of the Port LaBelle water distribution system to be 54.07 percent.

Silver Springs Shores

The utility calculated the Silver Springs Shores water lines to be 100 percent used and useful. We agree with the utility that all of the water lines are 100 percent used and useful, except for the water lines in the Crystal Lakes development. For the Crystal Lakes lines, GDU did not require the utility-related developer of Crystal Lakes to pay for the water line construction which cost \$107,245.

Witness Guastella testified that a used and useful calculation of line extensions is appropriate where the cost which should be the developer's responsibility can be segregated from the cost which should be borne by the utility and passed onto the ratepayers. Utility witness Fancher testified that some amount for the cost of the lines should be included in rate base to allow the utility to expand and continue providing service to the community. We find it appropriate to include some, but not all, of the line cost in rate base. Therefore, we have made a used and useful adjustment for the water lines in Crystal Lakes.

The used and useful adjustment was calculated by using the capacity of Phase I of the Crystal Lakes development, which is 96 ERCs. We added 73 ERCs for margin reserve to the 8 customers receiving service and divided that sum, 81, by 96. This calculation resulted in an 84.4 percent used and useful percentage for the Crystal Lakes water lines. We then multiplied Crystal Lakes' water lines cost, \$107,245, by 84.4 percent to arrive at the used and useful cost for the water lines, which is \$90,515. By subtracting the used and useful cost from the total cost, we determined the appropriate non-used and useful adjustment for the water lines adjustment to be \$16,730. We determined the adjusted used and useful balance by reducing the \$1,396,410 cost for all of the water lines at Silver Springs Shores by the \$16,730 non-used and useful adjustment. Finally, we determined the appropriate used and useful percentage by dividing the adjusted balance of \$1,379,680 by the original balance of \$1,396,410. This results in a 98.8 used and useful percentage which we find to be the appropriate used and useful percentage for the Silver Springs Shores water distribution system.

Used and Useful - Water Land, Wells, Plant and Storage Facilities

Port LaBelle

Supply Wells

The utility has two supply wells, one with a 500 gallons per minute (gpm) capacity and the other with a 450 gpm capacity. In its MFRs, the utility requested that the supply wells be considered 100 percent used and useful. In support of this calculation, utility witness Guastella testified that in determining the used and useful percentages for supply wells the largest well is considered out of service because the utility is required to meet the demands of the system with the largest well out of service. Witness Guastella also testified that DER requires a second well. We agree with the utility's 100 percent used and useful calculation for the 500 gpm well. However, as discussed below, we have adjusted the used and useful calculation for the second, 450 gpm well.

In its MFRs, the utility included water sold to the City of LaBelle in its calculation of the average five maximum day demand. We have excluded the water sold to the City of LaBelle in determining maximum day demands because we find it unfair to require the ratepayers to bear the cost of the extra used and

useful percentage associated with the sale of large amounts of water to the City. We find that the appropriate historic five maximum day demands are May 4, 13, 14, 15, and 17, 1992. Based on the demands for those days, we find the appropriate average flow of the five maximum day demands, including an allowance for margin reserve, to be 257,723 gallons per day (gpd).

The second well has an equivalent capacity of 648,000 gpd which is two and a half times the average five maximum day demands of 257,723 gpd with margin reserve. Therefore, with no adjustments, the 450 gpm well is only 40 percent used and useful. Utility witness Guastella testified that the second well should be considered 100 percent used and useful for the following reasons: The utility installed a prudently sized well which happens to produce a larger quantity of water because of the aquifer; the cost of installation for a smaller well would not be very much different from the cost of installing the second well; and the desirability of matching the water treatment plant capacity would not have supported a decision to install a smaller well. Staff witness Crouch testified that it is cheaper to drill a smaller size well than to drill a larger size well and use a smaller pump.

We find that it is unfair to require existing customers to pay for the entire cost of the supply wells where those wells are not 100 percent used and useful. However, to recognize the prudence of the utility's investment in the second well, we have determined the appropriate used and useful percentage for the second well to be 50 percent. Accordingly, the combined used and useful percentage for the Port LaBelle supply wells is 75 percent.

Water Treatment Plant

In the MFRs, the utility requested that the water treatment plant be considered 100 percent used and useful. This calculation was based on a maximum single day demand of 350,000 gpd, and included fire flow and a 10 percent allowance for backwashing.

In its calculation of water treatment plant used and useful, the utility used a projected single maximum day demand of 350,000 gpd. Witness Guastella testified that it is more appropriate to use the single maximum day demand than an average of the five highest days with respect to water plant allocations. He also testified that this Commission has used the maximum day demands when extraordinary events did not occur on the maximum day.

Staff witness Crouch testified that the use of a single peak day makes it more likely that an anomalous occurrence could result in an excessive used and useful level. He also testified that the average of the five peak days in the highest pumping rate month provides a more accurate calculation. In addition, witness Crouch testified that he would exclude water sold to the City of LaBelle from the maximum consumption.

The utility's calculation of maximum day consumption was based on the maximum consumption on May 9, 1991, a day on which the utility sold 146,000 gallons to the City of LaBelle. Our review of the 1992 monthly operating reports shows that the maximum consumption in a single day was 310,000 gallons after excluding water sold to the City of LaBelle. Therefore, we find that the projected maximum day demand of 350,000 gpd does not represent a reasonable projection.

The utility's water plant used and useful calculation included 180,000 gallons for fire flow requirement. Staff witness Crouch testified that fire flow should be considered in the calculation of used and useful for storage facilities. Both witnesses Crouch and Guastella testified that water plant is normally designed to meet maximum day demands. Based on the foregoing, we have removed the fire flow requirement from the used and useful analysis for water treatment plant.

Based on the foregoing, we calculated the used and useful percentage of the water treatment plant using the average five maximum day demands including margin reserve of 257,723 gpd. We reduced the plant capacity from 500,000 gpd to 450,000 gpd (10 percent) to allow for backwashing. However, we also removed the fire flow requirement. Accordingly, we find the appropriate used and useful for the water treatment plant to be 57.27 percent, which is 257,723 gpd divided by 450,000.

Water Storage Facilities

In the MFRs, the utility requested that the water storage facilities be considered 46.39 percent used and useful. Utility witness Guastella testified that the storage facilities are designed to meet the combination of peak hour demands and fire demands. To calculate the peak hour demands, witness Guastella utilized an equalization factor which was 25 percent of the maximum day demand.

Staff witness Crouch agreed storage is required for equalization, fire demands, and maximum demands. Witness Crouch considered the required fire demand and equalization volume in his used and useful analysis. However, rather than using the maximum day demands, he used 25 percent of the average five maximum day demands for equalization storage. This method of calculating used and useful percentages for storage facilities is consistent with the guidelines of the AWWA.

In the calculation of water storage used and useful, the utility adjusted storage capacity by 10 percent for retention. Staff witness Crouch testified that the 10 percent adjustment was appropriate. We agree that a 10 percent adjustment to storage capacity for retention is appropriate. Therefore, we find the appropriate amount of available storage capacity to be 1,350,000 gallons.

We find witness Crouch's method of analysis for water storage used and useful percentages for Port LaBelle to be appropriate. Accordingly, we find the appropriate water storage used and useful percentage to be 18.11 percent.

Land

In its MFRs, the utility requested that the land used for water treatment facilities be considered 100 percent used and useful. We agree. Accordingly, we find the appropriate used and useful percentage for the Port LaBelle water treatment facilities land to be 100 percent.

Silver Springs Shores

For the Silver Springs Shores water system, the utility calculated the used and useful percentages by combining the well and storage capacities. Specifically, the utility calculated plant capacity by adding the capacity of the four wells (4,989,000 gpd) and the two storage tanks (1,200,000 gallons), for a total of 6,189,000 gpd. The largest well's capacity (1,453,000) and the storage tank equalization requirement (714,000) were subtracted from the total to obtain the utility's requested 4,022,000 gpd water treatment plant capacity. The largest well was removed to comply with DER redundancy requirements. Equalization represents the peak customer demands on the system and was calculated by

multiplying 25 percent of the maximum day demand by the margin reserve. The maximum system demands were calculated by adding the maximum day demand and the fire flow requirement. To calculate the 2,854,000 maximum day demand, the utility used the May 16, 1989, historical maximum day (2,385,000) multiplied by the customer growth since 1989 (1.165) plus the margin reserve (1.028). The fire flow requirement of 360,000 gallons represents a fire flow of 3,000 gpm for two hours.

We find that this is a reasonable method for calculating the Silver Springs Shores water treatment plant used and useful percentage, except for the maximum system demand calculation. Staff witness Crouch testified that the average of the five maximum day demands, not the single maximum day, is appropriate for determining the maximum system demand in the used and useful calculation. He further testified that using the average five maximum day demand reduces the effect of any anomalous occurrences on the single maximum day. As discussed in an earlier portion of this Order, we find that averaging the five maximum day demands is the appropriate method for calculating the maximum customer demand on a system.

For this system, maximum usage occurred four years ago and has not been repeated since. We find that this demand is appropriate because the potential for the customers to create the May 1989, demand still exists. Therefore, we have used the average five maximum day demands from May 1989 as the maximum customer demand in the used and useful calculation.

We calculated the used and useful percentage of the water treatment plant for the Silver Springs Shores system using the average five maximum day demand from May 1989 of 2,315,000 gpd. We multiplied that demand by the margin reserve (1.028) and added 360,000 gallons for fire flow which resulted in a maximum system demand of 2,739,800 gpd. Using the average five maximum day demand instead of the maximum day also decreases the equalization requirement from 714,000 gallons to 594,950 gallons. Thus, we have increased the water treatment plant capacity from 4,022,000 gpd to 4,141,000 gpd. We then divided the 2,739,800 gpd demand by the 4,141,000 gpd capacity to arrive at the used and useful percentage. Based on the foregoing, we find the appropriate used and useful percentage for the water treatment plant to be 66.16.

Used and Useful - Wastewater Treatment Plants and Effluent Disposal Facilities

Port LaBelle

Wastewater Treatment Plant

Utility witness Guastella testified that the used and useful percentage of the wastewater treatment plant was calculated by dividing the average day demand of the maximum month in 1992 (multiplied by a .3 percent margin reserve) by the plant capacity to calculate the used and useful percentage. Using this method, the wastewater treatment plant was calculated to be 78 percent used and useful. We find this method of calculating the used and useful percentage to be appropriate; however, we find that the use of August 1992 as the maximum month in the calculation is not supported by the record.

Based on the actual monthly operating reports, the average wastewater flows for August 1992 were 141,000 gpd, not 193,000 gpd as shown in the MFRs. We find that the maximum month was January 1992, with an average flow of 169,000 gpd. Therefore, we have used the January 1992 flow of 169,000 gpd wastewater flow to calculate the used and useful percentage. Based on the foregoing, we find the appropriate used and useful percentage for the wastewater treatment plant to be 68.47 percent.

Effluent Disposal Facilities

The utility made no used and useful calculation for the effluent disposal facilities in its filing. At hearing, witness Guastella testified that the effluent disposal facilities were 66.67 percent used and useful. Witness Guastella also testified that the utility must utilize at least two of its three percolation ponds to maintain the facilities in good condition.

The utility's effluent disposal facilities are comprised of three-acre percolation ponds which have a combined capacity of 733,000 gpd. According to the MFRs, the average flow for the maximum month was 169,000 gpd. Staff witness Crouch testified that the utility could alternate the use of two of the ponds for effluent disposal.

We find that for current demands, the utility would be able to alternate two 1.5-acre ponds for operation and maintenance. Two

1.5-acre ponds have the same capacity as one 3-acre percolation pond. Therefore, based on the foregoing, we have reduced the utility's requested percentage of 66.67 percent by one-half. Accordingly, we find the appropriate used and useful percentage for the effluent disposal facilities to be 33.33 percent.

Silver Springs Shores

In its MFRs, the utility requested that the wastewater treatment plant be considered 73.5 percent used and useful and that the effluent disposal facilities be considered 58.8 percent used and useful. Utility witness Guastella testified that the wastewater treatment plant and effluent disposal system used and useful percentages should be calculated by dividing the maximum system demand by the appropriate capacity. The wastewater treatment plant capacity is 1,200,000 gpd and the effluent disposal system capacity is 1,500,000 gpd. In the MFRs, the utility used the projected average daily flows for February 1992 (857,000 gpd) as the maximum system demand. According to the MFRs, the February 1992 average daily flow projection was based upon the average customer consumption during the past five years.

Utility witness Guastella testified that, after reviewing the actual 1992 consumption, the projected 1992 wastewater usage should not be used as a basis for maximum system demands in the used and useful analysis. He opined that the average daily flow during January 1989 (684,290 gpd) should be used as the maximum month. Witness Guastella calculated the maximum system demand (744,960 gpd) by multiplying 684,290 by the customer growth between 1989 and 1992 and the 1.029 margin reserve factor. He divided the 744,960 gpd system demand by the 1,200,000 gpd wastewater treatment plant capacity and the 1,500,000 gpd effluent disposal system capacity to arrive at a used and useful calculation of 62.08 percent for the wastewater treatment plant and 49.67 percent for the effluent disposal system.

We find that this is a reasonable method for calculating the Silver Springs Shores wastewater treatment plant and effluent disposal system used and useful percentages, except for the method of calculation of the maximum system demand.

The 744,960 gpd maximum system demand includes a growth factor based upon the customer growth from 1989 to 1992. In an earlier portion of this Order, we found that factoring the maximum day for customer growth is not appropriate.

Based on the foregoing, we find it appropriate to use the maximum flow from January 1989. Although this maximum usage occurred four years ago and has not been repeated since, we find that the potential for the customers to create this demand still exists. Therefore we find that January 1989 is the appropriate maximum month for the used and useful calculation.

We have calculated the used and useful percentage using the average daily flow during January 1989 of 684,290 gpd. By multiplying 684,290 by the 1.029 margin reserve factor, we calculated a maximum system demand of 704,134 gpd. We then divided the maximum system demand by the 1,200,000 gpd wastewater treatment plant capacity and the 1,500,000 gpd effluent disposal system capacity. This calculation results in used and useful percentages of 58.68 percent for the wastewater treatment plant and 46.94 percent for the effluent disposal system, which we find to be appropriate.

Reduction To Land For Silver Springs Shores - Perry Property

The Perry Property is 600 acres of land purchased by GDU in 1985 as an alternate site for effluent disposal at a cost of \$1,812,588. GDU purchased this land to satisfy a DER requirement to seek an alternate effluent disposal site to avoid polluting a nearby swamp. Only 290 acres of this land has effluent disposal facilities on it. Thirty-six acres of the Perry land has been purchased by the City of Ocala. The remaining 274 acres is being used for agricultural purposes only and has no effluent disposal facilities on it.

Utility witness Fancher testified that the Perry Property was selected because it was the closest tract to GDU's wastewater treatment plant that had sufficient capacity to meet GDU's needs for the foreseeable future and that it was the most cost effective alternative available at that time. He further testified that given the level of then-current and expected development in the area, as well as the relative scarcity of suitable sites, purchase at that time was necessary to ensure that future service requirements could be met in a cost-effective manner. In addition, witness Fancher testified that the entire 600 acres had to be purchased because the Perrys would not sell a smaller tract.

Utility witness Guastella testified that the prudence of the investment in the Perry land should be recognized because of the long-term benefits to the customers. Witness Guastella further

testified that if sufficient land is not acquired for both short term and long term growth, and is not readily available when needed, the cost to find land, acquire land at appreciated prices and then extend facilities to reach what would likely be a more distant, less desirable location, would ultimately not be in the customers best interests

Staff witness Crouch testified that land held for future use can be allowed in rate base when the utility submits definite plans to use that land within five years for utility purposes. Witness Crouch also testified that regardless of the long-term benefits to the customer, the land should be excluded from rate base if there are no plans to use the land in the foreseeable future.

Utility witness Fancher submitted a drawing which shows the different phases of construction for the unused land at the Perry Property. Neither Mr. Guastella nor Mr. Fancher, however, could state when the land will be utilized, even though GDU has owned this property since 1985. The utility's own margin reserve calculation, which attempts to project the customer growth over the next 18 months, is less than 2 percent.

In some cases, the cost for land required for future use may be recognized. However, Section 367.081(2)(a), Florida Statutes, requires this Commission to consider within a reasonable time in the future, not to exceed, unless extended by the Commission, 24 months from the end of the historical test period used to set final rates, whether the investment of the utility in land acquired or facilities constructed or to be constructed is in the public interest.

Based on the foregoing, we find that the utility has failed to show that it will have any use for the 274 acres of land within the next five years, if then. Further, we find that although the purchase of the Perry Property may be in the customers' long-term best interests, it is unreasonable to require the current wastewater customers to pay for this extra land which will not be needed in the foreseeable future. Accordingly, we have removed the 274 unused acres from rate base and reduced Account 353.4, Land and Land Rights, by \$827,749, based on the per acre acquisition price of \$3,020.98.

Used and Useful - Wastewater Collection Systems

Port LaBelle

Utility witness Guastella testified that the wastewater system force mains and lift stations were considered 100 percent used and useful because they were necessary for the collection and pumping of wastewater to the treatment plant. Witness Guastella calculated the gravity mains to be 100 percent used and useful by comparing the projected 869 ERCs to the total 856 lots on line.

As discussed in an earlier portion of this Order, the ERCs to lots method is not appropriate. However, because this system is very close to build out and serves one hotel and a condominium, we find the wastewater collection system to be 100 percent used and useful.

Silver Springs Shores

In its MFRs, the utility requested that all of the wastewater lines at Silver Springs Shores be considered 100 percent used and useful. Except for the wastewater lines in the new Crystal Lake development, we agree.

As discussed in an earlier portion of this Order, GDU did not require the utility-related Crystal Lakes developer to pay for the construction of the wastewater lines which cost \$243,167.

Witness Guastella testified that used and useful in terms of line extensions is appropriate where you can segregate the cost which should be the developer's responsibility from the cost which should be borne by the utility and passed onto the ratepayers. Utility witness Fancher testified that some amount for the lines should be included in rate base for the utility to expand and continue providing service to the community. We find it appropriate to include some, but not all, of the lines' cost in rate base. Accordingly, we have made a used and useful adjustment for the wastewater lines in Crystal Lakes.

The used and useful adjustment was calculated by using the capacity of Phase I of the Crystal Lakes development, which is 96 ERCs. We added 66 ERCs for margin reserve to the 8 customers receiving service and divided that sum, 74, by 96. This calculation resulted in a 77.1 percent used and useful percentage for the Crystal Lakes wastewater lines. We then multiplied Crystal

Lake wastewater lines cost, \$243,167, by 77.1 percent to arrive at the used and useful cost for the wastewater lines, which is \$187,482. By subtracting the used and useful cost from the total cost, we determined the appropriate non-used and useful adjustment for the water lines to be \$55,685. We determined the adjusted used and useful balance by reducing the \$2,175,516 cost for all of the wastewater lines at Silver Springs Shores by the \$55,685 non-used and useful adjustment. Finally, we determined the appropriate used and useful percentage by dividing the adjusted balance of \$2,119,831 by the original balance of \$2,175,516. This results in a 97.44 used and useful percentage which we find to be the appropriate used and useful percentage for the Silver Springs Shores wastewater distribution system.

Used and Useful - Wastewater Treatment Plant Land

Port LaBelle

Utility witness Guastella testified that the 71 acre wastewater treatment plant site should be 100 percent used and useful because it was a prudent investment held for future expansion of the effluent disposal facilities. Witness Guastella also testified that approximately 35 percent of the 71 acre site is held for future use and that he did not know when the existing facilities would be expanded. Staff witness Crouch testified that only land, facilities, and plant which are used and useful to provide service to existing customers should be included in rate base.

Exhibit No. 55 is a map proffered by Commission staff which excludes two major parcels of land which have no facilities on them and which indicates that 34 acres of the total 71-acre wastewater facilities site are non-used and useful. Utility witness Guastella testified that Exhibit No. 55 did not include numerous acres of land in between the wastewater plant, percolation ponds, and access roads in the non-used and useful land which should be considered used and useful as a buffer zone. Witness Guastella also testified that non-used and useful land in Exhibit No. 55 included 7.35 acres which was acquired for treatment facilities expansion, although he testified that he did not know when the facilities will be expanded.

Based on the foregoing, we find it appropriate to reclassify 34 acres of unused land at the wastewater treatment plant site as

plant held for future use. Accordingly, the land account has been reduced by \$18,224.

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

OPC witness Larkin testified that if a margin reserve is included in the used and useful calculations, then, to achieve proper matching, a CIAC amount equivalent to the number of ERCs represented by the margin reserve would also have to be reflected as a rate base offset. Otherwise, in Mr. Larkin's opinion, the utility would effectively be earning a return on CIAC that will be collected in the future. He also testified that the utility has filed for an increase in the plant capacity fee and line/main extension fee under a separate docket. Thus, if these new fees are approved then they should be used to determine the amount of CIAC to be used to offset rate base related to the margin reserve.

Utility witness Guastella testified that CIAC should not be imputed on any of the margin reserve capacity. He contended that costs associated with margin reserve plant are incurred by the utility on a current basis. Further, as customers connect to the system and the utility receives CIAC from newly connected customers, the need for yet additional plant to serve new growth does not diminish. Mr. Guastella added that the utility must always have plant in service in order to meet the demands of both future and existing customers prior to the time that it receives CIAC related to the margin reserve plant. Further, Mr. Guastella believes that the imputation results in a mismatch which improperly understates the amount of plant the utility must provide to ensure service to its customers.

Utility witness Swain testified that if the CIAC is imputed on the margin reserve, then the Commission should multiply the CIAC charge by the number of ERCs included in the MFRs. She testified that the fee to be used should be the fee in effect during the margin reserve period, not some requested future rate. Ms. Swain testified that, in the case of the Silver Springs Shores water system, the 1992 CIAC projection was based on a customer growth number that never materialized. Because a number of adjustments related to actual consumption and the number of bills have been stipulated, Ms. Swain believes that there should be a review of what is already included in the CIAC projections for 1992. She further testified that only about \$5,000 of CIAC was actually collected and since there is about \$68,000 in the projection

included in the MFRs, this amount should be considered before any imputation is made.

We agree with OPC that the imputation of CIAC against the margin reserve recognizes that future customers will hookup to the system with contributions in hand. This means that the utility will not be earning a return on plant which will be contributed in the future. We disagree with the utility that a mismatch occurs, instead it is proper matching of future plant with those future connections that will be collected. We also agree with the utility that some consideration should be made before an amount of CIAC is imputed for Silver Springs Shores water since the other components projected based on consumption were adjusted in a stipulation. We do not agree with Mr. Larkin that the plant capacity and main extension fees that have been requested in another docket should be used to impute CIAC on the margin reserve for this docket. It is inappropriate to use these fees in the imputation since they are not in the record. Further, these fees have not yet been approved by this Commission.

Since we believe the use of margin reserve is appropriate in the used and useful calculations, it is also appropriate to offset margin reserve to reflect the anticipated collection of CIAC from future ratepayers. As a result, we have imputed CIAC for the Port Labelle water treatment plant, distribution system and the wastewater treatment plant. Since the Port LaBelle wastewater collection system is 100 percent used and useful, it is not necessary to impute CIAC. For Silver Springs Shores, we have imputed CIAC for the wastewater treatment plant and collection system. No CIAC has been imputed for the Silver Springs Shores water plant.

In consideration of the foregoing, we have increased CIAC by \$48,414 for Silver Springs Shores wastewater and by \$13,068 and \$3,851 for Port LaBelle water and wastewater, respectively. Amortization of CIAC has been increased by \$599 for Silver Springs Shores wastewater and by \$179 and \$58 for Port LaBelle water and wastewater, respectively. We have reduced amortization expense by \$1,198 for the Silver Springs Shores water system and by \$356 and \$116 for Port LaBelle water and wastewater, respectively.

Advances from Escrow

Utility witness Fancher testified that GDC collected amounts from lot purchasers and placed these funds in an escrow account.

The escrow fund was established for the purpose of paying the utility's service availability charges when the lot purchasers built on the lots and requested water and wastewater service from GDU. In anticipation of future connections, GDC transfers escrow funds and accumulated interest to GDU after plant construction is begun in certain areas. At that time, the funds and interest are called advances from escrow. These amounts become CIAC when the related plant construction is completed and the plant becomes used and useful. Utility witness Swain testified that the advances from escrow are amortized in a similar fashion to CIAC.

Witness Swain testified that the advances from escrow relate to construction work in progress (CWIP), non-used and useful plant, and deferred income tax debits. Ms. Swain submitted Late-Filed Exhibit No. 26 reconciling advances from escrow with these items listed directly above.

Both the utility's and Staff's non-used and useful plant amounts exceed the amount of remaining advances from escrow after reconciling the advances with the other items. This reconciliation supports witness Swain's testimony that the advances from escrow are prepaid CIAC related to non-used and useful plant. No evidence was presented proving that used and useful plant was constructed using advances from escrow amounts. We find that it is not appropriate to include the advances from escrow in rate base because the amounts are related to non-used and useful plant, accumulated depreciation, and deferred tax debits.

Water and wastewater utilities are required by Rule 25-30.115, Florida Administrative Code, to maintain accounts in accordance with the 1984 NARUC Uniform System of Accounts (USOA). GDU's use of the advances from escrow account is inconsistent with the USOA. USOA does not include an advances from escrow account. We believe that advances from escrow amounts related to CWIP and non-used and useful plant are prepaid CIAC that shall be recorded as a sub-account to the CIAC account. The utility shall also record any advances from escrow amounts related to used and useful plant in service as CIAC.

Working Capital

In its application, the utility calculated its working capital allowance by using the formula approach of one-eighth of the annual O&M expenses.

No testimony was presented to dispute the method of calculating working capital as filed by the utility. Upon consideration, we find it appropriate to apply the formula method in calculating working capital. Based on our determination of test year O&M expenses discussed in a later portion of this Order, we find that, the appropriate amount of working capital for Port LaBelle is \$21,120 and \$17,901 for water and wastewater, respectively. For Silver Springs Shores, the appropriate amount of working capital is \$51,000 and \$63,924 for water and wastewater respectively.

Test Year Rate Base

Based on our decisions and adjustments discussed above, we find the appropriate test year rate base for Silver Springs Shores to be \$1,541,410 for water and \$3,260,021 for wastewater. For Port LaBelle, the appropriate test year rate base is \$1,288,754 for water and \$1,118,098 for wastewater. This represents a reduction of \$237,799 for water and \$1,397,176 for wastewater for Silver Springs Shores and a reduction of \$825,689 for water and \$244,850 for wastewater for Port LaBelle.

COST OF CAPITAL

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

Appropriate Capital Structure

It is GDU's position that a 97 percent equity ratio is reasonable and appropriate for ratemaking purposes because it is the actual equity ratio that GDU maintains and because the events leading to the no debt capital structure were beyond GDU's control. It is also the utility's position that GDU has been unable to recapitalize with debt financing because the systems that remain after the condemnations and acquisitions of the utility's four largest systems do not have the sufficient operating cash flows to attract bank financing.

Further, the utility witnesses testified that, even if the parent had not filed for bankruptcy, the utility's industrial

revenue bonds (IRBs) still would have been retired with the proceeds from the condemnations of the Port St. Lucie and Port Charlotte systems. Utility witness Fancher testified that document provisions relating to the utility's IRBs would have first required the bonds associated with the condemned systems to be repaid. Excess proceeds would have been deposited in a non-interest bearing cash collateral account to be used as security to pay the IRBs when they became due and payable. Witness Fancher testified that the only financially viable alternative at that time would be for GDU to exercise its rights under Section 2.3A(c) of the Indenture Agreement and use the excess proceeds to pay off the remaining IRBs.

Staff witness Lester testified that a 97 percent ratio is excessive in relation to the equity ratios for water utilities outlined in Standard & Poor's financial benchmark and unreasonable compared to the water companies used in the Commission's water and wastewater leverage formula. Witness Lester also believes the loss of a \$33.5 million receivable from its former parent, GDC, harmed the utility's liquidity and credit worthiness, and therefore, GDC's bankruptcy has negatively affected the utility. Mr. Lester testified that, with the proceeds from the condemnations and acquisitions, plus the added liquidity from the \$33.5 million receivable, GDU would have been in a good position financially to negotiate with its lenders for a waiver of the provisions that led to the loss of its debt. GDU, in witness Lester's opinion, would have been in a good position to negotiate the retirement of only the bonds associated with the systems that were condemned or acquired. According to Mr. Lester, GDU still would have the low cost IRBs associated with its remaining systems and, therefore, a lower equity ratio.

Witness Lester also disagrees that the poor or negative cash flows of GDU's remaining systems make a 97 percent equity ratio reasonable. He testified that the utility had notice and could adequately project which systems it might lose and which it would retain. In witness Lester's opinion, GDU had adequate time to file rate cases for the remaining systems and strengthen its operating cash flow position before it became an issue to the banks.

Witness Lester testified that the level of business risk determines a company's appropriate capital structure. Witness Lester maintained that water and wastewater utilities are natural monopolies providing essential services that have no close substitutes. Since water and wastewater utilities have low levels

of business risk, they can support a relatively large amount of debt in their capital structures. Even though GDU has shrunk, it remains a Class A utility and has over \$3 million in revenue.

With regard to the account receivable, Fancher disagreed with Mr. Lester and testified that if, in the summer of 1992, the expected \$48 million of proceeds from the sale of Port Malabar and North Port could not help GDU negotiate for \$5 million of debt, it cannot be expected that \$33.5 million would have helped the utility keep the \$16.8 million of IRBs associated with GDU's remaining systems. Witness Fancher testified that, in 1991, it was reasonable for GDU to file rate cases for North Port and Port Malabar rather than Port LaBelle and Silver Springs Shores because it was unclear when or whether either of those systems would be acquired. Given that fact, it was prudent for GDU to file rate cases for North Port and Port Malabar because a revenue increase for either of the two systems would be larger than for GDU's five remaining systems combined.

Utility witness Elliott testified that because the utilities used as proxies in the water and wastewater leverage formula are publicly traded and larger than GDU, they cannot be compared to GDU. He testified that previous equity adjustments made by the Commission have not been near the magnitude advocated by witness Lester, and the equity ratio proposed by witness Lester is significantly lower than equity ratios that have been approved by the Commission for other Florida water and wastewater utilities. Witness Elliott testified that a 97 percent equity ratio is reasonable because the Commission's leverage formula contemplates the possibility of equity ratios ranging from 40 percent to 100 percent. Finally, witness Elliott believes that GDU actually faces a high level of business risk in light of the exposure to the condemnation or acquisition of operating assets that caused the loss of 90 percent of GDU's revenue stream.

Our analysis of the arguments involving capital structure have been set forth below separately.

Account Receivable

If GDU still had the \$33.5 million receivable, we believe that the receivable would increase the amount of equity on GDU's balance sheet, and therefore, increase the equity ratio. We also agree that if the \$33.5 million receivable was collateralized to support debt financing, then a nonregulated asset would be supporting

regulated operations. Witness Lester's reference to the \$33.5 million receivable, however, indicates that the receivable would have been beneficial in obtaining long-term debt rather than necessary for supporting long-term debt.

Rate Case Filing Program

Although witness Fancher believes the utility made the correct decision in filing rate cases for its two larger systems which were acquired, it does not change the fact that GDU cannot receive bank financing because its remaining systems have insufficient revenues. According to GDU, 1990 would have been the first test year available for Silver Springs Shores and Port Labelle. Even if GDU waited until 1991 to file rate cases, rates could have been in place by June 1992, the date that the Letter of Credit banks did not renew the credit facility and insufficient operating cash flows of the remaining systems became an issue. By 1991, the City of North Port had filed a resolution dated December 17, 1990, finding the acquisition of GDU's system to be in the public interest. On August 1, 1989, the City of Palm Bay noticed its intent to initiate litigation to acquire Port Malabar, and filed a petition in eminent domain in Brevard County on August 11, 1989. Although GDU was not completely certain if the respective Cities would actually acquire these systems in 1991, these actions indicated a strong possibility that GDU would be left with systems that had insufficient operating cash flows.

In 1991, the rates for its five remaining systems were the same as they are today, therefore, GDU must have known that its remaining systems would not have the financial wherewithal to obtain new debt financing.

Leverage Formula

The leverage formula is used to calculate a utility's return on equity and not the appropriate equity ratio. The current leverage formula order, Order No. PSC-92-0686-FOF-WS, issued July 21, 1992, does not address the appropriateness of a utility's equity ratio, except to say that ratios below 40 percent will not be considered to discourage imprudent financial risk.

Business Risk

We agree with the utility that, because GDU is a smaller utility than in the past, GDU's business risk has increased.

Smaller companies' earnings fluctuate more than larger companies'. Witness Lester contended that this concern is mitigated by regulation. We do not agree that the change in the amount of earnings caused by the change in the size of the utility is an indicator of current business risk. GDU does not expect additional condemnations or acquisitions in the future, therefore the current business risk should be much lower than what the utility experienced in the last five years when it was aware of condemnation and acquisition activities of several of its systems. Finally, we agree with Mr. Lester that in addition to earnings variability, non-quantitative factors, such as dependence on large customers, points of disposal, and sources of supply must be considered when measuring the business risk of a water and wastewater utility.

Waiver

The utility points out that witness Lester's response to the hypothetical scenario that there was no bankruptcy hinges on GDU's ability to obtain waivers of collateral provisions. Therefore, to accept witness Lester's testimony that GDU would still have the low cost IRBs, we must be reasonably certain that the utility could have obtained the waivers of the restricting debt provisions. Witness Lester testified that it is reasonable to assume that GDU could have obtained approval of the letter of credit banks, bond trustees, the issuers, and bondholders. He also testified that it is generally widely accepted in the financial world that loans can be restructured. Witness Lester does admit that although the parties who would have to agree to the waivers are the same parties that agreed to the initial IRBs, the waivers would not be certain and absolute. Utility witnesses Elliott and Fancher add that a release of a collateral account is a much more difficult task than the waiver of other types of provisions. Given these facts, we cannot be certain that GDU could have negotiated waivers of the restricting provisions, and therefore, the IRBs associated with the remaining systems should not be imputed into the capital structure.

We do agree with witness Lester's assumption that the utility should be able to recapitalize with new debt financing. The utility witnesses repeatedly testified that GDU's financing problem is that it currently does not have sufficient cash flow on a stand-alone basis to enter into a new, separate debt instrument. The utility has also repeatedly testified that rate relief will allow GDU to make debt service payments and increase cash flow. GDU is currently involved in rate proceedings for the four largest of its

five remaining systems, the Silver Springs Shores, Port Labelle, Sebastian and Vero Beach systems. These four systems represent 96 percent of the total revenues for GDU. The rate relief in the four systems will alleviate financing problems related to insufficient operating cash flow.

Summary

In order to ascertain if a 49 percent equity ratio is reasonable for GDU, it must be determined whether the 49 percent can actually be applied to GDU's financial position on a prospective basis. We have examined the utility's year-end balance sheet in reaching the conclusions below. We believe that the year-end capital structure, unlike the simple average 1992 test year capital structure filed by the utility, represents consolidated GDU after the loss of North Port and Port Malabar. The year-end capital structure is more representative of the utility's financial position at this time.

According to the year-end 1992 balance sheet, GDU had a \$15 million note receivable from the parent company. Witness Elliott testified that intercompany receivables are not highly regarded by lenders. Therefore, this asset will not help provide the liquidity that GDU needs on its balance sheet to convince the banks to lend funds. We find it appropriate to remove the \$15 million non-regulated asset from the \$24.6 million equity balance on the year-end 1992 balance sheet, reducing equity to \$9.6 million for ratemaking purposes.

Based on the testimony, it appears that GDU can reasonably support \$10 million of debt financing. Witness Fancher testified, and we agree, that a utility with approximately \$50 million in assets, that has sufficient liquidity and operating cash flows, can support \$10 million to \$15 million of debt financing. Witness Elliott's interest coverage analysis, Exhibit No. 62, indicates that Silver Springs Shores and Port Labelle alone could support \$4.7 million. GDU's other systems account for an additional 43 percent of GDU's consolidated revenues. Finally, witness Fancher testified that an interest coverage ratio of two times is only a "general rule of thumb". Substituting our approved debt rate in witness Elliott's analysis plus accounting for the additional GDU systems relates to approximately \$10.4 million of debt that the utility could support. We conclude that even though full rate relief may not be granted for all of GDU's systems, a \$10 million loan is reasonable because other factors such as a regulated

utility's risk, collateral, liquidity, and interest coverage must be considered. Debt in an amount of \$10 million and equity in an amount of \$9.6 million results in an equity ratio of 49 percent.

Based on the testimony at the hearing, a 49 percent equity ratio is reasonable for GDU. Utility witnesses Fancher and Elliott testified that a 97 percent equity ratio is not typical or the norm for regulated water and wastewater utilities. Witness Elliott also testified that witness Lester's suggested capital structure is more typical of water and wastewater utilities, and with appropriate rate relief a 50 percent capital structure is achievable by GDU. In consideration of the foregoing, we find that a 49 percent equity ratio is appropriate for GDU.

Cost of Long-Term Debt

In its application, the utility requested a long-term debt rate of 10.98 percent based on a simple average test year for 1992. Staff witness Lester proposed an alternative debt cost rate of 4.49 percent based on the IRBs that were outstanding before GDC's bankruptcy. He used the current index interest rates and an allowance for amortization of issuance costs, letter of credit fees, and remarketing fees in his calculation. In our opinion, the bank credit facility requested by the utility should not be considered because utility witness Elliott testified that the credit facility no longer exists and will not prospectively be representative of GDU's debt structure. Further, he testified that the issuance expense associated with the bank credit facility was not typical for water and wastewater utilities. The parent working capital facility requested by the utility should not be considered because when the utility is able to recapitalize, the parent loan which was granted as a favor by the parent's bank will no longer be necessary.

As stated earlier in this Order, we cannot be certain that GDU actually could have obtained waivers of the collateral provisions of its indenture agreements. Because the waivers are a key element to witness Lester's testimony, we cannot rely upon the 4.49 percent cost of debt recommended by Mr. Lester.

Instead, we find that a 8.7 percent cost of long-term debt is appropriate. The 8.7 percent is based on reasonable assumptions taken from the record. To find a suitable cost and time period for a bank debt instrument that GDU may obtain, we considered the debt which is available to the parent company. According to the

utility's filing, the parent company has been able to receive Mandatory Notes with a 4.75 year maturity at prime plus 1 percent, Cash Flow Notes with a 6.75 year maturity at prime plus 2 percent, and a Southeast Bank Loan with an 8.75 year maturity for prime plus 1 percent. Therefore, in our opinion, a 6.5 year bank loan at prime plus 1.5 percent is reasonable to assume for GDU.

For issuance costs, we have relied on Witness Elliott's testimony that 0 percent to 10 percent is a typical range to consider for a water and wastewater utility. We have used a 5 percent issuance expense as a percentage of the \$10 million loan amount discussed earlier. The annual amortization of issuance costs would be equal to \$500,000 divided by the 6.5 year maturity, or \$76,923 annually. This issuance expense added to interest expense produces an 8.7 percent annual cost of debt.

Accumulated Deferred Income Taxes

In its filing, the utility included a net debit balance of negative \$136,721 for accumulated deferred income taxes. The utility also specifically identified accumulated deferred income taxes in the amount of \$679,346, which are not related to the Silver Springs Shores and Port Labelle systems. Based on its calculations, the utility asserted that the appropriate amount of deferred taxes to include in the capital structure is \$542,625, comprised of \$246,872 for Silver Springs Shores and \$295,753 for Port Labelle.

We believe that the utility's calculation is reasonable and correct. Therefore, we find that the appropriate amount of accumulated deferred income taxes which should be included in the capital structure is \$246,872 for Silver Springs Shores and \$295,753 for Port Labelle.

Investment Tax Credits (ITCs)

In its filing, the utility included ITCs in the amount of \$3,411,842 in the capital structure of each system. The Silver Springs Shores capital structure specifically identified ITCs in the amount of \$3,197,455 which are not related to this system, and the Port Labelle capital structure identified \$2,936,218 which is not related to the Port Labelle system. Based on its calculations, the utility asserted that the appropriate amounts of ITCs to include in the Silver Springs Shores and Port LaBelle capital structures are \$475,624 and \$214,387, respectively.

We believe that the utility's calculation is reasonable and correct. Therefore, we find that the appropriate amount of ITCs which should be included in the capital structure is \$475,624 for Silver Springs Shores and \$214,387 for Port Labelle.

Overall Cost of Capital

Based on the adjustments discussed above, we have calculated the appropriate overall cost of capital by using the proper components, amounts, and cost rates associated with the capital structures for Silver Springs Shores and Port Labelle. We find that the appropriate weighted cost of capital is 8.66 percent for Silver Springs Shores and 8.04 percent for Port LaBelle.

We have made specific adjustments to the investor supplied sources of capital in GDU's capital structure. These adjustments, which were discussed earlier in this Order, produce a capital structure consisting of 49 percent equity and 51 percent debt as a percentage of investor capital. Also discussed earlier, the appropriate cost of a \$10 million loan is 8.7 percent based on the costs and maturity dates of the debt that the parent has been able to secure. The cost rate for equity has been adjusted from the 10.48 percent requested by the utility to 11.83 percent. This return on equity is based on the equity ratio approved earlier in this Order and on Order No. PSC-92-0686-FOF-WS, the current leverage formula order.

NET OPERATING INCOME

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

Salary and Wage Expense

Utility witness Swain testified that salaries and wages were based on 1991 and adjusted for a wage increase of 4.75 percent. The projected wage increase is the average salary increase for 1992, or \$4,090 for Port Labelle and \$9,356 for Silver Springs Shores. Staff witness Piedra testified that Audit Exception No. 5, for Silver Springs Shores, shows an overstatement of \$1,927 and \$31,165 for water and wastewater payroll expense, respectively,

when comparing actual 1992 wages to the forecasted amounts. She testified that for Port LaBelle, Audit Exception No. 3 shows an understatement of \$2,080 for water and \$3,720 for wastewater payroll expense on the same basis.

OPC witness Larkin testified that the utility projected its 1992 salary and wage expense by adjusting its actual 1991 salary and wage expense by the average annual percentage increases of 4.75 percent, effective July 1991 and July 1992. Thus, the utility's adjustments to salary and wage expense for each division are based on 1991 employee levels. Mr. Larkin testified that the utility has experienced a work force reduction. According to Mr. Larkin, this reduction occurred sometime during 1992. He testified that the total booked expenses for 1992 include salary and wage expense for both the higher employee level and the current employee level. Therefore, it would be improper to base going-forward salary and wage expenses on the prior level of employees. He further testified that he did not have the necessary information to make the adjustment based on the current level of employees. Utility witness Swain testified that several adjustments should be made to Mr. Larkin's per book numbers. Silver Springs Shores was allocated only 5 percent of the Miami labor allocation instead of the correct amount of 8 percent. Also, a year-end adjustment to allocate the two managers' salaries is necessary. For Port LaBelle, the manager's salary was not allocated to the division. Ms. Swain testified that the work force reductions were related to the sale of certain other divisions and did not affect the work force of the Port LaBelle and Silver Springs Shores divisions. She also testified that the projections made are reasonable as evidenced by the benchmark test that was applied and that either projected or actual would be appropriate.

Ms. Swain testified that the salary amounts that were given to the staff auditors for the Silver Springs Shores wastewater system contained a mathematical error. She agreed that the approximate difference between the projected and actual amounts was \$21,000 and \$70,000 for water and wastewater, respectively. She testified that the water system actual was higher than the projection and the wastewater system projection was higher than the actual amount. Ms. Swain testified that the differences occurred because the projections were based on the prior year and the actual amounts had some differences between water and wastewater. Ms. Swain prepared a variance report to show the differences between actual and projected.

We agree with Mr. Larkin that it is not appropriate to use the 1991 unadjusted salaries as a basis for the 1992 salary projection. However, we do not agree with the amounts provided by witness Larkin. The record reflects that the Miami labor allocation for Silver Springs Shores should be 8 percent and not the 5 percent testified to by OPC witness Larkin. We also agree that Mr. Larkin's adjustment was inaccurate since he did not allocate the managers' salaries for both Silver Springs Shores and Port LaBelle. We believe that the actual 1992 salary amounts provided by the utility are the most accurate information available.

Salaries should be easily verifiable from year to year, especially given the changes that have occurred with the condemnations of the other systems. However, the utility has not shown why there were such substantial differences between the projected and actual salaries. The utility's argument that salaries should not be updated is not convincing, nor is this supported by the record.

In its application for Silver Springs Shores, the utility included an allocation for Mr. Denmon in its salary projections. Mr. Fancher testified that Mr. Denmon had been the operations manager for Silver Springs Shores and Julington Creek. He testified that Mr. Denmon was no longer employed by GDU, and that Mr. Betshart had taken over his responsibilities. Mr. Betshart testified that he was now the division director for the five remaining GDU systems. We find that it is not appropriate to remove the Silver Springs Shores allocation of Mr. Denmon's salary, since Mr. Betshart has taken over Mr. Denmon's duties.

In consideration of the foregoing, we have increased salary expense for Silver Springs Shores by \$21,061 for water and reduced salary expense by \$70,022 for wastewater. For Port LaBelle, we have reduced salary expense by \$8,270 for water and increased salary increase by \$13,046 for wastewater.

President's Salary

The utility allocated a portion of the president's salary to its Silver Springs Shores and Port LaBelle divisions. Utility witness Fancher testified that he is the vice president in charge of utilities for AGCC and his duties are to manage the utility. He also testified that he is president of the utility and his duties are the same. He testified that the reason he holds two offices is because the utility is a major asset of AGCC, but he does not

receive a paycheck from AGCC. He testified that his responsibilities as far as managing the plant and facilities are less since the loss of some of the systems, but the responsibilities towards litigation are ongoing. He also testified that he has directed that 50 percent of the cost of the Miami GDU operations, including 50 percent of his salary, be allocated below-the-line.

It is OPC's position that a portion of Mr. Fancher's salary should be allocated to AGCC, the ultimate benefactors of the condemnation proceedings. It contends that the GDU customers remaining after the condemnation proceedings get an allocation of Mr. Fancher's salary, but they do not get to share in the proceeds of the condemnations. We do not agree with OPC that part of Mr. Fancher's salary should be eliminated from the test year since the utility has already removed 50 percent of Mr. Fancher's salary. The utility only included 8 percent for Silver Springs Shores and 2 percent for Port LaBelle of the remaining allocation. The evidence does not reflect that the remaining allocation is unreasonable. Therefore, we do not find it appropriate to make an adjustment to the president's salary.

Payroll Taxes

The utility calculated payroll taxes for Silver Springs Shores based on 7.2 percent of total salaries. The payroll taxes for Port LaBelle were calculated based on 7.9 percent of the total salaries. OPC witness Larkin testified that payroll taxes are 7.2 percent of salary and wage expense for both Silver Springs Shores and Port LaBelle. His adjustment to decrease payroll taxes was a direct result of the adjustments made to salary and wage expense.

The percentages used by the utility appear reasonable. We have relied upon those percentages in our payroll tax calculation. Therefore, for Silver Springs Shores, we have increased payroll taxes by \$1,516 for water and reduced payroll taxes by \$5,042 for wastewater. For Port LaBelle, we have reduced payroll taxes by \$653 for water and made an increase of \$1,031 for wastewater.

Workers' Compensation and Group Insurance

The utility projected its workers' compensation insurance and group insurance for 1992 based on 1991 salaries. Staff witness Piedra testified that she computed insurance by division by allocating the estimated premium of the workers' compensation bill

and the actual group insurance reports by the percent of the division and Miami payroll to GDU payroll.

OPC witness Larkin testified that workers' compensation and group insurance would decrease as a direct result of the reduction in the utility's employee level. The utility's December 1992 bill for workers' compensation insurance estimated a total annual premium, on a GDU basis, of \$219,002. This amount is lower than the amount the utility used when preparing the projected 1992 amounts. Mr. Larkin further testified that according to the workpapers of Milian, Swain and Associates, the utility allocates workers' compensation insurance premiums to each division based upon the percentages of O&M wages of each division to the O&M wages of the utility as a whole. He testified that he applied the utility's 1991 workers' compensation insurance premium allocation factors to the estimated annual insurance of \$219,002 in order to estimate the going-forward premium per division. He then calculated the difference between his estimated premium by division and the annual premium by division contained in the utility's schedules. He also testified that he used the utility's 1991 allocation for workers' compensation because the 1992 factors were not available.

We agree with Ms. Piedra and Mr. Larkin that an adjustment should be made to the projected amounts for workers' compensation and group insurance. We believe that the projected amount appears overstated since the actual amount is materially different from the projected amount. We also believe it is more appropriate to use the 1992 allocation factor since it is the most current factor available.

We agree with the utility on the actual 1992 amounts for workers' compensation and group insurance. However, we are not persuaded by the utility's argument that the adjustment from projected to actual expenses should be made only if total O&M expenses are adjusted. We believe that each expense item should be tested for reasonableness on an individual basis and not lumped together as one total. As evidenced by the MFRs, the utility originally projected its O&M expenses by primary account not on a total expense basis. In consideration of the foregoing, we have made the following adjustments to workers' compensation and group insurance:

<u>Workers' Compensation</u>		<u>Group Insurance</u>	
SSS - Water	(\$13,902)	SSS - Water	\$1,706
SSS - Wastewater	(10,163)	SSS - Wastewater	(2,936)
PL - Water	875	PL - Water	(6,251)
PL - Wastewater	(571)	PL - Wastewater	742

Materials and Supplies

Exhibit No. 23, titled "Summary of GDU Annual Report Amounts" reflects GDU's reported materials and supplies expenses from 1987 to 1991. Using this information, the five-year average combined water and wastewater materials and supplies expenses for Silver Springs Shores is \$178,648. This historical average exceeds the MFR projected amount by \$26,757 and is \$73,556 less than the reported actual amount.

We do not believe the Silver Springs Shores reported actual materials and supplies expenses are reliable. The sale of two of GDU's largest divisions during the two unaudited months could have significantly affected the expense accounts. We have used for Silver Springs Shore the MFR projections from the 1991 base year since they appear more reasonable.

For Port LaBelle, the reported actual amount does not vary materially from the MFR projections and results in a net decrease of \$2,168. The MFR projections for Port LaBelle appear more reasonable than the reported actual amounts. Therefore, we find that the MFR projected amounts should be used without any further adjustment.

Miscellaneous Expenses

OPC witness Larkin testified that the utility's 1992 projected amounts for miscellaneous expense appeared to be overstated. The utility based the projected 1992 miscellaneous expense on the actual booked 1991 amounts. A review of the 1992 general ledgers and variance reports of both Port LaBelle and Silver Springs Shores revealed that actual expenditures for 1992 were well below the 1992 projected amounts and 1991 projected amounts. Mr. Larkin testified that he was unable to analyze each of the sub-accounts for 1991 and 1992, which made it difficult to determine why the expenditures recorded were so much larger in 1991 than in 1992. He testified that several factors may account for the reduced expenditure level in 1992, such as possible cost savings programs, reduced employee

levels, and the possibility of non-recurring expenses recorded in 1991.

Utility witness Swain testified that Mr. Larkin selected only those accounts which seemed to be lower than the projected amounts. She suggested that the adjustments made by Mr. Larkin were inherently inconsistent.

We agree with OPC's adjustment. Again, the utility's position that specific adjustments should not be singled out for an adjustment unless all significant items are updated is not supported by the record. Since each expense item should be tested for reasonableness on an individual basis, the actual expenses as proposed by OPC should be used. Based on the evidence in the record, for Silver Springs Shores we have reduced miscellaneous expense by \$2,404 for water and by \$876 for wastewater. For Port LaBelle, we have reduced miscellaneous expense by \$563 for water and increased miscellaneous expense by \$39 for wastewater.

Rate Case Expense

In its filing, the utility requested \$516,925 of rate case expense consisting of \$137,475 in accounting fees, \$178,000 in legal fees, \$66,750 in engineering fees, \$84,700 in income tax and cost of capital fees and \$50,000 in miscellaneous charges. As reflected in utility witness Fancher's supplemental testimony, the utility estimated that its actual rate case costs will be \$632,325.

In previous rate cases, we have analyzed and scrutinized the supporting documents submitted by the utility to determine if the rate case expense requested is a justifiable expense for that rate case. The only supporting information provided by the utility in this case is invoice support through the month of February 1993, which totaled \$303,480 for both Silver Springs Shores and Port LaBelle. Supporting information must be itemized and documented. In this instance, we do not believe that the utility has supported nor justified its request for rate case expense.

The burden of proof in a Commission proceeding where a utility is seeking a rate change is always on the utility. The utility has failed to meet its burden in that it failed to file any supporting documentation to justify its requested rate case expense. Therefore, we find it appropriate to disallow some of the rate case expense. The record does indicate that substantially more work was performed as evidenced by attendance at the formal proceedings.

exhibits filed, and preparation of the briefs. Based on the above, we have made adjustments to the following components:

Cost of Capital and Income Tax - Arthur Anderson

Of the total requested amount of \$193,252 for Arthur Anderson, only \$85,307 has actually been supported by invoices. Although the \$84,700 originally requested in the MFRs was high, we find it is reasonable for total rate case expense. As a result, total rate case expense has been increased by \$607. This adjustment results in a total rate case expense reduction to Port Labelle of \$1,995 and an increase to Silver Springs Shores of \$2,602.

Engineering Charges - Guastella and Associates

The requested \$69,042 for engineering services is \$2,292 larger than the \$66,750 amount reported by the utility in its MFRs. The utility has only supported \$36,142 of its total engineering charges. We believe that \$60,000 is a reasonable amount to allow the utility to recover its remaining engineering expenses. Based on the above, we have reduced total rate case expense by \$6,750 to reflect the engineering fees. This results in a rate case expense adjustment of \$6,750 for Silver Springs Shores and no adjustment to Port Labelle.

Legal Charges - Hopping, Boyd, Green and Sams

In its filing, the utility requested \$178,000 for legal fees. In its update, the utility requested \$148,811 for legal expenses, but has supported only \$27,892. The invoices filed by the utility support legal expenses only through the end of February. It is clear that the utility did incur a substantial amount of legal expenses after this date, since the majority of the depositions and a portion of the hearing took place after February. We do not agree that the total amount of \$148,811 requested by the utility has been justified. However, in reviewing the record, we find that the record does show that a substantial amount of work was performed as evidenced by the attendance at the formal proceedings, exhibits filed and preparation of the briefs. Based on the record and past experience in determining reasonable rate case expense, we find that the appropriate amount of legal rate case expense is \$100,000. As a result, total rate case expense has been reduced by \$78,000, consisting of \$39,000 for each division.

Accounting Fees - Milian, Swain and Associates

In its filing, the utility requested estimated rate case costs of \$137,475 for Milian, Swain, and Associates. At the hearing, the utility requested rate case expense of \$171,217. The utility supported only \$136,031 of the total amount requested. Although the utility did not justify the amount of rate case expense requested at hearing, we do believe that the amount that was originally requested in the MFRs is reasonable. It also closely matches the amount supported by invoices. Based on our review of the invoices, we find that it is appropriate to allow the utility to recover accounting fees of \$137,475. Therefore, no adjustment to accounting fees is necessary.

Miscellaneous - Other

In its filing, the utility requested \$50,000 in miscellaneous expenses. Only \$18,108 of the total amount requested has been supported by invoices, which includes filing fees for both divisions and costs of the noticing requirements for the service hearing, final hearing, and interim rates. An additional \$4,000 would be more than adequate to cover the noticing requirement for the final rates. Based on the above, we have reduced the rate case expense other account by \$27,892. This results in a Silver Springs Shores reduction of \$11,566 and a Port Labelle reduction of \$16,326.

Summary

Based on our findings above, the appropriate amount of rate case expense is \$230,862 for Silver Springs Shores and \$174,028 for Port LaBelle, which is allocated between water and wastewater based on relative number of customers. This results in an annual amortized amount of \$57,716 for Silver Springs Shores and \$43,508 for Port LaBelle.

Final Rate Case Expense Exhibit

The utility shall submit a detailed statement of actual rate case expense incurred within 60 days after the final order is issued, or if applicable, within sixty days after the issuance of an order entered in response to a motion for reconsideration of such final order. The information shall be submitted in the form prescribed for Schedule B-10 of the MFRs.

Loss on Sale of Land in Perry Property

In order to comply with DER requirements, GDU purchased 600 acres of land adjacent to the utility known as the Perry property. The land was purchased in 1985 to provide for effluent disposal and storage. According to Staff witness Crouch, the utility is currently using less than half of the Perry land for the wastewater system. Order No. 18869, issued February 16, 1988, in the utility's last rate case, specifically stated that 310 acres of the Perry land was plant held for future use and was excluded from rate base. That Order also excluded this land from the allowance for funds prudently invested (AFPI) calculation. Witness Crouch testified that 274 acres of Perry land was not included in Order No. 18869. The 36 acre difference is discussed below.

During the test year, the City of Ocala purchased 36 acres of the Perry land from GDU for use as a spray irrigation site. The City of Ocala paid GDU \$86,000, including \$4,770 for a strip of land that serves as a common buffer zone between the City's and GDU's spray irrigation sites. Witness Swain testified that GDU should amortize the \$22,913 loss on the sale over a period of 10.8 years. Witness Swain testified that if the land sold to Ocala is not used and useful and never was considered used and useful, then the loss should not be amortized above the line. Ms. Swain acknowledged that the determination of how the loss is considered is dependent on whether the land sold was used and useful.

It is OPC's position that the land was not used and useful, and the remaining \$22,000 should be removed from the utility's filing. We agree with OPC. The evidence clearly shows that this land was never considered used and useful. Therefore, we find that the loss should be included below-the-line and not recovered from ratepayers. With the removal of land in the amount of \$22,913 as agreed in Stipulation No. 2, Category A, no further adjustment to the utility's filing is necessary.

Non-Used and Useful Property Taxes

Property Taxes

Utility witness Swain testified that GDU's property taxes relate to total plant and not just used and useful plant. Ms. Swain asserted that the utility should be allowed to recover property taxes on non-used and useful plant from ratepayers. She testified that if plant is a prudent investment, then the taxes

should be recovered through rates. Ms. Swain also testified that the utility must pay the property taxes on plant that is prudent regardless of whether it is used and useful. OPC witness Larkin agreed that the utility must pay the taxes regardless of regulatory treatment. However, Mr. Larkin testified that it would be inappropriate to include property taxes on the portion of plant that is non-used and useful. Mr. Larkin further testified that the utility could recover the taxes on non-used and useful plant through an AFPI charge.

We believe that the utility should recover property taxes paid for prudently invested plant. However, the amount should not be recovered from current ratepayers. We agree with OPC that it is more appropriate to recover amounts for property taxes on prudently invested, non-used and useful plant through an AFPI charge.

GDU's property taxes include amounts for both personal and real property according to the staff audit report. The utility did not present any evidence showing the total property taxes divided into real or personal property tax amounts. In the absence of such evidence, we have reduced the total property tax expenses for each system by using the same percentage as that approved for non-used and useful plant and plant held for future use. Using this methodology, we have reduced property taxes for Silver Springs Shores by \$10,011 for water and \$44,620 for wastewater. For Port LaBelle, we have reduced property taxes by \$25,046 for water and \$15,839 for wastewater.

Actual Property Tax Expense

Audit exception No. 2, for both Port LaBelle and Silver Springs Shores, indicates that the utility projected real estate and personal property taxes for 1992 to be 5 percent higher than 1991. Staff witness Piedra stated in the audit report that the utility explained that the projections for property taxes were made before the tax bills for 1992 were received.

Ms. Swain testified that the projections were based on a budget which was calculated by applying the millage rates to plant that will be completed at the end of the year.

In analyzing the utility's explanation for the dramatic change in taxes, we compared the plant additions for each of the systems. Based on our review, the changes in plant balances from the beginning to end of year do not account for the significant changes

from the projected to actual amounts. We are not convinced by the utility's explanation. Further, since there was an allocation error between water and wastewater, it is not appropriate to use the projected amount.

Since each expense item should be tested for reasonableness on an individual basis, we believe that the actual 1992 tax bills should be used as a basis for an adjustment to the projected property taxes. These amounts were audited by the Commission Staff, and after several stipulated adjustments have been made, the actual amounts appear reasonable. Based on the foregoing, we have made an adjustment to account for the difference between the MFR projected amount and the actual amounts as adjusted. For Silver Springs Shores, we have reduced property tax expense by \$21,653 for water and increased property tax expense by \$27,219 for wastewater. For Port LaBelle, we have decreased property tax expense by \$17,389 for water and by \$853 for wastewater.

Parent Debt Adjustment

Rule 25-14.004, Florida Administrative Code, requires that a parent debt adjustment be made for each parent level above the capital structure used in setting rates. Since we have used GDU's capital structure in setting rates, a one-tier parent debt adjustment is appropriate to recognize GDU's immediate parent, AGCC.

In its filing, the utility included a parent debt adjustment in the amount of \$12,366 for Silver Springs Shores and \$6,444 for Port Labelle. The utility's adjustment does not include all parent debt reflected in the parent capital structure. According to utility witness Elliott, much of AGCC's debt does not support its investment in GDU and is properly excluded from the calculation of any parent debt adjustment.

OPC witness Larkin testified that the utility classified several parent debt items as parent equity items when calculating the parent's weighted cost of debt for purposes of determining the parent debt adjustment. According to his testimony, the parent's capital structure consisted almost entirely of debt prior to its emergence from bankruptcy. Without classifying part of the parent company's debt as equity, witness Larkin testified, the parent debt adjustment as calculated by the utility for Silver Springs Shores should be increased by \$89,365 and \$88,299 for water and wastewater, respectively. In addition, witness Larkin recommended

that the parent debt adjustment as calculated by the utility for Port LaBelle should be increased by \$47,207 and \$45,373 for water and wastewater, respectively.

Utility witness Elliott testified that the utility's reclassification of debt as equity was done to characterize certain parent debt instruments that do not support operations as equity. Mr. Elliott testified that his proposed treatment is consistent with the intent of the parent debt adjustment rule because the rule itself acknowledges that there may be situations where parent debt does not support subsidiary operations. Witness Elliott further testified that the underlying theory of the parent debt adjustment is that the parent's investment in the subsidiary is deemed to be funded by the sources of capital that comprise the parent's capitalization. According to witness Elliott, the debt instruments that the utility classified as equity, are the instruments that do not support investments in the subsidiaries; thus, they must be treated as parent debt not supporting subsidiary operations to properly determine the parent company debt adjustment in accordance with the rule.

The parent debt instruments characterized as "equity," totalling \$171,375,000, contained in witness Elliott's testimony, are comprised of cash flow notes, mandatory notes and a portion of a term loan. According to witness Elliott, the cash flow and mandatory notes are clearly not related to the operations of the subsidiary as they were issued to the unsecured creditors of GDC in the bankruptcy reorganization, and no cash was received by the new parent, AGCC. In addition, witness Elliott testified that the portion of the term loan which was used to fund payments of administrative costs, priority, and convenience class claims were also included as equity because they are bankruptcy related. His conclusion is that the debt instruments clearly were not part of AGCC's investment in GDU because they relate directly to GDC's bankruptcy.

We believe that the debt instruments excluded by the utility should be included in the parent debt calculation. The notes issued to the creditors of GDC replaced debt which was in the parent's capital structure prior to the bankruptcy proceedings. Based on the evidence in the record, we must conclude that the cash flow and mandatory notes replaced GDC debt that could have supported subsidiary operations. Upon consideration, we find that all dollars removed from the parent's debt balance should be included in the parent debt calculation. Placing those dollars in

the debt balance increases the debt percentage of total parent capital to 68.10 percent.

In calculating the adjustment to appropriately reflect the effect of parent debt, we discovered that the utility has two conflicting debt costs related to parent debt. The parent debt adjustment reflected in the MFRs uses an associated debt cost of 8.74 percent to calculate the weighted cost of parent debt. However, utility witness Elliott testified that the cost of parent debt is 13.54 percent. The utility did not provide an explanation with regard to the conflicting debt cost rates at the parent level. We have used the 13.54 percent cost rate in our calculation of the parent debt adjustment because a review of the filing indicates that the cost rate of 8.74 percent is an effective cost of debt, which is based on the interest actually paid by the parent.

There are also inconsistencies in the calculation of the adjustment itself. The parent debt schedule indicates that the appropriate parent debt adjustment is \$12,366 for Silver Springs Shores and \$6,444 for Port Labelle. However, the income tax expense schedules indicate that a parent debt adjustment in the amount of \$32,862 was included in the requested net operating income for Silver Springs Shores and an adjustment in the amount of \$17,124 was included in the requested net operating income for Port Labelle. In determining which parent debt adjustment to adjust, we used the parent debt reflected in the requested net operating income for each system.

In consideration of the foregoing, Silver Springs Shores' parent debt adjustment should be increased by \$28,752 comprised of \$14,462 for water and \$14,290 for wastewater. The parent debt adjustment for Port Labelle has been increased by \$11,603, comprised of \$5,916 for water and \$5,686 for wastewater.

Income Tax Expense

In its filing, the utility included income tax expense in the amount of \$325,692 for Silver Springs Shores, comprised of \$85,445 for water and \$240,247 for wastewater, and \$29,906 for Port LaBelle, comprised of \$23,824 for water and \$6,082 for wastewater. Utility witness Elliott testified that income tax expense was computed on a stand-alone basis which, in his opinion, considers only the income tax effects of jurisdictional revenues and costs in determining utility revenue requirements.

According to OPC witness Larkin, the parent company has paid no income taxes since 1987 and has loss carryforwards to offset any taxes in the near future. For these reasons, witness Larkin recommended that the utility not be allowed income tax expense.

We believe that it is appropriate to calculate income tax expense for each division on a stand-alone basis. Utility witness Elliott testified, and we agree, that under this approach, if a utility that generates jurisdictional taxable income files a consolidated return with affiliates who have tax losses, the utility's income tax expense for determining cost of service would reflect the tax attributable to jurisdictional utility operations. In addition, it is Commission policy not to consider non-jurisdictional operations in the cost of service of regulated utilities.

Based upon our earlier findings and adjustments, the appropriate income tax expense for Silver Springs Shores is \$39,775, comprised of a negative \$5,496 for water and \$45,271 for wastewater. For Port LaBelle, the appropriate income tax expense is \$22,049, comprised of a negative \$25,536 for water and a negative \$3,487 for wastewater.

Test Year Operating Income

Based on the utility's application and our decisions made herein, we find the appropriate test year operating income for Silver Springs Shores before any provision for increased revenues to be a negative \$8,390 for water and a positive \$123,116 for wastewater. For Port LaBelle, the appropriate test year operating income is a negative \$4,949 for water and a negative \$39,750 for wastewater.

REVENUE REQUIREMENT

Based on the utility's application, our adjustments, and calculations discussed above, we find that the appropriate annual revenue requirement for Silver Springs Shores is \$700,244 for water and \$1,124,621 for wastewater. For Port LaBelle, the appropriate annual revenue requirement is \$422,758 for water and \$314,560 for wastewater. For Silver Springs Shores, this represents a revenue increase of \$238,236 for water and \$267,374 for wastewater. For Port LaBelle, this represents a revenue increase of \$182,291 for water and \$148,796 for wastewater.

RATES AND RATE STRUCTURE

In its filing, the utility requested, for both divisions, a base facility charge rate structure, which includes a base facility charge and a usage charge for both water and wastewater, with a conservation block of 6,000 gallons per month for all residential water usage. The utility's proposed water gallonage charge for commercial and multi-family customers is equal to the single gallonage charge that would apply to all customers if a residential conservation block was not proposed. The parties and Staff stipulated that the residential wastewater gallonage cap should be set at 8,000 gallons per month for both divisions. We agree. We find that the utility's requested rate structure is appropriate for these divisions and such rate structure will encourage conservation.

Additionally, the utility shall submit the monthly number of bills, gallons, and billed revenues for water service for each customer class beginning with July 1988, up to the month in which the final rates become effective. The utility shall also submit quarterly reports containing the monthly number of bills, gallons, and billed revenues for water service for each customer class beginning with the first month in which the water conservation rates are charged and continuing until 18 months' worth of conservation data has been collected, so that the Commission may monitor the effects of the conservation rate structure. A discussion of the utility's requested rate structure follows.

Conservation Policy

Mr. Fancher testified at the hearing that the utility was encouraged to implement a water conservation rate structure by the Water Management District, the DER, local county governments through their comprehensive planning process, the State of Florida through its state water use plan, and the Department of Community Affairs through goals and objectives set for the State of Florida with regard to our natural water resources. However, Mr. Fancher testified that the utility's consumptive use permits do not require the utility to implement a conservation rate structure.

Utility witness Guastella provided testimony concerning the specific details of the water conservation rates. Mr. Guastella testified that the conservation rate was developed for residential usage in excess of 6,000 gallons per month. Mr. Guastella testified that the proposed conservation rate is applied only to

residential customers because he believes the potential for conservation is greater at the residential level. Mr. Guastella testified that the utility is trying to avoid charging customers or imposing conservation for the customer's use of water when it is not being wasted or there is no potential for conservation. He testified that he believes the largest quantity of water conservation will occur in water used for irrigation purposes. Mr. Guastella testified that he believes residential consumption is more sensitive to price than commercial consumption because residential consumption tends to use a larger portion of water for outdoor irrigation uses, whereas commercial and industrial customers tend to operate a business and use water at a more consistent rate. Additionally, he testified that it would be difficult to charge conservation rates to multi-family units served by a single meter due to the inability to measure each unit's individual usage. For example, the conservation rate would be charged based on the total usage for the whole complex, which could exceed 6,000 gallons per month even though each individual unit did not exceed the 6,000 gallon level.

Additionally, Mr. Guastella stated in his direct testimony that the proposed conservation rate for residential usage in excess of 6,000 gallons per month is 50 percent higher than the rate for consumption below 6,000 gallons. He also testified that the 50 percent differential is intended to provide a price signal to customers to avoid wasteful uses of water, as well as to make specific efforts to conserve water. In calculating the conservation rates, Mr. Guastella stated that he assumed that for a 10 percent increase in rates the consumption of water will decrease by 1 percent with respect to the usage in excess of 6,000 gallons per month. He also stated that the revenues had been adjusted to reflect that reduction in consumption. He testified that the decisions to use a 50 percent differential and use 6,000 gallons as the break-point was based on judgment.

Mr. Guastella testified that he did not evaluate other models or types of rate structures when designing the proposed conservation rate structure. However, he testified that he had reviewed approximately a dozen price elasticity studies that spanned 15 to 20 years for various parts of the country, and that these studies had a wide variety of results. Mr. Guastella testified that he believes there will be some long run economic benefits if the reduction in consumption causes the need for less facilities in the long term. He added that with or without the economic benefit, he believes the reduction in water consumption is

a measure worth taking. Mr. Guastella testified that he believes there is an overall effort in the State of Florida to pay more attention to the need to conserve water. Further, establishing conservation programs is one of these efforts and one component of those programs is establishing a price that will signal to customers that they should not use more water than is necessary and to conserve water.

Mr. Guastella testified that if the Commission wanted to monitor the effects of this rate design it should look at criteria such as the billing analysis, gallons versus revenues, weather normalization, and the customer mix of year-round versus non-year-round customers. He testified that he believed a study of the rate design would be very interesting and might turn out to be very valuable.

It is Mr. Rush's position that it is impossible to apply the conservation rates equally among the commercial and multi-family customers. OPC did not provide any testimony regarding this issue.

Although the utility must be commended for its effort in this endeavor, we must agree with Mr. Rush. A conservation block could be a hardship on certain customers. However, we also recognize the need for increased water conservation. Although there is no conclusive evidence that a conservation rate structure will result in significant water conservation, there is also no conclusive evidence that indicates it will not improve water conservation. It would appear that the only way to determine if conservation rates will in fact result in increased water conservation is to actually implement conservation rates and study the results.

We believe the implementation of a conservation rate structure for these water systems could provide us with valuable information on the effects of conservation rates in Florida, and hopefully provide us with a more sound basis for making these types of decisions in the future. Unlike Port LaBelle, Silver Springs Shores currently has a conservation block rate structure, because it has an inclining block gallonage charge structure with a higher charge applied to the second block of usage. This provides us with the unique opportunity of evaluating the effects of adjusting an existing inclining block gallonage charge structure to promote increased conservation as opposed to converting a single gallonage charge to an inclining block structure.

Conservation Rate Design

Residential customers in general share the same water needs and vary only in the amount of water they use. For example, residential customers need water for drinking, bathing, flushing toilets, washing dishes, washing clothes, washing cars, and watering lawns. The same cannot necessarily be said for general service customers which quite often have very unique water needs. For instance, the water needs and usage pattern of a manufacturing firm which uses water to cool high speed machinery most likely differs significantly from that of a restaurant. Both businesses, however, fall under the same general service classification.

We believe it would not be appropriate to group all general service customers together and expect each one of them to reduce their water consumption by 10 percent, for example. It is possible that some general service customers are using more water than is necessary but it is just as likely that some are using only the amount needed to operate their businesses. Without a detailed examination of the various types of general service customers and their particular water needs and usage patterns it is difficult to determine an equitable grouping of these customers for the purpose of pin-pointing areas which can conserve.

We also agree with Mr. Guastella's statement that it would be difficult to charge conservation rates to multi-family units served by a single meter due to the inability to measure each unit's individual usage. Although we cannot equally apply an inclining block rate structure to all classes of customers at this time, we can ensure that all classes of customers pay their fair pro rata share of the cost of service. In Docket No. 900656-WU, the multi-family and general service customers were assessed the traditional or single gallonage charge that would have been applied to all customers if a residential conservation rate structure was not approved. In this manner, the same revenue is generated from the multi-family and general service customers regardless of whether or not an inclining block structure is applied to the residential customers. GDU's proposed rate structure has incorporated this same philosophy.

We believe the conservation rates should only be applied to residential customers, and that the multi-family and general service customers should be assessed the traditional gallonage charge in order that they may pay their fair pro rata share. This does not diminish the need for conservation on the part of the

multi-family and general service customers, however. In fact, the overall increase in rates should encourage conservation in the multi-family and general service area where possible.

Another point of concern is the level or break-point at which the conservation rates are inverted. In a proceeding regarding the same issue for the Hobe Sound docket, Docket No. 900656-WU, the Commission approved conservation rates with a break-point at 10,000 gallons per month. Rule 25-30.515(8)(a), Florida Administrative Code, defines an ERC as 350 gallons per day. Usage of 350 gallons per day equates to slightly over 10,000 gallons per month. The Commission determined that 10,000 gallons was a reasonable point at which to differentiate between necessary and optional water usage, and that charging a higher rate after 10,000 gallons of usage should not interfere with customers' household water use needs.

Again, we share Mr. Rush's concern that a conservation block could be a hardship on certain customers, especially families. We are concerned that a break-point lower than 10,000 gallons per month may interfere with some customers' household water use needs.

One characteristic of a conservation rate structure is that the gallonage charge for the first conservation block will be lower than the traditional single gallonage charge that would be applied if a conservation rate structure was not being used. Also, the gallonage charge at the second conservation block will be higher than the traditional single gallonage charge. The result is that the amount of a bill calculated with the two conservation gallonage charges will be very close to the amount of a bill calculated with the single gallonage charge until the customer's usage reaches a level higher than the conservation break-point. Using the utility's proposed rates, we have calculated the amount of a residential bill using the conservation gallonage charges and the single gallonage charge. The amount of the bill based upon the conservation gallonage charges does not exceed the amount of the bill based upon the single gallonage charge until the 9,000 gallon per month usage level. In other words, under the utility's proposed rate structure, customers do not have a financial incentive to conserve until they reach a usage level of at least 9,000 gallons per month. Therefore, we believe that the impact of the conservation rates on customers' household uses should be minimal, and the primary impact will be on usage for irrigation purposes. Although the 6,000 gallon break-point appears low for Silver Springs Shores, we believe that it is not unreasonable in this case and should be approved.

Another point of concern is the utility's decision to increase the second block conservation gallonage charge by 50 percent over the first block gallonage charge. Mr. Guastella testified that the 50 percent differential was intended to send a price signal to customers to avoid wasteful uses of water. He also testified that the decision to use a 50 percent differential was based on judgment. There is no evidence to indicate that a 50 percent differential will be any more or less effective than some other percentage differential. The differential that was created in Docket No. 900656-WU is in fact higher than 50 percent. We believe that the 50 percent differential is reasonable in this case, and should be utilized in the rate calculation to the extent possible.

The final point of concern is the utility's assumption that a 10 percent increase in rates will result in a decrease of 1 percent with respect to usage in excess of 6,000 gallons per month. For the purpose of calculating conservation rates, any gallonage over the break-point consolidated factor should be adjusted to reflect the reduced consumption level which is expected to occur following the implementation of conservation rates. This is necessary in order to calculate rates which will allow the utility to achieve the approved revenue requirement. Mr. Guastella testified that he had reviewed approximately a dozen price elasticity studies, and that these studies had a wide variety of results. As with most aspects of conservation rate structures, there is no conclusive evidence regarding the appropriate price elasticity ratios that should be used. We believe that the assumption of a ratio whereby 10 percent increase in the gallonage rate results in a 1 percent decrease in usage is reasonable, and should be applied in this case.

We agree with Mr. Guastella that a study of the rate design might be very valuable. We believe it would be appropriate to monitor the effects of the new rate structure on customer consumption levels.

Therefore, the utility shall submit historical billing data reflecting the monthly number of bills, gallons, and billed revenues for water service for each customer class beginning with July 1988 up to the month in which the new rates become effective. The utility shall also submit quarterly reports containing the monthly number of bills, gallons, and billed revenues for water service for each customer class beginning with the first month in which the water conservation rates are charged and continuing until 18 months' worth of conservation data has been collected, so that

the Commission may monitor the effects of the conservation rate structure.

Private Fire Protection Rate

It is the utility's position that private fire protection rates should be approved for lines less than 4" in diameter. The utility proposed private fire protection rates for a 2" line and for all line sizes between 4" and 12" in diameter. The utility currently provides private fire protection service to one customer with a 6" line and another with an 8" line. Messers. Rush and Hoffman believe that private fire protection rates should be approved for service for lines less than 4" in diameter, but the tariff should specify the service is limited to sprinkler service versus hydrant service in order to insure adequate water flows.

Utility witness Guastella testified that he did not know if anyone had set a minimum fire flow requirement for Marion County. However, he testified that he would agree, subject to check, that the Insurance Services Office Manual requires a minimum fire flow of 500 gpm. Exhibit No. 36 provided by the utility indicates that the flow of water through pipes will vary depending on many factors, such as location of sources, multiple sources, velocity, friction, elevation, type of pipe, grid of system, age, and so forth. It further shows that the operating pressure for water systems primarily ranges from 60 to 80 pounds per square inch (psi). The exhibit includes a table showing sample discharges for various lengths and sizes of pipes, with a beginning pressure of 60 psi. According to the table, the highest flow that can be obtained through a 2" line is 244 gpm. The table indicates that the smallest size line that can deliver 500 gpm at 60 psi is a 3" line, but only at a length of 200 feet or less. The gallons per minute discharged is less than 500 gpm for line lengths in excess of 200 feet. Also, the table indicates that the gallons per minute obtained from a 4" line is even less than 500 gpm for line lengths in excess of 500 feet.

We agree with the utility that sprinkler systems can be installed with lines less than 4" in diameter. We believe those customers are entitled to receive private fire protection service, and that they should be charged an appropriate rate for that service. Our concern is not with sprinkler service but rather hydrant service. It would be difficult for the utility to provide water pressure and flows at an acceptable level if it attempts to provide hydrant service for lines less than 4" in diameter.

Because the utility does not currently provide private fire protection service to any customers with lines smaller than 6" in diameter, the addition of the sprinkler provision to the tariff should not be detrimental to the utility or any of its customers. Therefore, we find that it is appropriate to approve private fire protection rates for lines less than 4" in diameter, but the tariff should specify that service to lines less than 4" in diameter is limited to sprinkler service versus hydrant service in order to insure adequate water flows.

Rates

We have approved final rates for Silver Springs Shores that are designed to produce revenues of \$700,244 for water and \$1,124,621 for wastewater. For Port LaBelle, the final rates are designed to produce revenues of \$422,758 for water and \$314,560 for wastewater. These rates are based on the base facility charge rate design with a residential conservation gallonage charge for water. The comparison of the utility's original rates, interim rates, requested rates, and our final approved rates are set forth below.

UTILITY: GENERAL DEVELOPMENT UTILITIES, INC.
 PORT LABELLE DIVISION
 COUNTIES: GLADES AND HENDRY
 DOCKET NO. 920734-WS
 PROJECTED TEST YEAR ENDED: DECEMBER 31, 1992

WATER
 RATE SCHEDULE

Monthly Rates

	<u>Current</u>		<u>Commission Approved Interim</u>		<u>Utility Requested Final</u>	<u>Commission Approved Final</u>
	Glades	Hendry	Glades	Hendry	(Combined)	(Combined)
<u>Residential</u>						
Base Facility Charge:						
Meter Size:						
5/8"x3/4"	\$9.44	\$10.76	\$17.17	\$18.49	\$23.90	\$22.11
1"	\$23.58	\$26.88	\$42.91	\$46.21	\$59.75	\$55.28
1-1/2"	\$47.17	\$53.78	\$85.82	\$92.43	\$119.50	\$110.55
2"	\$75.47	\$86.04	\$137.31	\$147.88	\$191.20	\$176.88
Gallage Charge:						
Per 1,000 Gallons	\$2.51	\$1.81	\$4.62	\$3.92	N/A	N/A
First 6,000 Gallons	N/A	N/A	N/A	N/A	\$2.63	\$2.51
Over 6,000 Gallons	N/A	N/A	N/A	N/A	\$3.93	\$3.77
<u>General Service (Commercial and Multi-Family)</u>						
Base Facility Charge:						
Meter Size:						
5/8"x3/4"	\$9.44	\$10.76	\$17.17	\$18.49	\$23.90	\$22.11
1"	\$23.58	\$26.88	\$42.91	\$46.21	\$59.75	\$55.28
1-1/2"	\$47.17	\$53.78	\$85.82	\$92.43	\$119.50	\$110.55
2"	\$75.47	\$86.04	\$137.31	\$147.88	\$191.20	\$176.88
3"	\$150.95	\$172.08	\$150.95	\$295.76	\$358.50	\$331.65
Gallage Charge:						
Per 1,000 Gallons	\$2.51	\$1.81	\$4.62	\$3.92	\$2.94	\$2.79
<u>Private Fire Protection</u>						
Line Size:						
6"	\$104.63	\$104.63	\$188.87	\$188.87	\$4,780.00	\$3,673.00
8"	\$130.79	\$130.79	\$240.38	\$240.38	\$7,648.00	\$6,376.00
Hydrants						
	\$78.47	\$84.75	\$142.01	\$84.75	N/A	N/A
<u>Typical Residential Bills</u>						
5/8" x 3/4" meter						
3,000 Gallons	\$16.97	\$16.19	\$31.03	\$30.25	\$31.79	\$29.64
5,000 Gallons	\$21.99	\$19.81	\$40.27	\$38.09	\$37.05	\$34.66
10,000 Gallons	\$34.54	\$28.86	\$63.37	\$57.69	\$55.40	\$52.25

UTILITY: GENERAL DEVELOPMENT UTILITIES, INC.
 SYSTEM: PORT LABELLE
 COUNTY: GLADES AND HENDRY COUNTIES
 DOCKET NO. 920734-WS
 PROJECTED TEST YEAR ENDED: DECEMBER 31, 1992

WASTEWATER
 RATE SCHEDULE
Monthly Rates

	<u>Current Rates</u>		<u>Commission Approved Interim</u>		<u>Utility Requested Final</u>	<u>Commission Approved Final</u>
	Glades	Hendry	Glades	Hendry	(COMBINED)	(COMBINED)
Residential						
Base Facility Charge: All meter sizes	\$9.43	\$10.75	\$15.43	\$16.75	\$12.32	\$12.32
Gallage Charge (per 1,000 Gallons)						
0 – 6,000 Gallons	\$1.78	\$1.10	\$3.77	\$3.09	\$3.67	\$3.67
6,000 – 8,000 Gallons	N/A	N/A	N/A	N/A	\$3.67	\$3.67
Sewer Cap (Gallons)	6,000	6,000	6,000	6,000	8,000	8,000
General Service and Multi-Family						
Base Facility Charge						
Meter Size:						
5/8"x3/4"	\$9.43	\$10.75	\$15.43	\$16.75	\$12.32	\$12.32
1"	\$23.59	\$26.88	\$38.58	\$41.87	\$30.80	\$30.80
1-1/2"	\$47.16	\$53.77	\$77.14	\$83.75	\$61.60	\$61.60
2"	\$75.46	\$86.01	\$123.43	\$133.98	\$98.56	\$98.56
3"	\$150.91	\$172.05	\$246.85	\$267.99	\$184.80	\$184.80
Gallage Charge (per 1,000 Gallons)	\$2.14	\$1.32	\$4.53	\$3.71	\$4.41	\$4.41
5/8" x 3/4" meter						
3,000 Gallons	\$14.77	\$14.05	\$26.74	\$26.02	\$23.33	\$23.33
5,000 Gallons	\$18.33	\$16.25	\$34.28	\$32.20	\$30.67	\$30.67
8,000 Gallons	\$20.11	\$17.35	\$38.05	\$35.29	\$41.68	\$41.68
Gallage Cap	6,000	6,000	6,000	6,000	8,000	8,000

RATE SCHEDULE
WATER

UTILITY: General Development Utilities, Inc.
 SYSTEM: SILVER SPRINGS SHORES
 COUNTY: Marion
 TEST YEAR ENDED: December 31, 1992

Monthly Rates

	<u>Current Rates</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Requested Final Rates</u>	<u>Commission Approved Final Rates</u>
<u>Residential</u>				
Base Facility Charge:				
Meter Size:				
5/8"x3/4"	\$4.88	\$7.24	\$8.58	\$7.89
Gallage charge:				
First 19/MG	0.70	1.04	*	*
Over 19/MG	0.76	1.13	*	*
1"	\$12.20	\$18.09	\$21.45	\$19.73
Gallage charge:				
First 24/MG	0.70	1.04	*	*
Over 24/MG	0.76	1.13	*	*
1 - 1/2"	\$24.42	\$36.21	\$42.90	\$39.45
Gallage charge:				
First 34/MG	0.70	1.04	*	*
Over 34/MG	0.76	1.13	*	*
2"	\$39.06	\$57.91	\$68.64	\$63.12
Gallage charge:				
First 50/MG	0.70	1.04	*	*
Over 50/MG	0.76	1.13	*	*
* All Meter Sizes				
Gallage charge:				
First 6/MG	---	---	\$0.83	\$0.89
Over 6/MG	---	---	1.25	1.34

RATE SCHEDULE
WATER

UTILITY: General Development Utilities, Inc.
 SYSTEM: SILVER SPRINGS SHORES
 COUNTY: Marion
 TEST YEAR ENDED: December 31, 1992

Monthly Rates

	<u>Current Rates</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Requested Final Rates</u>	<u>Commission Approved Final Rates</u>
<u>General Service and Multi-Family</u>				
Base Facility Charge:				
Meter Size:				
5/8"x3/4"	\$4.88	\$7.24	\$8.58	\$7.89
1"	\$12.20	\$18.09	\$21.45	\$19.73
1-1/2"	\$24.42	\$36.21	\$42.90	\$39.45
2"	\$39.06	\$57.91	\$68.64	\$63.12
3"	\$78.13	\$115.84	\$128.70	\$126.24
4"	\$122.08	\$181.01	\$214.50	\$197.25
6"	\$244.15	\$362.00	\$429.00	\$394.50
Gallonge Charge per 1,000 G.	\$0.70	\$1.04	\$0.95	\$1.05

Private Fire Protection (Annual Charge)

Line Size:				
2"	\$108.96	\$161.56	\$274.56	---
4"	\$340.50	\$504.86	\$858.00	\$789.00
6"	\$680.96	\$1,009.66	\$1,716.00	\$1,578.00
8"	\$1,088.68	\$1,614.19	\$2,745.00	\$2,524.80
10"	\$1,564.98	\$2,320.40	\$3,946.80	\$3,629.40
12"	\$2,925.84	\$4,338.14	\$7,378.80	\$6,785.40

Pest Control Spray Trucks

Minimum charge
 (each time water
 is obtained)

	\$9.20	\$13.64	\$11.10	\$10.21
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Gallonge charge
 per 1,000 Gallons

	\$0.62	\$0.92	\$0.95	\$1.05
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RATE SCHEDULE
WASTEWATER

UTILITY: General Development Utilities, Inc.
 SYSTEM: SILVER SPRINGS SHORES
 COUNTY: Marion
 TEST YEAR ENDED: December 31, 1992

	<u>Monthly Rates</u>			
	<u>Current Rates</u>	<u>Commission Approved Interim Rates</u>	<u>Utility Requested Final Rates</u>	<u>Commission Approved Final Rates</u>
Residential				
Base Facility Charge:				
All Meter Sizes	\$11.70	\$17.88	\$15.56	\$12.32
Gallage Charge per 1,000 G.	\$1.37	\$2.09	\$2.83	\$2.53
Wastewater Cap	10M	10M	8M	8M
General Service and Multi-Family				
Base Facility Charge:				
Meter Size:				
5/8"x3/4"	\$11.70	\$17.88	\$15.56	\$12.32
1"	\$29.25	\$44.69	\$38.90	\$30.80
1-1/2"	\$58.49	\$89.37	\$77.80	\$61.60
2"	\$93.50	\$142.98	\$124.48	\$98.56
3"	\$187.15	\$285.95	\$248.96	\$197.12
4"	\$292.43	\$446.80	\$389.00	\$308.00
6"	\$584.86	\$893.61	\$778.00	\$616.00
Gallage Charge per 1,000 G. (No Maximum)	\$1.65	\$2.52	\$3.39	\$3.04

UTILITY: General Development Utilities, Inc.
 SYSTEM: SILVER SPRINGS SHORES
 COUNTY: Marion
 TEST YEAR ENDED: December 31, 1992

SCHEDULE OF COMMISSION APPROVED RATES
 AND RATE DECREASE IN FOUR YEARS

WATER

Monthly Rates

	Commission Approved Final Rates	Rate Decrease
<u>Residential</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$7.89	\$0.34
1"	19.73	0.86
1 - 1/2"	39.45	1.71
2"	63.12	2.74
Gallage charge:		
First 6/MG	\$0.89	\$0.04
Over 6/MG	1.34	0.06
<u>General Service and Multi-Family</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$7.89	\$0.34
1"	\$19.73	0.86
1 - 1/2"	\$39.45	1.71
2"	\$63.12	2.74
3"	126.24	5.48
4"	197.25	8.56
6"	394.50	17.13
Gallage Charge per 1,000 G.	\$1.05	\$0.05
<u>Private Fire Protection (Annual Charge)</u>		
Line Size:		
2"	---	---
4"	\$789.00	\$34.26
6"	1,578.00	68.51
8"	2,524.00	109.62
10"	3,629.40	157.58
12"	6,785.40	294.61
<u>Post Control Spray Trucks</u>		
Minimum charge (each time water is obtained)		
	\$10.21	\$0.44
Gallage charge per 1,000 Gallons	\$1.05	\$0.05

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SCHEDULE NO. 5-B
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UTILITY: General Development Utilities, Inc.
 SYSTEM: SILVER SPRINGS SHORES
 COUNTY: Marion
 TEST YEAR ENDED: December 31, 1992

SCHEDULE OF COMMISSION APPROVED RATES
 AND RATE DECREASE IN FOUR YEARS

<u>WASTEWATER</u>		
<u>Monthly Rates</u>		
	<u>Commission Approved Final Rates</u>	<u>Rate Decrease</u>
<u>Residential</u>		
Base Facility Charge:		
All Meter Sizes	\$12.32	\$0.33
Gallonge Charge		
per 1,000 G.	\$2.53	\$0.07
<u>General Service and Multi-Family</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$12.32	\$0.33
1"	\$30.80	0.82
1-1/2"	\$61.60	1.64
2"	\$98.56	2.63
3"	\$197.12	5.26
4"	\$308.00	8.22
6"	\$616.00	16.44
Gallonge Charge		
per 1,000 G.	\$3.04	\$0.08

UTILITY: GENERAL DEVELOPMENT UTILITIES, INC.
 SYSTEM: PORT LABELLE
 COUNTY: GLADES AND HENDRY COUNTIES
 DOCKET NO. 920734 - WS
 PROJECTED TEST YEAR ENDED: DECEMBER 31, 1992

RATE SCHEDULE

Schedule of Commission Approved Rate Decrease
 After Expiration of Amortization Period for Rate Case Expense

Water

Monthly Rates

<u>Residential</u>	<u>Commission Approved</u>	<u>Rate Decrease</u>
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$22.11	\$1.25
1"	\$55.28	\$3.13
1 - 1/2"	\$110.55	\$6.26
2"	\$176.88	\$10.01
 Gallonage Charge:		
First 6,000 Gallons	\$2.51	\$0.14
Over 6,000 Gallons	\$3.77	\$0.21
 <u>General Service and Multi-Family</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$22.11	\$1.25
1"	\$55.28	\$3.13
1 - 1/2"	\$110.55	\$6.26
2"	\$176.88	\$10.01
3"	\$331.65	\$18.77
 Gallonage Charge:		
Per 6,000 Gallons	\$2.79	\$0.16
 <u>Private Fire Protection (Annual Charge)</u>		
Meter Size:		
6"	\$3,673.00	\$207.87
8"	\$5,876.00	\$332.54

UTILITY: GENERAL DEVELOPMENT UTILITIES, INC.
 SYSTEM: PORT LABELLE
 COUNTY: GLADES AND HENDRY COUNTIES
 DOCKET NO. 920734-WS
 PROJECTED TEST YEAR ENDED: DECEMBER 31, 1992

RATE SCHEDULE

Schedule of Commission Approved Rate Decrease
 After Expiration of Amortization Period for Rate Case Expense

Wastewater

Monthly Rates

	<u>Commission Approved</u>	<u>Rate Decrease</u>
<u>Residential</u>		
Base Facility Charge:		
All meter sizes	\$12.32	\$0.88
Gallage Charge (per 1,000 Gallons)		
0-6,000 Gallons	\$3.67	\$0.26
Over 6,000 Gallons	\$3.67	\$0.26
Wastewater Cap	8,000	8000
<u>General Service and Multi-Family</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$12.32	\$0.88
1"	\$30.80	\$2.19
1-1/2"	\$61.60	\$4.38
2"	\$98.56	\$7.00
3"	\$184.80	\$12.13
Gallage Charge (per 1,000 Gallons)	\$4.41	\$0.31

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Effective Date

It was the utility's position that the effectiveness of the rates should not be delayed pending issuance of the written order and that the final rates should take effect for service rendered on and after the date of the Commission's vote establishing final rates, provided that the utility submit tariff sheets and proposed customer notices for approval within 5 working days after the date of the vote. In essence, the utility requested that the rates go into effect immediately for all customers, with a proration of the charges on the first month's bills.

Since the processing of the tariff sheets is dependent upon whether the utility has provided an adequate customer notice and tariff sheets reflecting the Commission's decision, as well as having to possibly meet other requirements ordered by the Commission, establishing a turnaround time is not appropriate. After the utility has met the requirements of the Commission's decision, the tariff sheets will be timely approved by our Staff.

Both of GDU's systems in these dockets, Port LaBelle and Silver Spring Shores, have at least two billing periods each month. Therefore, we agree with the utility that a single effective date for all customers, along with approval to pro rate customer bills is appropriate. The rates will then become effective for all customers on the same date.

Upon consideration, the approved rates will be effective for service rendered on or after the stamped approval date on the tariff sheets. The utility may pro rate the customer bills so that the effective date of the change is the same for all customers. The utility shall file revised tariff sheets that are consistent with the Commission's decision and a sufficient proposed customer notice. The tariff sheets will be approved following Staff's verification that they are consistent with the Commission's decision and the proposed customer notice is adequate.

Interim Rate Refund

By Order No. PSC 93 0010 FOF WS, issued January 4, 1993, we approved interim rate increases, subject to refund, for Silver Springs Shores of \$229,262 or 48.27 percent for water and \$465,311 or 52.79 percent for wastewater. For Port LaBelle, we approved an

interim rate increase of \$203,942 or 89.30 percent for water and \$148,282 or 92.28 percent for wastewater. These increases resulted in annual revenues for Silver Springs Shores of \$474,971 and \$881,513 for water and wastewater, respectively. Port LaBelle's interim rate increases resulted in annual revenues of \$228,386 and \$160,685 for water and wastewater, respectively.

Pursuant to Section 367.082, Florida Statutes, any refund should be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. The approved interim rates for the interim test year ending December 31, 1991, did not include any provisions for pro forma consideration of increased operating expenses or increased plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for equity earnings.

To establish the proper refund amounts, we have calculated a revised revenue requirement for the interim period using the same provisions for rate case expense. This pro forma change was excluded because it was not an actual expense during the interim collection period. No other adjustments are necessary. We computed the comparable revenue requirement using the newly authorized cost of capital including the return on equity that, by statute, is the prescribed return to be used to test for excessive earnings during the interim collection period.

For Silver Springs Shores, we found the appropriate revenue requirement to be \$669,864 for water and \$1,094,667 for wastewater. This represents reductions of \$28,805 and \$233,084 for water and wastewater systems, respectively. For Port LaBelle, the appropriate revenue requirement is \$391,529 for water and \$353,374 for wastewater. This represents a reduction of \$64,590 for water and an increase of \$15,971 for wastewater.

Therefore, based on our calculation for Silver Springs Shores, the utility shall refund 4.21 percent of the water service revenues and 17.69 percent of the wastewater service revenues collected under interim rates. For Port LaBelle, the utility shall refund 14.56 percent of the water service revenues collected under interim rates. No refund is necessary for the Port LaBelle wastewater system. The difference in the percentage reduction for interim

water revenues and the refund is the result of removing the miscellaneous service charge revenues and other revenues.

The utility shall make the refunds with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The escrow accounts shall be closed upon verification of the refund by our Staff.

Statutory Rate Reduction

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately by the amount of rate case expense previously included in the rates. Therefore, in accordance with Section 367.0816, Florida Statutes, for Silver Springs Shores, the water rates shall be reduced by \$30,414 and the wastewater rates shall be reduced by \$30,022. For Port LaBelle, the water rates shall be reduced by \$23,209 and the wastewater rates shall be reduced by \$22,349.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or 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.

Refund of Miscellaneous Service Charges

During our Staff's rate audit, it was discovered that the utility was improperly charging miscellaneous service charges. Utility witness Swain testified that the utility inadvertently collected \$9,420 in excess of its authorized miscellaneous service charges from the Port LaBelle customers. The overages occurred as a result of charging separate miscellaneous service charges to customers that received both water and wastewater service when only one action was taken to disconnect the customers. The overages began at the time that the Commission obtained jurisdiction in March 1990, and continued until December 14, 1992, when the utility became aware that they were collecting unauthorized charges. The utility immediately began charging the correct miscellaneous service charges and, in February, voluntarily refunded the

miscellaneous service charge overages with accrued interest, totalling \$10,075.38. The utility credited customer accounts for \$6,289.73, issued refund checks totalling \$2,570, and had adjustments to bad debts that had been written off previously for \$1,215.65. Utility witness Swain provided documentation supporting the calculation and distribution of the refund.

Although the utility violated its tariff, it responded quickly by immediately discontinuing the unauthorized charges. Shortly after becoming aware of the unauthorized charges, the utility voluntarily refunded the overages in accordance with Rule 25-30.580, Florida Administrative Code. Therefore, we choose not to pursue a show cause proceeding against this utility.

Allowance For Funds Prudently Invested (AFPI)

The utility requested AFPI charges for its non-used and useful plant for Port LaBelle, based on gross plant, rather than net plant, and excluded any provision for property taxes. Ms. Swain testified that AFPI is a one time charge designed to provide the utility with an opportunity to recover costs associated with plant which is prudently constructed to provide adequate service to customers on a continuous basis, but exceeds the needs of current customers. She testified that the plant has been removed from the rate base used to set rates for current customers, as a non-used and useful adjustment. Also, the costs to be recovered from AFPI are based on a full cost approach which provides a return on future plant and unfunded expenses such as depreciation.

AFPI was previously granted to Silver Springs Shores and Port Labelle based on net plant. It is Ms. Swain's position that the Commission should deviate from what it had done previously because it should consider the accumulated depreciation that was used in the past to reduce qualifying assets for the calculation of AFPI.

The utility combined its non-used and useful water treatment and distribution plant for the calculation of AFPI in its application. It also used 1,863 future ERCs in its formula for determining the total AFPI charge for its water plant. In the Silver Springs Shores rate case in Docket No. 870239-WS, the Commission granted AFPI by employing a combined charge for the water treatment and distribution plant and the wastewater treatment and collection plant. In more recent rate cases, however, we have awarded AFPI based on separate charges for treatment plant and collection/distribution plant. Regardless, in this case, absent a

showing in the MFRs, we are unable to separate the distribution system from the water treatment plant to calculate the AFPI charge. Therefore, we must deviate from the way the percentages were calculated for non-used and useful plant and use the utility's 1,863 ERCs.

Utility witness Swain testified that the current wastewater AFPI rates for Port LaBelle were approved by Order No. 22565 issued February 15, 1990. Further, no substantial wastewater plant additions were made since the rate was approved by Hendry County. The existing charges do not include a recovery of the Commission regulatory assessment fee. Therefore, the utility requested an increase to include the 4.5 percent fee.

Upon consideration, we find that it is appropriate for the utility to collect AFPI charges for Port LaBelle. For Port LaBelle water, adjustments are necessary to reflect net plant. For Port LaBelle wastewater, the previously approved AFPI charge has been increased to allow the recovery of the regulatory assessment fees. No adjustments are necessary for the current approved AFPI charges for Silver Springs Shores water and wastewater systems. The appropriate AFPI charges are reflected on Schedules Nos. 6 and 7.

Allowance for Funds Used During Construction (AFUDC)

The parties, with the exception of OPC and POA, and Staff stipulated that the calculation of AFUDC should be based on the approved capital structure in this case. Based on our approved capital structure, we find that an annual AFUDC rate of 8.66 percent for Silver Springs Shores and 8.04 percent for Port LaBelle and a discounted monthly rate of 0.694738 percent for Silver Springs Shores and 0.646592 percent for Port LaBelle is appropriate and is consistent with Rule 25-30.116, Florida Administrative Code. The effective date shall be January 1, 1993.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction to determine the water and wastewater rates and charges of General Development Utilities, Inc., pursuant to Sections 367.081 and 367.101, Florida Statutes.
2. As the applicant in this case, General Development Utilities, Inc., has the burden of proof that its proposed rates and charges are justified.

3. The rates and charges approved herein are just, reasonable, compensatory, not unfairly discriminatory and in accordance with the requirements of Section 367.081(2), Florida Statutes, and other governing law.
4. Pursuant to Chapter 25-9 001(3), Florida Administrative Code, no rules and regulations, or schedules of rates and charges, or modifications or revisions of the same, shall be effective until filed with and approved by the Commission.

Based on the foregoing it is, therefore,

ORDERED by the Florida Public Service Commission that the application by General Development Utilities, Inc., for increased rates and charges for its Port LaBelle and Silver Springs Shores divisions is hereby approved to the extent 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 herein, whether in the form of discourse in the body of this Order or schedules attached hereto are, by reference, expressly incorporated herein. It is further

ORDERED that General Development Utilities, Inc., shall submit within sixty (60) days of the issuance of this Order a detailed statement of the actual rate case expense incurred. The information shall be submitted in the form prescribed for Schedule B-10 of the MFRs. In the event a motion for reconsideration is filed, the rate case expense information shall be filed within sixty (60) days of the issuance of an order entered on the motion for reconsideration. It is further

ORDERED that the new final rates shall be effective for services rendered on or after the stamped approval date of the tariff sheets. The utility may prorate the customer bills so that the rates become effective on the same day for all customers. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, General Development Utilities, Inc., shall submit and have approved revised tariff pages. The revised tariff

pages will be approved upon Staff's verification that the pages are consistent with our decision herein and that the customer notice is adequate. It is further

ORDERED that General Development Utilities, Inc., shall refund with interest and in conformity with Rule 25-30.360, Florida Administrative Code, 4.21 percent of the Silver Springs Shores water service revenues and 17.69 percent of the wastewater service revenues collected under interim rates. For Port LaBelle, General Development Utilities, Inc., shall refund with interest 14.56 percent of the water service revenues. It is further

ORDERED that General Development Utilities, Inc., shall submit quarterly reports containing the monthly number of bills, gallons, and billed revenues for water service for each customer class beginning with the first month in which the water conservation rates are charged and continuing until 18 months worth of conservation data has been collected for the purpose of monitoring the effects of the conservation rate structure. It is further

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

ORDERED that this docket shall be closed upon Staff's approval of the revised tariff sheets, proposed customer notice and verification of the interim rate refund.

By ORDER of the Florida Public Service Commission, this 30th day of July, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

LAJ/CB

by: Kay Lynn
Chief, Bureau of Records

ORDER NO. PSC-93-1113-FOF-WS
DOCKETS NOS. 920733-WS, 920734-WS
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Chairman J. Terry Deason dissents on the issue involving the used and useful percentages of the water, supply wells, water storage facilities, and the water treatment plant for Silver Springs Shores. The approved percentages are based on the average of the five maximum days from May 1989. The utility's billing analysis indicates that consumption has dropped significantly since 1989. The disparity between the 1992 consumption level and the 1989 consumption appears too large, such that May 1989 is not a representative period for determining maximum demand.

Commissioner Susan F. Clark dissented on the issues involving capital structure.

ORDER NO. PSC-93-1113-FOF-WS
DOCKETS NOS. 920733-WS, 920734-WS
PAGE 75

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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Civil Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

GDU (SILVER SPRINGS SHORES)
 SCHEDULE OF WATER RATE BASE
 DECEMBER 31, 1992

SCHEDULE NO. 1-A
 920733-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 3,745,058	\$ 0	\$ 3,745,058	\$ 54,455	\$ 3,799,513
2 LAND	77,946	0	77,946	2,331	80,277
3 NON-USED & USEFUL COMPONENTS	0	(327,173)	(327,173)	(236,522)	(563,695)
4 ACCUMULATED DEPRECIATION	(855,590)	0	(855,590)	(4,175)	(859,765)
5 ACQUISITION ADJUSTMENT - NET	(10,868)	10,868	0	0	0
6 CIAC	(1,270,449)	0	(1,270,449)	(54,455)	(1,324,904)
7 AMORTIZATION OF CIAC	354,809	0	354,809	4,175	358,984
8 DEBIT DEFERRED INCOME TAXES	0	0	0		0
9 WORKING CAPITAL ALLOWANCE	49,735	4,873	54,608	(3,608)	51,000
RATE BASE	\$ 2,090,641	\$ (311,432)	\$ 1,779,209	(\$ 237,799)	\$ 1,541,410

GDU (PORT LABELLE DIVISION)
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 1-A
 920734-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 4,093,723	\$ 0	\$ 4,093,723	(\$ 65,571)	4,028,152
2 LAND	5,647	0	5,647	(1,665)	3,982
3 NON-USED & USEFUL COMPONENTS	0	(545,525)	(545,525)	(745,808)	(1,291,333)
4 ACCUMULATED DEPRECIATION	(1,085,917)	0	(1,085,917)	3,812	(1,082,105)
5 ACQUISITION ADJUSTMENTS - NET	0	0	0	0	0
6 CIAC	(513,916)	0	(513,916)	(13,948)	(527,864)
7 AMORTIZATION OF CIAC	136,623	0	136,623	179	136,802
8 DEFERRED TAXES	0	0	0	0	0
9 WORKING CAPITAL ALLOWANCE	19,870	3,938	23,808	(2,668)	21,120
RATE BASE	\$ 2,656,030	\$ (541,587)	\$ 2,114,443	(\$ 825,689)	1,288,754

GDU (SILVER SPRINGS SHORES) SCHEDULE OF WASTEWATER RATE BASE DECEMBER 31, 1992		SCHEDULE NO. 1-B 920733-WS				
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 7,542,033	\$ 0	\$ 7,542,033	\$ 57,186	\$ 7,599,219	
2 LAND	1,789,293	0	1,789,293	(827,749)	961,544	
3 NON-USED & USEFUL COMPONENTS	0	(1,412,882)	(1,412,882)	(505,703)	(1,918,585)	
4 ACCUMULATED DEPRECIATION	(1,767,470)	0	(1,767,470)	(4,384)	(1,771,854)	
5 ACQUISITION ADJUSTMENT - NET	16,302	(16,302)	0		0	
6 CIAC	(2,168,909)	0	(2,168,909)	(105,600)	(2,274,509)	
7 AMORTIZATION OF CIAC	595,299	0	595,299	4,983	600,282	
8 DEBIT DEFERRED INCOME TAXES	0	0	0		0	
9 WORKING CAPITAL ALLOWANCE	76,342	3,491	79,833	(115,909)	63,924	
RATE BASE	\$ 6,082,890	\$ (1,425,693)	\$ 4,657,197	\$ (1,397,176)	\$ 3,260,021	

GDU (PORT LABELLE DIVISION)
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 1-B
 920734-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 2,726,474 \$	0 \$	2,726,474 \$	(7,100) \$	2,719,374
2 LAND	53,964	0	53,964	(34,132)	19,832
3 NON-USED & USEFUL COMPONENTS	0	(177,258)	(177,258)	(199,547)	(376,805)
4 ACCUMULATED DEPRECIATION	(704,845)	0	(704,845)	592	(704,253)
5 ACQUISITION ADJUSTMENT - NET	0	0	0	0	0
6 CIAC	(735,487)	0	(735,487)	(5,498)	(740,985)
7 AMORTIZATION OF CIAC	182,976	0	182,976	58	183,034
8 DEBIT DEFERRED INCOME TAXES	0	0	0	0	0
9 WORKING CAPITAL ALLOWANCE	13,383	3,740	17,123	778	17,901
RATE BASE	\$ 1,536,465 \$	(173,518) \$	1,362,947 \$	(244,850) \$	1,118,098

GDU (SILVER SPRINGS SHORES) ADJUSTMENTS TO RATE BASE DECEMBER 31, 1992	SCHEDULE NO. 1-C PAGE 1 OF 1 920733-WS	
EXPLANATION	WATER	WASTEWATER
1) PLANT IN SERVICE		
----- Stipulated adjustment for unrecorded plant	\$ 54,455	\$ 57,186
	=====	=====
2) LAND		
----- a) Portion of Perry land removed from rate base	\$ 0	\$ (827,749)
b) Stipulated adjustment for land not recorded	2,331	0
c) Stipulated adjustment removing portion of Perry land sold	0	(22,913)
	----- 2,331	----- (827,749)
	=====	=====
3) NON-USED AND USEFUL COMPONENTS		
----- Used and useful adjustment for treatment plant facilities	\$ (236,522)	\$ (505,703)
	=====	=====
4) ACCUMULATED DEPRECIATION		
----- Stipulated adjustment related to unrecorded plant	\$ (4,175)	\$ (4,384)
	=====	=====
5) CONTRIBUTIONS IN AID OF CONSTRUCTION		
----- a) Imputation of CIAC on margin reserve	\$ 0	\$ (48,414)
b) Stipulated adjustment for unrecorded CIAC	(54,455)	(57,186)
	----- \$ (54,455)	----- \$ (105,600)
	=====	=====
6) ACCUMULATED AMORTIZATION ON CIAC		
----- a) Imputation of CIAC on margin reserve	\$ 0	\$ 599
b) Stipulated adjustment related to unrecorded CIAC	4,175	4,384
	----- 4,175	----- 4,983
	=====	=====
7) WORKING CAPITAL		
----- Calculation using formula approach	\$ (2,608)	\$ (4,809)
	=====	=====

GDU (PORT LABELLE DIVISION) ADJUSTMENTS TO RATE BASE TEST YEAR ENDED DECEMBER 31, 1992		SCHEDULE NO. 1-C 920734-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
(1) <u>PLANT IN SERVICE</u> Adjustment to reclassify as CWIP (stip 5)	\$ <u>(65,571)</u>	<u>(7,100)</u>	
(2) <u>LAND</u>			
a. Adjustment to reclassify wastewater unused land	0	(18,224)	
b. Adjustment to reduce for acreage (Stip 1)	(1,665)	(15,308)	
	\$ <u>(1,665)</u>	\$ <u>(34,132)</u>	
(3) <u>NON-USED AND USEFUL PLANT</u> Adjustment to reflect recommended used and useful provision	\$ <u>(745,808)</u>	\$ <u>(199,547)</u>	
(4) <u>ACCUMULATED DEPRECIATION</u> Adjustment due to reduction in acreage (Stip 6)	\$ <u>3,812</u>	\$ <u>592</u>	
(5) <u>CIAC</u>			
A. Imputation of CIAC to offset provision for margin reserve	\$ (13,068)	\$ (3,850)	
B. Adjustment to reduce for unrecorded connection charges	(880)	(1,648)	
	\$ <u>(13,948)</u>	\$ <u>(5,498)</u>	
(6) <u>AMORTIZATION OF CIAC</u> Adjustment due to imputation of CIAC	\$ <u>179</u>	\$ <u>58</u>	
7) <u>WORKING CAPITAL ALLOWANCE</u> Adjustment to correspond with recommended test year operating expenses based on formula approach	\$ <u>(2,698)</u>	\$ <u>778</u>	

GDU (SILVER SPRINGS SHORES)
 CAPITAL STRUCTURE
 DECEMBER 31, 1992

SCHEDULE NO. 2 A
 920733-WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION	
1 LONG TERM DEBT	\$ 173,256	2.69%	10.98%	0.30%	\$ 1,878,501	\$ 2,051,757	42.72%	8.70%	3.72%	
2 SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
3 CUSTOMER DEPOSITS	63,529	0.99%	8.00%	0.08%	0	63,529	1.32%	8.00%	0.11%	
4 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
5 COMMON EQUITY	5,477,125	85.10%	10.48%	8.92%	(3,513,476)	1,963,649	40.90%	11.83%	4.84%	
6 INVESTMENT TAX CREDITS	475,624	7.39%	0.00%	0.00%	0	475,624	9.91%	0.00%	0.00%	
7 DEFERRED TAXES	246,872	3.84%	0.00%	0.00%	0	246,872	5.14%	0.00%	0.00%	
8 TOTAL CAPITAL	<u>\$ 6,436,406</u>	<u>100.00%</u>		<u>9.29%</u>	<u>\$ (1,634,975)</u>	<u>\$ 4,801,431</u>	<u>100.00%</u>		<u>8.66%</u>	
RANGE OF REASONABLENESS							LOW	HIGH		
RETURN ON EQUITY							10.83%	12.83%		
OVERALL RATE OF RETURN							8.25%	9.07%		

GDU (PORT LABELLE DIVISION)
 CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 2 - A
 920734 - WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION	
1 LONG TERM DEBT	\$ 90,283	2.50%	10.98%	0.29%	\$ 867,209	\$ 957,492	39.78%	5.70%	3.46%	
2 SHORT-TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
3 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
4 COMMON EQUITY	2,854,123	82.08%	10.48%	8.60%	(1,937,748)	916,375	38.07%	11.83%	4.50%	
5 CUSTOMER DEPOSITS	22,844	0.66%	8.00%	0.05%	0	22,844	0.95%	8.00%	0.08%	
6 ITC'S	214,387	6.17%	0.00%	0.00%	0	214,387	8.91%	0.00%	0.00%	
7 DEFERRED TAXES	295,753	8.51%	0.00%	0.00%	0	295,753	12.29%	0.00%	0.00%	
8 TOTAL CAPITAL	<u>\$ 3,477,390</u>	<u>100.00%</u>		<u>8.94%</u>	<u>\$ (1,070,539)</u>	<u>\$ 2,406,851</u>	<u>100.00%</u>		<u>8.04%</u>	
RANGE OF REASONABLENESS							LOW	11.3%		
RETURN ON EQUITY								10.8%	12.5%	
OVERALL RATE OF RETURN								7.66%	8.42%	

GDU (SILVER SPRINGS SHORES)
 ADJUSTMENTS TO CAPITAL STRUCTURE
 DECEMBER 31, 1992

SCHEDULE NO. 2-B
 920733-WS

DESCRIPTION	SPECIFIC ADJUSTMENT (EXPLAIN)	SPECIFIC ADJUSTMENT (EXPLAIN)	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 2,713,926	\$ 0	(835,425)	1,878,501
2 SHORT TERM DEBT	0	0	0	0
3 CUSTOMER DEPOSITS	0	0	0	0
4 PREFERRED STOCK	0	0	0	0
5 COMMON EQUITY	(2,713,926)	0	(799,550)	(3,513,476)
6 INVESTMENT TAX CREDITS	0	0	0	0
7 DEFERRED INCOME TAXES	0	0	0	0
8 TOTAL CAPITAL	<u>\$ 0</u>	<u>\$ 0</u>	<u>(1,634,975)</u>	<u>(1,634,975)</u>

NOTE - Adjustments in Column 1 (specific adjustments) are addressed in Issue #15.

GDU (PORT LABELLE DIVISION)
 ADJUSTMENTS TO CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 2-B
 920734-WS

DESCRIPTION	SPECIFIC ADJUSTMENT (1)	SPECIFIC ADJUSTMENT (2)	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 1,414,224	\$ 0	\$ (547,015)	867,209
2 SHORT-TERM DEBT	0	0	0	0
3 PREFERRED STOCK	0	0	0	0
4 COMMON EQUITY	(1,414,224)	0	(523,524)	(1,937,748)
5 CUSTOMER DEPOSITS	0	0	0	0
6 ACCUM. DEFERRED INCOME TAX	0	0	0	0
7 OTHER (Explain)	0	0	0	0
8 TOTAL CAPITAL	\$ 0	\$ 0	\$ (1,070,539)	(1,070,539)

GDU (SILVER SPRINGS SHORFS)
STATEMENT OF WATER OPERATIONS
DECEMBER 31, 1992

SCREEN NO. 3 A
920733-86

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 572,687	\$ 309,234	\$ 881,921	\$(419,913)	\$ 462,008	\$ 236,145	700,244
OPERATING EXPENSES						\$ 56,515	
2 OPERATION AND MAINTENANCE	\$ 397,878	\$ 38,985	\$ 436,863	\$(28,865)	\$ 407,998	\$ 0	407,998
3 DEPRECIATION	79,437	(12,491)	66,946	8,993	75,939	0	75,939
4 AMORTIZATION	0	0	0	0	0	0	0
5 TAXES OTHER THAN INCOME	113,151	14,172	127,323	(49,752)	77,571	10,712	88,292
6 INCOME TAXES	0	85,445	85,445	(176,555)	(91,110)	85,614	15,496
7 TOTAL OPERATING EXPENSES	\$ 590,466	\$ 126,111	\$ 716,577	\$(246,179)	\$ 470,398	\$ 96,335	566,732
8 OPERATING INCOME	\$ (17,779)	\$ 183,123	\$ 165,344	\$(173,734)	\$(8,390)	\$ 141,902	133,512
9 RATE BASE	\$ 2,090,641		\$ 1,779,209		\$ 1,541,410		\$ 1,541,410
RATE OF RETURN	-0.85%		9.29%		-0.54%		8.66%

GDU (PORT LABELLE DIVISION)
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 3 - A
 920734 - WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 244,582	\$ 208,465	\$ 453,047	\$(212,580)	\$ 240,467	\$ 182,291	\$ 422,758
OPERATING EXPENSES:						75.81%	
2 OPERATION AND MAINTENANCE	\$ 158,962	\$ 31,505	\$ 190,467	\$(21,510)	\$ 168,957	\$	\$ 168,957
3 DEPRECIATION	98,690	(15,869)	82,821	(31,338)	51,483		51,483
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	90,447	9,582	100,029	(35,080)	64,949	8,203	73,152
6 INCOME TAXES	0	23,824	23,824	(63,797)	(39,973)	65,509	25,536
7 TOTAL OPERATING EXPENSES	\$ 348,099	\$ 49,042	\$ 397,141	\$(151,725)	\$ 245,416	\$ 73,712	\$ 319,129
8 OPERATING INCOME	\$ (103,517)	\$ 159,423	\$ 55,906	\$(60,855)	\$(4,949)	\$ 108,579	\$ 103,630
9 RATE BASE	\$ 2,656,030		\$ 2,114,443		\$ 1,288,754		\$ 1,288,754
RATE OF RETURN	-3.90%		2.64%		-0.38%		8.04%

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GDU (SILVER SPRINGS SHORES)
 STATEMENT OF WASTEWATER OPERATIONS
 DECEMBER 31, 1992

SCHEDULE NO. 3-B
 920733 - WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
1 OPERATING REVENUES	\$ 1,018,288	\$ 604,744	\$ 1,623,032	\$(765,785)	\$ 857,247	\$ 267,074	1,124,621
OPERATING EXPENSES						31.19%	
2 OPERATION AND MAINTENANCE	\$ 610,736	\$ 27,928	\$ 638,664	\$(127,269)	\$ 511,395	\$ 0	511,395
3 DEPRECIATION	181,060	(58,653)	122,407	19,511	141,918	0	141,918
4 AMORTIZATION	0	0	0	0	0	0	0
5 TAXES OTHER THAN INCOME	161,108	27,631	188,739	(57,106)	131,633	12,002	143,655
6 INCOME TAXES	0	240,427	240,427	(291,242)	(50,815)	36,085	45,271
7 TOTAL OPERATING EXPENSES	\$ 952,904	\$ 237,333	\$ 1,190,237	\$(456,106)	\$ 734,131	\$ 108,117	\$ 842,248
8 OPERATING INCOME	\$ 65,384	\$ 367,411	\$ 432,795	\$(309,679)	\$ 123,116	\$ 159,257	\$ 282,373
9 RATE BASE	\$ 6,082,890		\$ 4,657,197		\$ 3,260,021		\$ 3,260,021
RATE OF RETURN	1.07%		9.29%		3.78%		8.66%

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GDU (PORT LABELLE DIVISION)
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 9
 920734 - WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 165,764	\$ 148,796	\$ 314,560	\$ (148,796)	\$ 165,764	\$ 148,796	\$ 314,560
OPERATING EXPENSES:						89.76%	
2 OPERATION AND MAINTENANCE	\$ 107,054	\$ 29,923	\$ 136,977	\$ 6,227	\$ 143,204	\$	\$ 143,204
3 DEPRECIATION	60,226	(6,911)	53,315	(7,129)	46,186		46,186
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	87,762	6,825	94,587	(21,504)	73,083	6,696	73,083
6 INCOME TAXES	0	6,082	6,082	(63,041)	(56,959)	53,472	(2,487)
7 TOTAL OPERATING EXPENSES	\$ 255,042	\$ 35,919	\$ 290,961	\$ (85,447)	\$ 205,514	\$ 60,168	\$ 265,682
8 OPERATING INCOME	\$ (89,278)	\$ 112,877	\$ 23,599	\$ (63,349)	\$ (39,750)	\$ 88,628	\$ 48,878
9 RATE BASE	\$ 1,536,465		\$ 1,362,947		\$ 1,118,090		\$ 1,118,090
RATE OF RETURN	-5.81%		1.73%		-3.56%		4.37%

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GDU (SILVER SPRINGS SHORES) ADJUSTMENTS TO OPERATING STATEMENTS DECEMBER 31, 1992		SCHEDULE NO. 3 - C PAGE 1 OF 1 920733-WS	
EXPLANATION	WATER	WASTEWATER	
1) OPERATING REVENUES			
a) Adjustment to remove requested rate increase	\$ (309,612)	\$ (605,818)	
b) Stipulated adjustment to use actual gallons sold	(110,301)	(159,967)	
	\$ (419,913)	\$ (765,785)	
2) OPERATION AND MAINTENANCE EXPENSES			
a) Adjust salaries and wages to 1992 actual	\$ 21,061	\$ (70,022)	
b) Adjust worker's compensation to 10 month actual	(13,902)	(10,163)	
c) Adjust group insurance to 10 month actual	1,706	(2,936)	
d) Adjust miscellaneous expenses	(2,404)	(876)	
e) Adjust provision for rate case expenses	(6,883)	(6,795)	
f) Stipulated adjustment to purchased power	(28,264)	(31,496)	
g) Stipulated adjustment to chemicals	76	(901)	
h) Stipulated adjustment to fuel for power purchased	(255)	(4,080)	
	\$ (28,865)	\$ (127,269)	
3) DEPRECIATION			
a) Adjustment for used and useful plant	\$ 8,993	\$ 20,709	
b) Adjustment for imputation of CIAC	0	(1,198)	
c) Stipulated adjustment to record amortization for CIAC	(4,175)	(4,384)	
d) Stipulated adjustment related to unrecorded plant	4,175	4,384	
	\$ 8,993	\$ 19,511	
4) TAXES OTHER THAN INCOME			
a) Adjust RAF consistent with adjusted test year revenues	(18,896)	(34,460)	
b) Payroll taxes related to salary adjustment	1,516	(5,042)	
c) Used and useful adjustments to property taxes	(10,011)	(44,620)	
d) Stipulated adjustment to property taxes	(708)	(103)	
e) Adjust property taxes to actual	(21,653)	27,119	
	\$ (49,752)	\$ (57,106)	
(5) INCOME TAXES			
Adjustment to test year income taxes	\$ (176,555)	\$ (291,242)	
(6) OPERATING REVENUES			
Additional revenues required	\$ 238,236	\$ 267,374	
(7) TAXES OTHER THAN INCOME			
Regulatory assessment fees related to revenue adjustment	\$ 10,721	\$ 12,032	
(8) INCOME TAXES			
Income taxes related to revenue adjustment	\$ 85,614	\$ 96,085	

GDU (PORT LABELLE DIVISION) ADJUSTMENTS TO OPERATING STATEMENTS TEST YEAR ENDED DECEMBER 31, 1992		SCHEDULE NO. 3-C 920734-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
(1) OPERATING REVENUES			
a) Reversal of utility's calculation of the necessary rate increment	\$ (208,465)	\$ (148,796)	
b) Adjustment to remove unauthorized misc services charges	(4,115)		
	\$ <u>(212,580)</u>	\$ <u>(148,796)</u>	
(2) OPERATING EXPENSES			
a) To adjust employee wages to 1992 actual	\$ (8,270)	\$ 13,046	
b) To adjust workers compensation to 10 month actual	875	(571)	
c) To adjust group insurance to 10 month actual	(6,251)	742	
d) To adjust miscellaneous expenses	(563)	39	
e) To reduce provision for rate case expense	(7,301)	(7,029)	
	\$ <u>(21,510)</u>	\$ <u>6,227</u>	
(3) DEPRECIATION			
a) Adjustment to correspond with used and useful corrections	\$ (30,982)	\$ (7,013)	
b) Adjustment due to imputation of CIAC	(356)	(116)	
c) Adjustment due to reclassification of CWIP (Stp 6)	(1,525)	(236)	
	\$ <u>(31,338)</u>	\$ <u>(7,129)</u>	
(4) AMORTIZATION	\$ <u>0</u>	\$ <u>0</u>	
(5) TAXES OTHER THAN INCOME			
a) Adjustment to show regulatory assessment fees consistent with adjusted test year revenues	\$ (9,381)	\$ (6,696)	
b) Used and useful adjustment to property taxes	(25,046)	(15,839)	
c) Estimated payroll taxes related salary adjustment	(653)	1,031	
	\$ <u>(35,080)</u>	\$ <u>(21,504)</u>	
(6) INCOME TAXES			
Adjustment to show income taxes consistent with adjusted test year income and interest charges	\$ <u>(63,797)</u>	\$ <u>(63,041)</u>	
(7) OPERATING REVENUES			
Additional revenues for receipt of compensatory earnings	\$ <u>182,291</u>	\$ <u>148,796</u>	
(8) TAXES OTHER THAN INCOME			
Regulatory assessment fees related to revenue adjustment	\$ <u>8,203</u>	\$ <u>6,696</u>	
(9) INCOME TAXES			
Income taxes related to adjusted revenues	\$ <u>85,508</u>	\$ <u>50,472</u>	

COMPANY: GDU/ PORT LABELLE
WATER TREATMENT & DISTRIBUTION PLANT
TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 6
PAGE 1 OF 4
DOCKET NO. 920734-WS

**Allowance for Funds Prudently Invested
Calculation of Carrying Costs for Each ERC
Information Needed**

1.	Non-used Plant - Net	\$1,291,333
2.	Future ERCs	1,863
3.	Annual Depreciation Expense	\$46,851
4.	Rate of Return	8.12%
5.	Weighted Cost of Equity	4.55%
6.	Federal Income Tax Rate	34.00%
7.	State Income Tax Rate	5.50%
8.	Annual Property Tax	\$24,542
9.	Other Costs	\$0
10.	Test Year	1992

COMPANY: GDU/ PORT LABELLE WATER TREATMENT & DISTRIBUTION PLANT TEST YEAR ENDED DECEMBER 31, 1992		SCHEDULE NO. 6 PAGE 2 OF 4 DOCKET NO. 920734-WS	
Allowance for Funds Prudently Invested Calculation of Carrying Costs for Each ERC:			
Cost of Qualifying Assets:	\$1,291,333	Annual Depreciation Expense:	\$ 46,851
Divided By Future ERC:	1,863	Future ERC's:	1,863
Cost/ERC:	\$693.15	Annual Depr. Cost per ERC:	\$ 25.15
Multiply By Rate of Return:	8.12%		
Annual Return Per ERC:	\$56.29	Annual Property Tax Expense:	\$ 24,542
Annual Reduction in Return: (Annual Depreciation Expense per ERC Times Rate of Return)	\$2.04	Future ERC's:	1,863
		Annual Prop. Tax per ERC:	\$ 13.17
Federal Tax Rate:	34.00%	Weighted Cost of Equity:	4.55%
Effective State Tax Rate:	3.63%	Divided by Rate of Return:	8.12%
Total Tax Rate:	37.63%	% of Equity in Return:	56.03%
Effective Tax on Return: (Equity % Times Tax Rate)	21.09%	Other Costs:	\$ 0
Provision For Tax: (Tax on Return/(1 - Total Tax Rate))	33.81%	Future ERC's:	1,863
		Cost per ERC:	\$ 0.00

COMPANY: GDU/ PORT LABELLE
 WATER TREATMENT & DISTRIBUTION PLANT
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 6
 PAGE 3 OF 4
 DOCKET NO. 920734-WS

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

	1992	1993	1994	1995	1996
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	25.15	25.15	25.15	25.15	25.15
Unfunded Property Tax:	13.17	13.17	13.17	13.17	13.17
Subtotal Unfunded Annual Expense:	\$ 38.32	\$ 38.32	\$ 38.32	\$ 38.32	\$ 38.32
Unfunded Expenses Prior Year:	0.00	38.32	76.64	114.96	153.29
Total Unfunded Expenses:	\$ 38.32	\$ 76.64	\$ 114.96	\$ 153.29	\$ 191.61
Return on Expenses Current Year:	3.11	3.11	3.11	3.11	3.11
Return on Expenses Prior Year:	0.00	3.11	6.22	9.34	12.45
Earnings Prior Year:	0.00	56.28	118.21	186.23	260.84
Compound Earnings from Prior Year:	0.00	4.57	9.60	15.12	21.19
Total Compounded Earnings:	\$ 59.40	\$ 121.32	\$ 189.34	\$ 263.95	\$ 345.70
Earnings Expansion Factor for Tax:	1.34	1.34	1.34	1.34	1.34
Revenue Required to Fund Earnings:	\$ 79.48	\$ 162.33	\$ 253.35	\$ 353.19	\$ 462.57
Revenue Required to Fund Expenses:	38.32	76.64	114.96	153.29	191.61
Subtotal:	\$ 117.80	\$ 238.98	\$ 368.32	\$ 506.48	\$ 654.18
Divided by Factor for Gross Receipts Tax:	0.955	0.955	0.955	0.955	0.955
ERC Carrying Cost for 1 Year:	\$ 123.35	\$ 250.24	\$ 385.67	\$ 530.34	\$ 685.00

COMPANY: GDU/ PORT LABELLE
WATER TREATMENT & DISTRIBUTION PLANT
TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 6
PAGE 4 OF 4
DOCKET NO. 920734-WS

**Allowance for Funds Prudently Invested
Schedule of Charges:**

	1992	1993	1994	1995	1996
January	10.28	133.92	261.52	397.73	543.23
February	20.56	144.50	272.81	409.78	556.12
March	30.84	155.07	284.10	421.84	569.01
April	41.12	165.64	295.38	433.89	581.90
May	51.39	176.22	306.67	445.95	594.78
June	61.67	186.79	317.95	458.01	607.67
July	71.95	197.37	329.24	470.06	620.56
August	82.23	207.94	340.53	482.12	633.45
September	92.51	218.51	351.81	494.17	646.34
October	102.79	229.09	363.10	506.23	659.22
November	113.07	239.66	374.38	518.29	672.11
December	123.35	250.24	385.67	530.34	685.00

COMPANY: GDU/ PORT LABELLE
 WASTEWATER TREATMENT & DISPOSAL PLANT
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 7
 PAGE 1
 DOCKET NO. 920734-WS

**Allowance for Funds Prudently Invested
 Schedule of Charges:**

	PREVIOUSLY APPROVED		STAFF RECOMMENDED		
	1989	1990	1990	1991	1992 & AFTER
January	407.20	520.50	522.98	659.24	659.24
February	416.60	530.42	535.37	659.24	659.24
March	426.00	540.33	547.76	659.24	659.24
April	434.40	550.25	560.15	659.24	659.24
May	444.80	560.16	572.54	659.24	659.24
June	454.19	570.88	584.93	659.24	659.24
July	463.19	579.99	597.32	659.24	659.24
August	472.99	589.91	606.71	659.24	659.24
September	482.39	599.82	622.10	659.24	659.24
October	491.79	609.74	634.49	659.24	659.24
November	501.19	619.66	646.88	659.24	659.24
December	510.59	629.57	659.24	659.24	659.24

GDU (SILVER SPRINGS SHORES)
 CALCULATION OF AFUDC
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 8
 DOCKET NO. 920733-WS
 PAGE 1 OF 1

Average Capital Structure

Per Staff	Average Capital Structure	Staff Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Class of Capital							
Long Term Debt	\$1,892,570	161,106	\$2,053,676	42.74%	8.70%	3.72%	
Short Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	532,397	(468,868)	63,529	1.32%	8.00%	0.11%	
Common Equity	59,829,791	(57,864,305)	1,965,486	40.90%	11.83%	4.84%	
Investment Tax Credits	3,411,842	(2,936,218)	475,624	9.90%	0.00%	0.00%	
Deferred Taxes	(136,721)	383,593	246,872	5.14%	0.00%	0.00%	
Other	136,721	(136,721)	0	0.00%	0.00%	0.00%	
Total	\$65,666,600	(\$60,861,413)	\$4,805,187	100.00%		8.66%	0.594738%

Per Utility	Average Capital Structure	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Class of Capital							
Long Term Debt	\$1,892,570	(1,719,314)	\$173,256	2.69%	10.98%	0.30%	
Short Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	532,397	(468,868)	63,529	0.99%	8.00%	0.08%	
Common Equity	59,829,791	(54,352,666)	5,477,125	85.10%	10.48%	8.92%	
Investment Tax Credits	3,411,842	(2,936,218)	475,624	7.39%	0.00%	0.00%	
Deferred Taxes	(136,721)	383,593	246,872	3.84%	0.00%	0.00%	
Other	136,721	(136,721)	0	0.00%	0.00%	0.00%	
Total	\$65,666,600	(\$59,230,194)	\$6,436,406	100.00%		9.29%	0.743235%

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GDU (PORT LABELLE)
 CALCULATION OF AFUDC
 TEST YEAR ENDED DECEMBER 31, 1992

SCHEDULE NO. 8
 DOCKET NO. 920734-WS
 PAGE 1 OF 1

Average Capital Structure

Per Staff Class of Capital	Average Capital Structure	Staff Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Long Term Debt	\$1,892,570	(935,078)	\$957,492	39.78%	8.70%	3.46%	
Short Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	532,397	(509,553)	22,844	0.95%	8.00%	0.08%	
Common Equity	59,829,791	(58,913,416)	916,375	38.07%	11.83%	4.50%	
Investment Tax Credits	3,411,842	(3,197,455)	214,387	8.91%	0.00%	0.00%	
Deferred Taxes	(136,721)	432,474	295,753	12.29%	0.00%	0.00%	
Other	136,721	(136,721)	0	0.00%	0.00%	0.00%	
Total	\$65,666,600	(\$63,259,749)	\$2,406,851	100.00%		8.04%	0.646592%

Per Utility Class of Capital	Average Capital Structure	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Long Term Debt	\$1,892,570	(1,802,287)	\$90,283	2.60%	10.98%	0.29%	
Short Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	532,397	(509,553)	22,844	0.66%	8.00%	0.05%	
Common Equity	59,829,791	(56,975,668)	2,854,123	82.08%	10.48%	8.60%	
Investment Tax Credits	3,411,842	(3,197,455)	214,387	6.17%	0.00%	0.00%	
Deferred Taxes	(136,721)	432,474	295,753	8.51%	0.00%	0.00%	
Other	136,721	(136,721)	0	0.00%	0.00%	0.00%	
Total	\$65,666,600	(\$62,189,210)	\$3,477,390	100.00%		8.94%	0.716053%

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