

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Rate ) DOCKET NO. 920148-WS  
Increase in Pasco County by ) ORDER NO. PSC-93-1675-FOF-WS  
JASMINE LAKES UTILITIES ) ISSUED: 11-18-93  
CORPORATION. )  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
JULIA L. JOHNSON  
LUIS J. LAUREDO

APPEARANCES:

F. MARSHALL DETERDING, Esquire, Rose, Sundstrom & Bentley,  
2548 Blairstone Pines Drive, Tallahassee, Florida 32301  
On Behalf of Jasmine Lakes Utilities Corporation.

JACK SHREVE and H.F. MANN, Esquires, Office of Public Counsel,  
Claude Pepper Building, Room 812, 111 West Madison St.,  
Tallahassee, Florida 32399-1400  
On Behalf of the Citizens of the State of Florida.

MATTHEW J. FEIL, Esquire, Florida Public Service Commission,  
101 East Gaines Street, Tallahassee, Florida, 32399-0863  
On Behalf of Commission Staff.

FINAL ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

BACKGROUND

Jasmine Lakes Utilities Corporation (Jasmine or utility) is a Class B utility which provides water and wastewater services to over 1500 residential customers and approximately 34 general service customers in New Port Richey, Florida. Jasmine's service area is located in the Northern Tampa Bay Water-Use Caution Area as designated by the Governing Board of the South Florida Water Management District.

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On June 26, 1992, the utility filed a request for interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. The applications, as filed, did not meet the minimum filing requirements (MFRs). On July 17, 1992, the utility completed the MFRs and that date was established as the official date of filing. The utility asked that its rate request be processed pursuant to the Proposed Agency Action (PAA) process. The approved test year for setting rates in this proceeding is the twelve months ended December 31, 1991.

According to the MFRs, Jasmine had operating revenues of \$341,585 and a net operating loss of \$15,548 for the water system and operating revenues of \$125,979 and a net operating loss of \$90,370 for the wastewater system. Jasmine requested final revenue requirements of \$520,486 for the water system and \$436,061 for the wastewater system.

By Order No. PSC-92-1120-FOF-WS, issued October 6, 1992, this Commission suspended Jasmine's requested rates and approved interim rates subject to refund. The interim revenue requirements were \$389,640 for water, a 11.11 percent increase over test year revenues, and \$290,839 for wastewater, a 130.86 percent increase. By Proposed Agency Action (PAA) Order No. PSC-93-0027-FOF-WS, issued January 5, 1993, the Commission proposed granting Jasmine an increase in its water and wastewater rates. However, that Order was timely protested by the Office of Public Counsel (OPC) and Mr. Merle Baker, a customer of the utility. As a result of those protests, an administrative hearing was held June 28, 29, and 30, 1993, in New Port Richey, Florida. By Order No. PSC-93-0519-FOF-WS, issued April 6, 1993, the Commission acknowledged Jasmine's implementation of the rates approved in the PAA Order and required additional security for the potential refund of the PAA rates.

#### 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, and Staff agreed upon a number of stipulations. At the hearing, we accepted the following stipulations:

Category One Stipulations

Those stipulations where the utility, OPC, and Staff agreed are set forth below:

1. The utility's pro forma adjustment to 1991 test year purchased water cost should be reduced by \$1,172 to reflect the actual water rate currently being charged by Pasco County.
2. Operation and maintenance expense should be decreased by \$1,338 for the water division and by \$43 for the wastewater division for out-of-period expenses and charitable contributions.
3. Since accumulated depreciation and accumulated amortization of CIAC were understated for four months of 1990, average accumulated depreciation should be increased by \$4,496 for water and \$4,929 for wastewater, and average accumulated amortization of CIAC should be increased by \$1,207 for water and \$1,014 for wastewater.
4. The equity component of the utility's capital should be reduced by \$9,813 to remove investment in non-utility operations.
5. The utility's requested \$25,496 in annual wastewater collection system repair expense should not be allowed in this proceeding. (The utility indicated it would request a limited proceeding for system repairs based on the results of its current line televising and cleaning program.)
6. Miscellaneous expenses should be reduced by \$180.

Category Two Stipulations

Those stipulations where the utility and Staff agreed, but where OPC took no part in the stipulations are set forth below:

1. The cost of equity should be set by the leverage formula in effect at the time of the Commission's vote on final rates in this case. A range of plus or minus 100 basis points should be recognized for ratemaking purposes.

2. The wastewater violation reconnection charge should be revised so as to allow collection of actual costs.

MOTION TO STRIKE PORTIONS OF EXHIBIT NO. 46

On July 22, 1993, OPC filed a Motion to Strike Portions of Late-Filed Exhibit No. 46. As grounds for the motion, OPC alleged that only one page of the six page exhibit is responsive to Staff's request. OPC further alleges that the four pages of narrative that accompany the exhibit are improper testimony which should be stricken from the record. On July 29, 1993, the utility filed its response alleging that the narrative in question is responsive to Staff's request to identify the Department of Environmental Protection (DEP) sludge holding requirement and that its purpose was to further explain the basis of the utility's understanding of DEP's sludge holding requirements.

We agree that to some extent Late-Filed Exhibit No. 46 goes beyond what was specifically requested. However, we also find that the contents of this exhibit should be given whatever weight we deem appropriate in reaching our final decision in this docket. Therefore, we hereby deny OPC's Motion to Strike.

MOTION FOR EXTENSION OF TIME TO FILE BRIEF

On July 27, 1993, the utility filed a Motion for Extension of Time to file its Post-hearing brief. Neither OPC nor Staff had any objections to this request. Both parties filed their briefs on August 6, 1993. Since the briefs were filed within the week requested, and no party objected to this extension of time, we find there was no prejudice to any party. Accordingly, the Motion for Extension of Time is hereby granted.

MOTIONS TO STRIKE POST-HEARING MEMORANDA

On August 12, 1993, OPC filed a Motion to Strike the Post-hearing Memorandum of the utility. On August 13, 1993, the utility responded and filed its Motion to Strike OPC's Post-hearing Memorandum. On August 17, 1993, both parties filed Notices of Withdrawal of these Motions to Strike. Therefore, the Motions to Strike Post-hearing Memoranda are deemed withdrawn.



QUALITY OF SERVICE

Thirty-three customers testified at the customer testimony portion of the hearing. Several customers testified that the water was undrinkable. One customer testified that he experienced low water pressure, and two other customers had experienced a water outage. Some customers testified about unsatisfactory work by the utility, while others testified that the utility was not responsive to the customers' needs. One customer testified that the office hours are abbreviated. Most customers testified about the amount of the rate increase requested.

Staff witness Barker testified that the utility was in compliance with the maximum contaminant levels set by the DEP for primary and secondary standards except for turbidity and copper. Witness Barker further testified that required chlorine residuals are maintained. Staff witness Burghardt testified that the wastewater treatment facilities were meeting requirements as set forth by DEP. However, witness Burghardt also testified that the utility had failed to obtain a construction permit for the sludge dewatering equipment now in service and that enforcement action for failure to apply for a permit prior to its installation may occur.

In response to the utility's failure to meet standards with regard to turbidity, utility witness Dreher provided information in a late filed exhibit that the turbidity problem has been corrected since all of the utility's water is purchased from Pasco County and is no longer pumped from the utility's wells. Witness Dreher also stated because all the utility's water is purchased from Pasco County, the utility is no longer responsible for the level of copper in the water.

Customers have complained that the utility office is only open for payment of bills from 9:00 a.m. to 12:00 p.m. for eight months of the year. Even though the utility provides a drop box for payments, we find that the utility should provide customers better access to utility employees during regular working hours.

Two customers testified about delays in repairing excavations for line repairs. The utility responded that the excavation holes are left open for inspection and observation for leaks and that delays are sometimes caused by the need to obtain dumptrucks and order dirt. We disagree with the utility that there is any need to delay repairing these excavations. The utility must immediately

repair these excavations. Once the line's water pressure is restored, the utility will know if the line is properly repaired.

Based on the evidence in the record, we find that the overall quality of service provided by the utility is satisfactory. However, we find it appropriate to require the utility to identify the steps it will take to improve customer access to utility employees, and to take steps to insure that excavations are filled without delay. Accordingly, the utility is hereby required to file a written report within 60 days of the issuance date of this Order which explains how it will address these two concerns.

#### RATE BASE

Our calculations of the appropriate rate bases for this utility are depicted on Schedules Nos. 1-A for water and 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.

#### Retirement of Water Treatment Plant, Land, and Pumping and Storage Facilities

The parties and Staff agree all of the dollars booked in the following accounts should be retired: Account 307.2 (Wells and Springs), Account 304.3 (Structures and Improvements), and Account 320.3 (Water Treatment Equipment). Therefore, we find that the retirement of all of the dollars booked for wells and springs, structures and improvements, and water treatment equipment (Accounts 307.2, 304.3, and 320.3) is appropriate. Accordingly, we have removed \$65,598 from rate base.

The utility does not believe, however, that it is appropriate to retire the facilities booked in Accounts 303.2 (Land and Land Rights), 309.2 (Supply Mains), 311.2 (Pumping Equipment), and 330.4 (Distribution Reservoirs & Standpipes).

Although the utility has interconnected with Pasco County for water service, the utility requested that the pumping and storage facilities remain in rate base. The utility states that the storage facilities will allow the utility to buy water from Pasco County during off peak hours and thereby avoid the County's peaking charge. Utility witness Nixon testified that the storage

facilities can reduce the cost of purchased water because the bulk rate charge by Pasco County includes a \$.91 per 1,000 gallon peak demand charge. The utility has an ongoing lawsuit against Pasco County concerning this charge for water.

OPC argues that the storage and pumping facilities should be retired because any possible savings are dependent upon the outcome of the lawsuit with Pasco County and is not based on known and measurable facts. OPC argues that these facilities are redundant and that it would be unfair to make the customers pay twice for these facilities, once through the inclusion in the utility's rate base and then again through the charges assessed by Pasco County.

We agree with OPC that the utility's argument that any potential savings in the purchased water expense is dependent upon the unknown outcome of its lawsuit against Pasco County Utilities. We find that it would not be appropriate to require the customers to pay rates which include a return on this plant based solely on a possibility that the utility will win its litigation against Pasco County Utilities. We find that the utility failed to provide adequate support for its claim that an emergency water source is required. We also find that the pumping and storage facilities, Accounts 330.4 and 311.2, are redundant and are no longer necessary to serve the utility's water customers. Accordingly, we find the retirement of all of the pumping and storage facilities, Accounts 330.4 and 311.2, to be appropriate and have removed \$139,523 from rate base.

Utility witness Dreher testified that only \$20,560 should be retired from Account 309.2, Supply Mains. Witness Dreher further testified that the remaining \$99,712 balance now represents transmission and distribution mains, not supply mains. Utility witnesses Nixon and Dreher testified that these lines originally functioned as supply mains but became part of the transmission and distribution system as the area was developed. Mr. Dreher testified that he reviewed the system as-built drawings and determined that only 5,140 feet of 6" supply mains should be retired. Mr. Dreher calculated the \$20,560 original cost for these lines by multiplying 5,140 by an estimated original cost of \$4 per foot. The \$4 per foot estimate was based upon discussions with Wray Enterprises and other contractors.

OPC argues that all of the supply mains should be retired since Mr. Dreher did not provide any documentation to support the \$4 per foot cost for the lines. OPC further argues that the supply

mains should be removed from rate base because Mr. Dreher could only speculate about the circumstances which resulted in the booking of the \$120,272 by the previous owners of the utility.

We agree with the utility that there are not enough supply mains in this system to justify the retirement of \$120,272 booked as supply mains. Although the utility's witnesses did not have personal knowledge about why the lines were all booked in this account, we find that the character of these lines changed from supply mains to distribution mains as the development expanded. In addition, we reviewed the distribution system as-built drawings provided with the MFRs. We find Mr. Dreher's estimate for the length of supply mains which should be retired, 5,140 feet, to be reasonable. We also find Mr. Dreher's \$4 per foot original cost for 6" water mains to be reasonable. By multiplying 5,140 by \$4, we determined that a \$20,560 adjustment to the supply mains, Account 309.2, is appropriate. Accordingly, rate base has been reduced by \$20,560 to reflect our adjustment to the supply mains account.

Utility witness Nixon testified that the \$2,570 booked for Land & Land Rights includes 105,000 sq. ft. of land used for general plant and 15,000 sq. ft. of land used for the water treatment and storage facilities. Utility witness Nixon also testified that 87.5 percent of the land in Account 303.2 should be classified as general plant (used for a storage and maintenance shed). Since the water treatment and storage facilities occupy only 12.5 percent of the land, witness Nixon opined that only \$321 (12.5 percent of \$2,570) should be retired. OPC argues that all of the \$2,570 booked for land should be removed from rate base because of the retirement of the water treatment plant. We agree. Based on our decision above that the entire water treatment plant be retired, we find it appropriate to retire the \$2,570 booked in Account 303.2 for land. Accordingly, rate base has been reduced by \$2,570 to reflect our adjustment to the land and land rights account.

In summary, we find that the appropriate total amount of adjustments for the retirement of plant associated with the water treatment plant is \$228,251.

#### Rapidrain Sludge Dewatering Equipment

In its MFRs, the utility requested that \$250,000 should be included in rate base for Rapidrain sludge dewatering equipment.

The clarifier at a wastewater treatment plant separates effluent from the sludge. Utility witness Lloveras testified that the utility's wastewater treatment plant's 15,000 gallon digester was inadequate and that a 65,000 to 75,000 gallon digester is generally required for a wastewater treatment plant with Jasmine's capacity. Rather than add the additional digester capacity, the utility purchased a sludge dewatering unit, the Rapidrain. The utility purchased the Rapidrain in August, 1990, from Mr. Dreher's brother in exchange for 2,000 shares of Jasmine's stock. On January 17, 1991, the 2,000 shares were transferred back to Mr. Dreher for \$250,000 at 10 percent interest over 17 years. The utility has not requested recovery of the interest expense.

On cross-examination, utility witness Dreher testified that a smaller dewatering unit could serve Jasmine. This is supported by the fact that the same size Rapidrain was sold to the City of Tacoma, which has a 5.0 million gallons per day (mgd) wastewater treatment plant (Jasmine's wastewater treatment plant capacity is 0.368 mgd). Although the Rapidrain has a greater capacity than is necessary, witness Lloveras testified that the cost of a smaller dewatering unit, which is comparable to the Rapidrain, is \$205,000. Mr. Lloveras testified that the smaller unit's cost would be more than \$250,000 if it were upgraded to match the Rapidrain's economy of operation and maintenance.

Utility witness Dreher calculated that a \$40,959 reduction in sludge hauling expense offsets the Rapidrain's rate of return, depreciation, and operation expense. Witness Dreher also testified that once the County's sludge disposal facility becomes operational, an additional \$10,000 to \$12,000 yearly savings will be possible. Witness Dreher further testified that these cost savings outweigh the fact that the Rapidrain is oversized.

It is OPC's position that the Rapidrain is 19 percent used and useful. This used and useful adjustment was derived by averaging two methods which OPC used to calculate the used and useful percentage. Using the fact that Tacoma's wastewater treatment plant has a 5.0 mgd capacity, 14 times as large as Jasmine's 0.368 mgd plant, OPC calculated a 7 percent used and useful percentage. OPC also calculated a 31 percent used and useful percentage based on 90,000 gallon weekly capacity of the Rapidrain and the 28,000 gallons of sludge produced weekly by the wastewater treatment plant. OPC then averaged the 7 and 31 percentages to arrive at the 19 percent used and useful percentage which OPC advocates is appropriate.

We disagree with the utility's arguments for allowing all of the Rapidrain's cost in rate base. Even though there are many different types of sludge dewatering equipment, witness Lloveras only used dewatering systems similar to the Rapidrain for his comparison.

Utility witness Dreher compared the sludge hauling savings with the expenses associated with the Rapidrain. This comparison showed that the rate of return, depreciation expense, and operation expense (maintenance and labor expenses were not included in the comparison) for the Rapidrain offset the savings in sludge hauling. We find that if the labor and maintenance expenses are included in Mr. Dreher's comparison, the Rapidrain does not provide any cost savings. Therefore, we find that allowing the Rapidrain's \$250,000 cost to remain in rate base will not provide any cost savings for the customers.

We also find that the Rapidrain is oversized for the utility's needs. In addition, we find that the utility failed to fully explore other treatment alternatives and that another utility would have purchased a smaller dewatering unit or installed additional digester capacity. Further, we note that the purchase of the Rapidrain was not an arm's length transaction. Therefore, we have determined that an adjustment for the Rapidrain is appropriate.

However, we do not agree with OPC's adjustment. We find that it is appropriate to allow at least the minimum amount of plant which the utility would have needed to construct without the Rapidrain. We find that it is appropriate to allow only \$86,250 of the Rapidrain's \$250,000 cost in rate base. This amount represents the cost of adding 50,000 gallons of digester capacity at the wastewater treatment plant. Mr. Lloveras testified that if the utility did not have the Rapidrain, then 50,000 gallons of additional digester capacity would be required. Witness Lloveras also testified that the cost for 50,000 gallons of digester capacity would be \$69,000. On cross-examination, witness Lloveras testified that installation would be an additional 25 percent of the cost or \$17,250. Based on the foregoing, we calculated the total cost (\$69,000 plus \$17,250) to be \$86,250.

Accordingly, we have adjusted rate base to reflect our finding that \$86,250 is the appropriate amount of rate base attributable to the sludge dewatering equipment.



### Used and Useful

The utility's service area is 100 percent built-out. DEP required the previous owners to expand the wastewater treatment plant in order to gain renewal of their operating permits. It is OPC's position that used and useful should be calculated by comparing the average daily flow for the maximum month of the test year to the capacity of the utility's wastewater treatment facilities. OPC's position does not take into consideration that the service area is 100 percent built-out.

There is no evidence, other than on the Rapidrain, that the wastewater treatment plant is oversized for its present customers. Therefore, we find that the wastewater treatment plant is 100 percent used and useful, and no margin reserve is necessary.

Earlier in this Order, we found it appropriate to retire the water treatment plant. With this retirement, no used and useful calculation is necessary for the water treatment plant.

Utility witness Dreher testified that there are no vacant lots in the utility's service area. Therefore, we also find that the water distribution and wastewater collection lines are 100 percent used and useful.

### Allocation of Common Costs

In a later portion of this Order, we have determined that a 10 percent reduction to test year expenses is appropriate. Consistent with that determination, we find it appropriate to reduce general plant by 10 percent for the allocation of common costs to non-utility operations.

### Negative Acquisition Adjustment

It is the utility's position that no negative acquisition adjustment should be included in rate base. The utility argues that this Commission previously disallowed inclusion of a negative acquisition adjustment for the utility in PAA Order No. 23728, issued November 7, 1990, which became final and effective without protest. The utility further argues that the record in this case is devoid of evidence that extraordinary circumstances existed at the time of transfer.



OPC witness Dismukes testified that a negative acquisition adjustment of \$17,753 should be included in rate base. To support this position, OPC cites utility witness Dreher's testimony that the utility was in bad shape prior to purchase, that the utility had not been maintained in seven years, and that the previous owner had neglected the utility for a long time. OPC witness Dismukes concluded that recognition of this cost/book value difference should be made. OPC further argues that recognition of this difference would insulate the ratepayers from failures or negligence by the prior utility management.

We agree with OPC. The facts of this case are such that even though this Commission did not include an acquisition adjustment to rate base in the transfer docket, Docket No. 900291-WS, we find that it is patently unfair and unjust to the customers of this utility, for the investors to receive a return on that portion of the original purchase price that was less than rate base. In reaching this conclusion, we have relied on customer testimony, the need for repairs and improvements to the system at the time of the transfer, and the lack of responsibility in management. In Order No. 23728, this Commission determined that the transfer of the Jasmine Lakes system to the current owner was in the public interest because, "... the utility's water and wastewater systems need improvements and the stockholders have committed to making the improvements necessary to provide the customers with quality of service." Order No. 23728 at 4. Further, we note that in 1990, the time of the transfer, the utility was already purchasing 80 percent of its water from Pasco County, yet the utility has earned a return on the water plant components for the past two years. Order No. 23728 at 3. In addition, we find that rate base was adjusted in the transfer docket to, "reflect repairs and improvements that need to be made to the wastewater plant." *Id.* Based on the foregoing, we find it appropriate to adjust rate base to include a negative acquisition adjustment of \$6,495 to water and \$11,258 to wastewater.

#### Vehicles

In its MFRs, the utility included the retirement of two vehicles. The MFRs reflect that the value of these vehicles has been removed from rate base, along with their related accumulated depreciation and depreciation expense. OPC argues that rate base should be reduced by \$10,000, the cost of the two vehicles. OPC witness Dismukes testified that these vehicles were purchased from a related party, Jim Dreher, Inc. According to witness Dismukes,

at the time of sale in 1990, these assets had a zero book value in the hands of the seller. Based on the fact that these vehicles had a zero book value, were purchased from a related party, and were subsequently retired in 1992, OPC argues that rate base should be reduced by the cost of both vehicles, \$10,000.

Utility witness Dreher testified that a two to three year life is normal for a used vehicle, therefore the retirement was normal. He further testified that the purchase price reflected the fair market value of the vehicles at the time of purchase. Witness Dreher also testified that he had studied the cost of buying a truck, and at the time of this transaction, \$10,000 was a reasonable price. Utility witness Nixon testified that the retirement of these vehicles was proper.

Utility witness Nixon also testified that a correction to the MFRs should be made for an inadvertent retirement, a tractor, and that transportation expense should be decreased for repairs that were not made to one of the retired trucks cited above. According to witness Nixon, the tractor should not have been retired as it is still in use at the utility. These corrections have no effect on rate base for the test year, as the tractor became fully depreciated in the test year; however, utility witness Nixon testified that depreciation expense should be increased by \$411 for this correction. Witness Nixon further testified that the cost of a new engine for one of the retired vehicles, \$1,250, should be reduced as the repair was not made.

The MFRs indicate that the used vehicles had three year lives, which we find to be reasonable. Further, we find that since the vehicles were fully depreciated following the third year of service, the effect on rate base was zero prior to the retirement.

While we are not persuaded by the "study" done by utility president Dreher in support of this related party transaction, we find it unnecessary to address the value issue since the utility's adjustment eliminates any effect these assets will have in the determination of the revenue requirement.

Based on the foregoing, we find it appropriate to approve the retirement. We also find it appropriate to correct the errors brought out in Mr. Nixon's testimony. Accordingly, depreciation expense has been increased by \$411 and maintenance expense has been reduced by \$1,250.

Working Capital

In its application, the utility calculated its working capital allowance by using the formula approach, which is based on one-eighth of operation and maintenance (O&M) expenses. Utility witness Nixon testified that the 1/8th of O&M expense formula method was a fairly cost effective method to determine the requirements of working capital on a going-forward basis, and it is meant to approximate 45 days of lead/lag time in collecting utility operating expenses. He further stated that Section 367.081(2)(a), Florida Statutes, provides for recognition of a utility's requirements for working capital. If a utility is losing money, like Jasmine, Mr. Nixon stated that the balance sheet method will always show depressed working capital, which in this case was zero. He testified that this could not be the working capital requirements of the utility. Mr. Nixon concluded that using the formula method was the best solution for the complex problem of calculating the utility's working capital requirements.

Utility witness Nixon agreed that the one-eighth approach is designed to give the utility 45 days for expenses due to the fact that customers are billed in arrears. He also agreed that the utility has 55 days in which to pay for purchased water costs from the date of receipt of service. Utility witness Nixon clarified his position on the lag in paying purchased water cost by saying that the 55 day time period was a "worst case" and that the normal period would be about 30 days. He stated that the utility does not get a bill from the county until 30 days after the end of the month and Jasmine's customers are not billed until after the bill is received from the county.

OPC witness Dismukes testified that her calculation of the working capital using the balance sheet method resulted in a negative \$101,870. Based on that calculation, she testified that she had zeroed out the utility's working capital requirement. She did not, however, provide any testimony as to why the balance sheet approach should be used in this proceeding as opposed to the formula approach.

As an alternative to using the balance sheet method, OPC argued that working capital calculated using the formula method be reduced by \$26,847 to remove purchased water expense from the formula calculation of working capital. OPC asserted, in its brief, that prior to adopting the formula approach for the electric industry, the Commission used the formula approach, adjusting it to

remove purchased power and fuel expenses. Removing the purchased water costs of Jasmine, OPC argued, would be analogous to removing the purchased power and fuel expense for an electric utility.

We find that the evidence in the record supports the use of the formula approach instead of the balance sheet method for calculating working capital. However, we agree with OPC that an adjustment for purchased water is appropriate. The record supports a finding that the lag time for purchased water payments is 55 days which, also considering the significant amount of this expense, is sufficient to warrant the adjustment.

Based on the foregoing, we have calculated the appropriate amount of working capital to be \$18,961 for water and \$28,142 for wastewater.

#### Test Year Rate Base

Based on our decisions and adjustments discussed above, we find the appropriate test year rate bases for the test year ended December 31, 1991 to be \$167,966 for water and \$438,860 for wastewater.

#### 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

Based on our adjustments discussed in earlier portions of this Order, the appropriate overall rate of return has been determined using the utility's adjusted capital structure, with each item reconciled on a pro rata basis. This results in an overall rate of return of 10.29 percent, with a range of reasonableness of 10.17 percent to 10.42 percent. The equity ratio for the utility is 12.52 percent. Using the current leverage graph formula, contained in Order No. PSC-93-1107-FOF-WS, issued July 29, 1993, the appropriate return on equity is 10.97 percent. Therefore, we find that the appropriate range of reasonableness for the return on equity is 9.97 percent to 11.97 percent.

NET OPERATING INCOME

Our calculation of net operating income 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.

Legal Expenses

During the test year, the utility incurred \$8,526 in legal expense of which \$5,672 related to current litigation with Pasco County over purchased water rates. While Mr. Dreher agreed that costs related to the litigation with Pasco County should not be recognized as a recurring expense in this rate proceeding, he noted that no consideration had been given to the cost of annual index and pass-through filings or the costs required to monitor the County's water rate setting process. Mr. Dreher claimed that the annual cost to hire consultants to monitor County "ratemaking" activity will be approximately \$10,000.

OPC witness Dismukes testified these legal expenses should not be recovered from the ratepayers.

The utility has been sued by the County for nonpayment of water bills. The utility hopes that through litigation it will be able to effect a rate reduction for all wholesale water purchasers in Pasco County. Utility witness Dreher testified that he believes that by conducting this suit, and maintaining water storage and pumping facilities, the County will be inclined to lower rates for all of its wholesale customers. We find that any potential legal remedy, be it refunds or a rate reduction, is merely speculative, and therefore, the cost for such litigation should not be borne by the ratepayers.

Further, we find that \$10,000 a year to monitor County activity is not reasonable and should not be borne by the ratepayers. It should be incumbent on the utility president, as part of his compensated duties, to understand the process at the County level and to insure that the rates being charged to the utility are reasonable. Current ratepayers should not be saddled with the legal expense of challenging the agreement the utility has with Pasco County for purchased water. In addition, we note that

the Jasmine ratepayers who pay county taxes are also paying for the County's legal expense related to this lawsuit.

Based on the foregoing, we find the expense related to the lawsuit with Pasco County to be both nonrecurring in nature and inappropriate for recovery from the ratepayers. Accordingly, we have reduced test year legal expense by \$5,672. This leaves a balance of \$2,854 to recover reasonable and recurring legal expense, for example the legal cost of a pass-through or index filing.

Amortization of Loss From the Retirement of the Water Plant

Based on our decision in an earlier portion of this Order to retire the entire water treatment plant, a loss from retirement of \$87,332 will occur.

Utility witness Nixon testified that a loss should be recognized in accordance with standard Commission policy, and the National Association of Regulatory Utility Commissioners system of accounts. Witness Nixon also testified that a shorter amortization period would be appropriate because the facilities being retired are nearing the end of their useful lives, according to depreciation schedules contained in Rule 25-30.140, Florida Administrative Code. Witness Nixon further testified that these assets were placed in service in the mid 1970's, and therefore have been in service for almost 21 years.

Mr. Nixon agreed with OPC witness Dismukes' testimony that if a four-year period were used to amortize this loss, that shareholders would be absorbing 25 percent of the loss on this retirement. A longer amortization period would increase the percentage of loss that the shareholders would have to bear. Mr. Nixon also testified that requiring the shareholders to absorb any portion of the loss would be confiscatory.

OPC witness Dismukes testified that the loss on the abandoned plant should be amortized over a period of fifteen years. She further testified that a fifteen-year amortization period would be appropriate, as it more evenly splits the cost of the abandonment between the ratepayers and stockholders and results in an approximate 50/50 sharing of the loss. Should the Commission decide that this sharing of loss is unacceptable, witness Dismukes testified that the loss of \$125,259 should be amortized over seven years instead, which she states is the period of time that is



obtained using the Commission's standard approach to calculating the amortization period.

We find that the Commission's standard method for calculating an amortization period outlined in Exhibit 33 should be employed in this instance. Based on our calculation using that method, the appropriate amortization period for the \$87,332 loss is six years. We find this period to be reasonable, and therefore reject witness Dismukes' testimony that the period should be extended to fifteen years. The difference between the seven year amortization period calculated by OPC and the six year period approved herein is the result of a difference in the amount of loss used in the calculation. We find that the utility is entitled to recover the investment made in what was once used and useful plant. Rate shock would result if this loss on retirement were taken directly to the income statement in the test period. By amortizing the amount over six years, the shareholders receive a timely return on the retired assets, while the ratepayers are insulated from the effects of this loss. Accordingly we have adjusted test year operating expenses by \$14,555 for the amortization of the loss resulting from the retirement of the water treatment plant.

Expense Adjustments Related to the Retirement of the Water Treatment Plant

OPC and the utility agreed on the expense adjustments necessary as a result of the abandonment of all of the water treatment facilities. However, depreciation expense and amortization of CIAC are fall-out amounts which were adjusted to reflect our decision in an earlier portion of this Order on the rate base adjustments related to the retirement of the water treatment plant. Accordingly, we have made the following adjustments:

Depreciation Expense:	\$( 7,126)
Amortization of CIAC:	2,081
Chemical Expense:	(2,106)
Purchased Power Expense:	(10,405)
Labor Expense:	(3,800)
Contractual Services - Other:	(1,800)
Well Lease:	(5,641)
Property Tax Expense:	<u>(4,058)</u>
Total	<u>\$(32,855)</u>



Based on the foregoing, we find the appropriate total amount of adjustments to expenses for the abandonment of the water treatment facilities is a reduction of \$32,855.

Allocation of Test Year Expenses to Non-utility Operations

In its MFRs, the utility allocated 2 percent of its common costs to non-utility operations. OPC witness Dismukes testified that 33 percent of common costs should be allocated between the utility and other non-utility corporations. The basis for the allocation proposed by OPC is as follows: the utility president worked on non-utility matters more than 2 percent of the time; the utility shares the same physical facility with several other related companies; and, phone records detail that non-utility activity was conducted on a utility telephone.

We find OPC's 33 percent allocation of common costs to non-utility operations and other affiliated companies to be unreasonable. However, we also find the 2 percent allocation by the utility to be insufficient. The record is replete with evidence that utility president Dreher is involved, to one degree or another, in several other companies, companies such as Waste Recovery Systems, Inc., Jim Dreher, Inc., Dreher-Bennett Contractors, Inc., and DellChem, Inc. The record shows that several related companies, including the utility, share a common office building. Although utility witness Dreher testified that each company located at this facility has its own employees, office space, assets, phone, etc., and that the allocation factor was a result of a review of employee activity, we find that the utility's testimony is not sufficient for us to conclude that a 2 percent allocation is appropriate.

Evidence in the record shows that the utility president spends approximately one third of his time on non-utility business, contrary to the utility's position that he spends only 2 percent of his time on non-utility business. Further, the telephone records show that certain non-utility related long distance charges amounting to \$1,370 were incurred (i.e., calls to Congressman Billirakis and to the law firm handling the Pasco County lawsuit).

Based on the foregoing, we find that a 10 percent reduction to test year expenses, except for salaries and legal expenses, for allocated costs is appropriate. Accordingly, we have reduced test year expenses for water by \$9,117, and for wastewater by \$8,085. Our adjustment to test year legal expense is discussed in an

earlier portion of this Order. Our adjustment to salaries, wages, benefits and taxes is discussed below.

#### Adjustments to Salaries, Wages, Benefits and Taxes

OPC and the utility agree that the pro forma adjustment for salaries and benefits contained in the MFRs should be adjusted to actual expenses. However, the parties disagree on the period of time to which the true-up should apply. OPC witness Dismukes testified that the amounts should be true-up to year-end 1992 amounts. Utility witness Nixon testified that the amounts should be true-up to utility levels as of April, 1993.

According to the MFRs, utility president Dreher spends 98 percent of his time running the utility. But when asked why he signed an insurance application in 1990, after purchasing the utility, that listed Dreher-Bennett Contractors as his employer, witness Dreher testified that it was a mistake by his insurance agent. When asked why his personal tax return showed nearly one-third of his income coming from non-passive (material participation) ownership interests, Dreher responded that it was a mistake by his tax accountant. We find that these inconsistencies, along with the confusion over just what companies Dreher has an ownership interest in, form the basis for rejecting the MFR claim that Mr. Dreher spends 98 percent of his time managing the utility.

On cross-examination, utility witness Nixon testified that generally one could compare the staff of Mad Hatter to Jasmine. Witness Nixon also acknowledged that the president of Mad Hatter's salary is about \$24,000 lower than Mr. Dreher's. While this evidence is not in and of itself conclusive of excessive salary, we find that it supports our conclusion that a reduction to Mr. Dreher's salary is appropriate in this case.

Based on the foregoing, we reject the parties' adjustments to the pro forma amounts of salaries and benefits. However, we find it appropriate to reduce the utility president's salary by one third or \$24,834, and to reduce related benefits by \$14,306. Accordingly, test year expenses have been reduced by \$39,140.

#### Transportation Expense

In its MFRs, the utility included transportation expense for a lease for three vehicles of \$13,800. Utility witness Dreher testified that there are several reasons why three vehicles are

needed: to cover the cross-connection program; to provide leak detection service; to conduct water audits; to do manhole repairs; and to provide water meter box repairs and painting. To accomplish these tasks, along with attendance at meetings with the South Florida Water Management District, Pasco County, and the West Regional Water Supply Authority, utility witness Dreher testified that three vehicles are necessary. Utility witness Nixon testified that prior to the lease of the three trucks, the utility had operated with just two.

It is OPC's position that the utility needs only two vehicles, based on the utility's history of operating with just two vehicles, and utility witness Dreher's testimony that a majority of his work was done at the office. Therefore, OPC argues, one third or \$4,600 of the expense of the three-vehicle lease should be removed.

We agree with OPC. Considering the close geographic nature of the service area, the "built-out" status of the utility, the fact that both the owner, his son, and another employee have vehicles, and finally, that the utility has a history of operating with only two vehicles, we find that the lease of a third vehicle is excessive. Therefore, we find it appropriate to reduce test year transportation expense by \$4,600.

#### Hazard, Pollution/Product Liability, and Liability Insurance

In its application, the utility requested the recovery of pro forma expenses of \$4,000 for hazard insurance, \$20,000 for pollution/product liability insurance and \$6,000 for liability insurance. Utility witness Nixon testified that the utility had actually spent the following amounts on these pro forma insurance adjustments in 1992, the year after the test year: hazard insurance \$3,150; pollution insurance \$250; liability insurance \$5,799.

It is OPC's position that only the actual amounts incurred in 1992 should be allowed.

Utility witness Nixon stated that the pollution insurance is being sought by the utility to cover the liability related to disposal and hauling of sludge. Mr. Nixon testified that he was unsure of the requirement that mandates this coverage or the nature of the liability faced by the utility. Further, witness Nixon testified that the utility has been operating without this coverage for the past two years. In addition, witness Nixon testified that

he was not sure whether this type of insurance had been designed to cover small water and wastewater utilities.

Utility witness Dreher testified that this pollution insurance is necessary in order for the utility to bring its operations in line with reasonable accepted standards in the industry. Witness Dreher relies on a letter from his insurance salesman which states that DEP mandates this type of pollution insurance coverage. We do not agree.

We find that, pursuant to DEP Rule 17-640.300, Florida Administrative Code, the utility can eliminate or minimize any liability through proper operation of the plant and by contracting with a sludge haul operator that is properly insured. Further, we find that the other two types of insurance, hazard and liability insurance, should be trued-up to the level actually spent in 1992. Accordingly, we have reduced insurance expense by \$20,801, which represents \$850 for hazard insurance, \$19,750 for pollution insurance, and \$201 for liability insurance.

#### Contractual Services-Other

In its MFRs, the utility included pro forma test year expenses for meter box repair, meter reading, and TV line inspection. It is OPC's position that the following adjustments reducing contractual services expense should be made: \$1,372 for meter box repair, \$3,744 for meter reading, \$4,848 for TV inspection.

OPC witness Dismukes testified that the pro forma adjustments to meter box repair and meter reading contained a redundant provision for labor. Utility witnesses Dreher and Nixon both agreed that the labor component for the meter repair and meter reading was overstated. Utility witness Dreher agreed with Ms. Dismukes on the adjustment for meter box repair labor and utility witness Nixon agreed that one of the four field employees could "possibly" handle the additional meter reading.

It is undisputed that the labor component for meter repair and meter reading is overstated. We find that the four current field employees of the utility are sufficient for the additional meter reading and repair and that hiring an additional employee would be redundant.

Utility witness Dreher also testified that TV inspection and clearing of wastewater lines is necessary to avoid future costs and problems. Witness Dreher further testified that these preventive measures are absolutely necessary in order to take proper maintenance precautions, and that to penalize the utility for not having these funds to cover all costs will be detrimental to ratepayers. OPC witness Dismukes testified that the pro forma adjustment for TV inspections was overstated and that the amount in the MFRs should be trued-up to the amount that was actually spent in 1992, \$4,128.

We find that the actual spending pattern of the utility in 1992 is indicative of the utility's intentions with regard to the current TV line inspection program. Therefore, we find it appropriate to adjust the TV line inspection and cleaning to the 1992 actual amount.

Based on the foregoing, we have reduced meter box repair and painting by \$1,372, meter reading by \$3,744, and TV line inspection and cleaning by \$4,848.

#### Rate Case Expense

The projected provision for rate case expense per the MFRs was \$84,500. This provision was updated through Exhibit 48 to \$211,445 for a 150 percent increase. The updated request shows that the engineering expense was \$6,684, the legal expense was increased by 236 percent to \$117,702, the accounting expense was increased by 76 percent to \$79,306 and miscellaneous expenses were increased by 72 percent to \$7,753. Utility witness Nixon testified that several minor errors were contained in the exhibit supporting rate case expense and the utility agreed that these errors should be corrected.

The utility defended its request for rate case expense arguing that the costs requested have been incurred, that the expense for the case increased substantially due to the protest of the PAA Order, and that the prosecution of this case was necessary and appropriate. Utility witness Nixon testified that he did not know of a percentage to apply to entries in the legal billings to determine the exact amount of time spent on any given issue or project. He further testified that one can only make a reasonable estimate of the time involved, should an adjustment be warranted. On cross-examination, utility witness Nixon agreed that the legal invoices contained several errors, including charges for work on

unrelated cases, for legal work performed in preparation of a prior unfiled rate case, for obtaining copies of the utility's annual reports from this Commission, and redundant effort.

OPC argues that the ratepayers have been overcharged and that, if services provided by the attorney were provided in a manner similar to that provided by the accountant, the ratepayers would have realized a savings. It is OPC's position that the case could have been handled by other employees who bill at a lower hourly rate. Alternatively, OPC argues that the hourly rate of the attorney should be reduced to the hourly rate charged by the utility accountant (\$135 versus \$150).

Our analysis of the rate case expense exhibit, Exhibit 48, shows that a substantial amount of legal effort was spent on the production of the personal tax returns of the utility president. By Order No. PSC-93-0934-FOF-WS, issued June 22, 1993, we required the utility to produce those tax returns. The tax returns refuted utility president Dreher's testimony that he spends 98 percent of his time running the utility, and an immaterial amount of his time, 2 percent, running other businesses. Based on the information contained in the returns, we determined in an earlier portion of this Order that a reduction to the president's salary is appropriate. Based on these findings, we have reduced the legal expense to remove costs associated with the efforts to resist the production of the tax returns.

Upon review of the evidence in the record, we also find that the rate case expense exhibit contains billing errors, redundant effort, and excessive costs in the legal and accounting fees requested. In reaching our conclusion herein, we have also considered the lack of line item detail in the legal invoices. We find that those charges which are in error, redundant or excessive should not be borne by the ratepayers and should be the responsibility of the shareholders.

The utility has a responsibility to minimize rate case expense and to incur only those expenses which are reasonable. We recognize that in this case, some increase in rate case expense was caused by the additional effort required to go to hearing after the protest of our PAA Order. However, it is the utility's burden to prove that its requested rate case expense is both reasonable and prudent. While the utility did provide documentation to support that rate case expense was incurred, we find that it did not meet the burden of proving that all of the accounting and legal fees



charged were reasonable. We do find that the fees charged by the engineer and the miscellaneous expense charges are reasonable and should be recovered.

Based on the above, and based on our experience, expertise and discretion in this area, we find the appropriate amount of legal fees for rate case expense to be \$70,000. Similarly, we find that the appropriate amount of accounting fees for rate case expense to be \$70,000. Accordingly, we find the total amount of allowable rate case expense to be \$154,437.

The utility shall file a detailed statement of the actual rate case expense incurred within sixty days of the issuance of this final Order, or if applicable, within sixty days after the issuance of an Order entered in response to a motion for reconsideration of such final Order. In preparing the final rate case expense statement, the format for Schedule B-10 of the MFRs is to be used.

#### Test Year Operating Income

Based on the utility's application and our decisions made herein, we find the appropriate test year operating income before any provision for increased revenues to be \$351,264 and \$125,979 for water and wastewater, respectively.

#### REVENUE REQUIREMENT

Based on the utility's application, our adjustments herein, and calculations discussed above, we find that the appropriate annual revenue requirement is \$439,199 for water, and \$342,012 for wastewater. This represents an increase of \$87,935 (25.03 percent) for water, and \$216,033 (171.48 percent) for wastewater. These revenue requirements will allow the utility the opportunity to recover its operating expenses and will allow it the opportunity to earn a 10.29 percent return on its investment.

#### RATES AND RATE STRUCTURE

We have calculated new water and wastewater rates for the utility which are designed to achieve the revenue requirement approved herein. We find these new rates to be fair, just and reasonable. We have utilized the base facility/gallorage charge rate structure in designing these rates. The comparison of the utility's original rates, interim rates, requested rates, and our



final approved water and wastewater rates are set forth in Schedules Nos. 4-A and 4-B.

#### Private Fire Protection

The utility has agreed to the need for and the amount of a new private fire protection charge. OPC did not participate in this issue. We hereby approve a new class of service for private fire protection. We find the appropriate rates for the private fire protection service to be one-third of the approved water base facility charge for comparable line sizes, with a minimum of a 4" line size. These rates are shown on Schedule No. 4-A following the residential and general service water rates.

#### Refund of Unauthorized Private Fire Protection Revenues

In its MFRs, the utility included one private fire protection customer. Utility witness Nixon testified that he had determined that the customer was a private fire protection customer based upon the utility's billing register. Witness Nixon also testified that the utility did not have a private fire protection class of service in its tariff prior to this rate case. In addition, witness Nixon testified that the private fire protection customer included in the MFRs is not a private fire protection customer because the line has three hydrants on it instead of a sprinkler line and because with hydrants, the customer has the ability to use water for purposes other than fire protection.

On cross-examination, utility witness Dreher testified that the utility's billing register shows that Jireh Development was designated as a private fire protection customer and that beginning January 1991, Jireh Development was charged a monthly charge of \$148.12. This charge is equal to the approved 6" meter water base facility charge in the utility's tariff. Mr. Dreher further testified that beginning May 1993, the rate charged was the private fire protection rate approved in PAA Order No. PSC-93-0027-FOF-WS which was implemented by the utility following the protest of the Commission's PAA Order, as authorized by Order No. PSC-93-0519-FOF-WS.

In previous decisions, the Commission has not limited private fire protection service to sprinkler lines. We recognize fire hydrants in one of two ways. Public fire hydrants are included in the monthly service rates of customers, and privately owned fire hydrants are placed under the private fire protection class of

service. In no instance are fire hydrants placed under the general service classification.

Although Mr. Nixon testified that this customer has the ability to use water through the hydrants for other purposes, we find that this customer has not used any water through the hydrants. This finding, in conjunction with the utility's willingness to charge this customer as a private fire protection customer under the PAA implemented rates, forms the basis for our decision that this customer is in fact a private fire protection customer which should be billed under the private fire protection class of service.

Section 367.081(1), Florida Statutes, provides that a utility may only charge rates and charges that have been approved by the Commission. Section 367.091(3), Florida Statutes, states that a utility may only impose and collect those rates and charges approved by the Commission for the particular class of service involved. It also states that a change in any rate schedule may not be made without Commission approval.

We find that the utility violated these statutes by charging unauthorized private fire protection rates from January 1991 to May 1993. While we are not making a finding that a penalty for these violations should be imposed, we do find that a refund with interest is appropriate under the circumstances. Any future violations of this nature will be addressed in show cause proceedings. If the utility had requested approval of a new class of service for private fire protection, the appropriate rate would have been one-third of the utility's approved 6" meter rate, or \$49.37. Therefore, we find that the utility has overcharged Jireh Development by \$98.75 a month, or a total of \$2,765, for the period January 1991 to May 1993. In addition, we find that the utility included the full revenue collected from this customer during the test year in its filing. Accordingly, we find it appropriate to require the utility to refund two-thirds of the total revenue collected from the customer for private fire protection service, \$2,765, plus interest to Jireh Development. Further, we have removed one-third of the revenue, or \$1,185, from the test year revenues.

#### Residential Wastewater Gallonage Cap

The utility's current residential wastewater gallonage cap is 10,000 gallons per month. In its application, the utility proposed

using the same level. Utility witness Nixon testified at the hearing that he determined that level to be appropriate because the consolidated factor percentage at the 10,000 gallon level encompassed 80 to 90 percent of the water used by the residential wastewater customers. Mr. Nixon further testified that he had calculated the proposed wastewater rates assuming that 80 percent of the residential customers' water would be returned to the wastewater system.

Mr. Nixon testified that he was aware of DEP's definition that an equivalent residential connection (ERC) is equal to 350 gallons per day per customer. He also testified that he was familiar with the assumptions underlying that definition, specifically, 100 gallons per day per 3.5 people in a household. Mr. Nixon agreed that the majority of Jasmine's customers are retired individuals with only one or two people per household. Mr. Nixon also testified that lowering the gallonage cap has the effect of increasing the gallonage charge. He further testified that he was not aware of any utility which the Commission regulates which has a cap lower than 6,000 gallons. Mr. Nixon testified that he had calculated the consolidated factor at other usage levels prior to filing the MFRs.

Utility witness Nixon later opined that the Commission should consider a cap below 6,000 gallons even if it has never been done before. He testified that looking at the usage on a nonconsolidated basis, the average water usage for these wastewater customers is slightly over 4,000 gallons per month. Additionally, he testified that if an 80 percent factor is applied for return to the wastewater plant, it results in usage slightly over a 3,000 gallon cap. Mr. Nixon also testified that another reason to implement the lower cap would be to level off a decline in usage that the utility has been experiencing.

In his rebuttal testimony, utility witness Dreher proposed that a gallonage cap of approximately 3,000 gallons per month should be utilized. He also testified that the average water usage per customer is 4,200 gallons per month. Witness Dreher added that based upon an industry standard of 65 percent water returned to the wastewater system, a wastewater cap of 3,000 gallons per month is justified. Witness Dreher further testified that a lot of customers do not like the 10,000 gallon cap; that he had information from the EPA or environmental engineering indicating that 70 percent of water used is returned to the wastewater plant; that the 3,000 gallon cap would keep the utility out of the

situation it is in now because of declining water sales; and that there may be more customers putting in wells for irrigation because of the current gallonage cap.

The purpose behind the use of a residential wastewater gallonage cap is to recognize that a portion of the water used by customers will not be returned to the wastewater treatment plant. For example, water used for irrigation and washing cars will not be returned to the plant. Much of the testimony in this case discussed the percentage of wastewater returned to the plant. Mr. Nixon utilized an 80 percent return factor in his calculation of the proposed rates included in the MFRs. Mr. Dreher opined 70 percent is more accurate. Commission practice is to utilize an 80 percent return factor. However, this percentage is primarily used in the calculation of the actual rates rather than the determination of the gallonage cap. The Commission has historically determined the residential wastewater gallonage cap based upon the type of customer base and the percentage of the consolidated factor gallons at various levels of usage.

As discussed earlier, Mr. Nixon testified that he was aware of the DEP definition that one ERC is equal to 350 gallons per day, and that this figure is based upon usage of 100 gallons per day by 3.5 people per household. He also agreed that the utility primarily serves a retirement community with only one or two people per household. Applying the same standard, their usage would be approximately 200 gallons per day per household or 6,000 gallons per month.

The utility's billing analysis indicates that 87 percent of the residential wastewater billed in 1991 was below the 6,000 gallons per month level, and the average consumption was 4,308 gallons per bill. Conversely, only 13 percent of the wastewater billed in 1991 was above the 6,000 gallons level. Additionally, the billing analysis indicates that 82 percent of the total residential wastewater bills were for usage under 6,000 gallons per month.

The billing analysis also indicates that 60 percent of the residential wastewater billed in 1991 was below the 3,000 gallons per month level. Stated differently, 40 percent of the residential wastewater billed was above the 3,000 gallons level. Also, only 53 percent of the total residential wastewater bills were for usage below 3,000 gallons.

The Commission generally establishes monthly residential wastewater gallonage caps at 10,000, 8,000, or 6,000 gallons. Simply applying the DEP standard, 6,000 gallons is an appropriate cap for a retirement community such as Jasmine Lakes. Additionally, the high percentage of wastewater billed and the number of bills for usage below the 6,000 gallons level also indicates that a cap of 6,000 gallons would be appropriate for this utility. A 6,000 gallons cap will incorporate most of the residential wastewater that is currently billed by the utility. Accordingly, we have determined the appropriate wastewater to gallonage cap to be 6,000 gallons per month.

#### Base Facility Charge Rate Structure

It is Commission policy to use the base facility charge rate structure for setting rates because of its ability to track costs and to give the customers some control over their water and wastewater bills. Each customer pays his pro rata share of the related costs necessary to provide service through the base facility charge and only the actual usage is paid for through the gallonage charge. Although the Water Management Districts have begun to advocate alternative conservation measures such as inclining block rate structures, the Commission considers the base facility charge rate design to be a conservation rate structure.

As discussed earlier, the utility is located in the Southwest Florida Water Management District, which has been designated as a critical use area. According to the utility's billing analysis, the customers' average monthly water usage is only 4,286 gallons per bill. The billing analysis also indicates that 82 percent of the water billed during the test year was below the 6,000 gallons level, which is the DEP standard for this type of customer base. Based upon the utility's billing analysis, it appears that the Jasmine customers are already conserving water. Therefore, we find that no additional conservation measures beyond the base facility charge rate structure are necessary for this utility.

The approved final rates for water service are uniform for residential and general service customers. Also, the approved rates for private fire protection equal one-third of the base facility charge for water for each comparable line size, with a minimum of a 4" line size, as discussed in an earlier portion of this Order. The rates for wastewater service include a base charge for all residential customers regardless of meter size with a cap of 6,000 gallons of usage per month on which the gallonage charge

may be billed. There is no cap on usage for general service wastewater bills. The differential in the gallonage charge for residential and general service wastewater customers is designed to recognize that a portion of a residential customer's water usage will not be returned to the wastewater system.

#### Effective Date

The approved rates shall be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff sheets. Tariff sheets will not be approved until after Staff verifies that the tariff sheets are consistent with this Commission's decision herein, and that the proposed customer notice letter is adequate.

#### 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 thereafter by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

The utility has taken the position that the rates should be reduced only if and to the extent the utility is overearning at the time the four-year period expires, and that to do otherwise would be confiscatory. OPC has taken the position that the rates should be reduced in accordance with Section 367.0816, Florida Statutes, and that the final amount of the rate reduction is subject to the resolution of other issues. None of the parties provided testimony at the hearing regarding this issue.

It is well established that a statute is presumed to be constitutional and must be given effect until judicially declared unconstitutional. The right to declare a statute unconstitutional is purely a judicial power and cannot be exercised by executive or administrative officers. We find that the utility's argument that application of the statute would be confiscatory and therefore, unconstitutional, has been raised in the wrong forum. Therefore, we have rejected the utility's request to reduce the rates only if and to the extent that the utility is overearning in four years.



Since October 1, 1989, the issue of rate case expense apportionment has been an issue in all rate case proceedings. Commission practice in applying Section 367.0816, Florida Statutes, has been to reduce the rates of the utility by the annual rate case expense amount amortized plus the gross-up for regulatory assessment fees. This rate reduction methodology has been applied to all utilities that have filed requests for rate relief since October 1, 1989. Pursuant to Section 367.0816, Florida Statutes, we find it is appropriate to reduce the rates of this utility after four years to reflect the complete amortization of rate case expense.

Accordingly, we find it appropriate to reduce the water rates by \$20,538 and the wastewater rates by \$19,890 after four years, as shown in Schedules Nos. 5-A and 5-B. The revenue reductions reflect the annual rate case amounts amortized (expensed) plus the gross-up for regulatory assessment fees.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility shall file a proposed "customer letter" setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

#### Interim Rate Refund

On October 6, 1992, the Commission issued Order No. PSC-92-1120-FOF-WS approving interim rate increases of \$38,968 (11.11 percent) and \$164,860 (130.86 percent) for water and wastewater, respectively. These increases resulted in annual revenues of \$389,640 for water and \$290,839 for wastewater and were subject to refund in the event that excessive earnings were later determined. On January 5, 1993, the Commission issued PAA Order No. PSC-93-0027-FOF-WS which approved rate increases of \$159,015 (45.27 percent) and \$262,702 (208.53 percent) for water and wastewater, respectively. These increases resulted in annual revenues of \$510,279 for water and \$388,681 for wastewater. Since the PAA Order was protested by a customer and OPC, the utility, by statute, was permitted to place the PAA rates into effect subject to refund.



According to Section 367.081(8), Florida Statutes, the utility could implement its proposed rates because the case was protested. However, the utility elected to implement the Commission's proposed agency action (PAA) rates which were lower than the utility's proposed final rates. The final rates approved in Order No. PSC-93-0027-FOF-WS have been in effect since March 7, 1993, on an interim basis pending the outcome of the rate proceeding.

Pursuant to Section 367.082, Florida Statutes, any refund of interim rates is 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 are removed.

In its brief, the utility argued that the actual revenues collected during the period interim and PAA rates were in effect should be used instead of the Commission approved revenue requirements. We find that there is no evidence in the record to support the utility's position. Therefore, we find the revenue requirements approved herein are appropriate to use in the calculation of refunds.

In this proceeding, the test period for interim and final rates was the twelve months ended December 31, 1991. The approved interim rates did not include any provisions for pro forma consideration of increased operating expenses or increased plant.

To establish the proper refund amount, we have calculated an adjusted final revenue requirement using the same data used to establish final rates, but excluding the pro forma provisions for rate case expense. This pro forma change was excluded since it was not an actual expense during the interim collection period. We computed the comparable revenue requirement using the cost of capital determined in this Order, since this overall cost of capital includes the return on equity that, by statute, is the prescribed return to be used to test for excessive earnings during the interim collection period.

We have compared the adjusted final revenue requirement with the interim and PAA revenue requirements to determine whether any refunds are necessary. Using these principles, we have calculated that the adjusted revenue requirements were \$429,779 for the water division and \$332,888 for the wastewater division. These revenues are greater than the revenue permitted under interim, but less than

those allowed under PAA. Therefore, we find that the utility must refund \$80,500 on an annual basis, or 15.82 percent of the PAA revenues, for water service billed between March 7, 1993 and when the approved final rates are implemented. Also, the utility must refund \$55,793 on an annual basis, or 14.41 percent of the PAA revenues, for wastewater service billed between March 7, 1993 and implementation of the final rates. The refunds shall be made with interest and pursuant to Rule 25-30.360, Florida Administrative Code.

#### Service Availability Policy

The utility's existing service availability policy was approved by Order No. 23728 in Docket No. 900291-WS on November 7, 1991, when the certificates of Jasmine Lakes Services, Inc. were transferred to Jasmine Lakes Utilities Corporation. Under the policy, developers are required to construct and donate all on-site facilities, including on-site water and wastewater lines, services and fire hydrants. The utility has only one water service availability charge and does not have any wastewater service availability charges. The current water charge is a customer connection (tap-in) charge of \$10.00 for 5/8" x 3/4" and 1" meters. The utility did not request approval of plant capacity, main capacity, or main extension charges because the water and wastewater systems are built-out. However, the utility did request approval of backflow preventer installation charges and a backflow preventer inspection charge, which are discussed in a later portion of this Order.

As of December 31, 1991, the utility's contribution level was 29.76 percent for water and 19.10 percent for wastewater. These levels are below the guidelines set forth in Rule 25-30.580, Florida Administrative Code. Rule 25-30.580(1)(b), Florida Administrative Code, states that the minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems. Following this guideline, the utility's minimum contribution level for 1991 is 50.62 percent for water and 33.17 percent for wastewater. However, Rule 25-30.580(2), Florida Administrative Code, allows the Commission the discretion to exempt a utility from compliance with Subsection (1) of that Rule if compliance is determined not to be in the best interests of the utility or customers.

We find that implementation of additional service availability charges is unnecessary because the utility has reached build-out in its service territory. Because the utility is at build-out, there will be no new customers to pay the service availability charges even if we approved the additional charges. In the event that two or three more customers were to connect to the system, we find that it would be unduly burdensome for those few customers to pay service availability charges sufficient to bring the utility into compliance with the Rule. Based on the foregoing, we find it appropriate to exempt this utility from compliance with Rule 25-30.580(1), Florida Administrative Code.

Backflow Prevention Devices

In its MFRs, the utility requested backflow preventer installation and backflow preventer inspection charges. It is OPC's position that the Commission should order the utility to present its cross-connection control program for Commission approval before the Commission considers any grant of pro forma expenses or approval of the connection and inspection charges. Also, OPC argues that the Commission should also consider the revenues to be received by the utility in conjunction with any expenses the utility claims it will incur with the initiation of its program.

The Utility's requested charges are as follows:

BackFlow Preventer Installation Charge:

<u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$205.00
1"	\$290.00
1 1/2"	\$395.00
2"	\$490.00
Over 2"	Actual Cost

Backflow Preventer Inspection Charge (Annual Charge):

<u>Meter Size</u>	<u>Charge</u>
All Meter Sizes	\$ 55.00

Utility witness Dreher testified at the hearing that DEP Rule 17-555.360(2), Florida Administrative Code, requires the utility to establish a cross-connection control program to detect and prevent cross-connections that create or may create an imminent and substantial danger to public health. He also testified that Subsection 3 of that Rule states that the utility is required to eliminate any prohibited cross-connection by installing an appropriate backflow prevention device or discontinue service until the contaminated source is eliminated.

Mr. Dreher also testified that the utility is implementing a DEP approved cross-connection control program. In addition, witness Dreher opined that installation of backflow prevention devices on all of the residential connections in Jasmine's service territories is appropriate based on discussions with other cities which are installing the devices on all connections. Mr. Dreher also testified that the backflow prevention devices must be inspected by a person licensed in backflow prevention and not an employee of the utility.

We find that Rule 17-555.360, Florida Administrative Code, does not clearly require every customer to install a backflow prevention device. Therefore, we are not approving the utility's request to install backflow prevention devices on every customer connection. We find that it is appropriate for the utility to identify customers who pose a hazard and require those customers to install a backflow prevention device. Those customers shall be given an opportunity to eliminate or remove the cross-connections prior to requiring the installation of a device. Also, those customers who are required to purchase a backflow prevention device must be given the option of purchasing the device from the utility or another source. Further, all devices, whether purchased from the utility or not, will be owned by the customers and, therefore, shall not be carried on the utility's books.

We find the requested backflow prevention installation charges to be appropriate for devices installed by the utility. However, we find that although testing is required by reference in the DEP rules cited above, the frequency of the testing is not specified. Therefore, we find it appropriate to deny the utility's request to collect an annual inspection charge until such time as DEP clarifies its requirements on this subject.

Accordingly, the utility's requested backflow preventer installation charges are hereby approved. The utility's requested backflow preventer inspection charge is denied. The utility shall only be authorized to collect the installation charge if installation of the device is required by the DEP or requested by the customer. The utility shall file revised tariff sheets which specify that customers have the option of eliminating or removing the cross-connections prior to installation of a device. The tariff shall also specify that customers have the option of purchasing the device from the utility or another source. The devices will be owned by the customers and shall not be carried on the utility's books. The charges shall be effective for installations performed after the stamped approval date of the revised tariff sheets.

Docket Closing

This docket may be closed administratively after the final Order has been issued, the interim refund has been completed by the utility and verified by Staff, and the proper revised tariff sheets and customer notice have been filed by the utility and approved by Staff. The escrow account related to this docket should be closed upon verification of the refund by Staff. The escrow account required by Orders Nos. 25790 and PSC-92-0260-FOF-WU in Docket No. 920010-WU shall remain open until the completion of that Docket.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Jasmine Lakes Utilities Corporation, for an increase in its water and wastewater rates in Pasco County is approved as set forth in the body of this Order. It is further

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

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

ORDERED that Jasmine Lakes Utilities Corporation is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

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DOCKET NO. 920148-WS  
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ORDERED that the rates approved herein shall be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff sheets. It is further

ORDERED that, prior to the implementation of the rates and charges approved herein, Jasmine Lakes Utilities Corporation shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decisions herein. It is further

ORDERED that prior to its implementation of the rates and charges herein, Jasmine Lakes Utilities Corporation 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. It is further

ORDERED that Jasmine Lakes Utilities Corporation shall file a written report within 60 days of the issuance of this Order which explains how it will address customer complaints concerning business hours and the timeliness of filling excavation holes. It is further

ORDERED that Jasmine Lakes Utilities Corporation shall refund two-thirds of the total revenue collected for private fire protection service, or \$2,765, plus interest to Jireh Development. It is further

ORDERED that the Motion of the Office of Public Counsel to Strike Exhibit 46 is hereby denied. It is further

ORDERED that the Motion of Jasmine Lakes Utilities Corporation for Extension of Time is hereby granted. It is further

ORDERED that the backflow prevention device charges approved herein shall be effective for installations performed after the stamped approval date of the revised tariff sheets. It is further

ORDERED that the refund and the refund reports shall be completed in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that this docket may be closed administratively after the interim refund has been completed by the utility and verified by Staff, and the proper revised tariff sheets and customer notice



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have been filed by the utility and approved by Staff. The escrow account related to this docket should be closed upon verification of the refund by Staff. It is further

ORDERED that Jasmine Lakes Utilities Corporation shall file a detailed statement of the actual rate case expense incurred within sixty days after this 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 this final Order. In preparing the final rate case expense statement, the format for Schedule B-10 of the MFRs is to be used.

By ORDER of the Florida Public Service Commission, this 18th day of November, 1993.

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

( S E A L )

CB

Commissioner Johnson dissents on the issue of including a negative acquisition adjustment in rate base. The Commission previously decided the issue of whether an acquisition adjustment was appropriate in the transfer case. OPC witness Dismukes testified in the instant proceeding that she did not consider the circumstances under which the utility was purchased to be extraordinary, but that the utility had not been properly maintained. Therefore, in the absence of any evidence of any extraordinary circumstances, the Commission's previous decision in Order No. 23728 should not be disturbed and a negative acquisition should not be made. Commissioner Johnson also dissented on the determination of the appropriate method for calculating working capital.

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.

JASMINE LAKES UTILITIES CORPORATION  
 SCHEDULE OF WATER RATE BASE  
 DECEMBER 31, 1991

SCHEDULE NO. 1 - A  
 920148-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 595,751 \$	(69,021)\$	526,730 \$	(233,746)\$	292,984
2 LAND	2,570	0	2,570	(2,570)	0
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(238,399)	65,986	(172,413)	94,759	(77,654)
5 ACQUISITION ADJUSTMENT -NET	0	0	0	0	0
6 CIAC	(193,231)	0	(193,231)	74,336	(118,895)
7 AMORTIZATION OF CIAC	83,476	0	83,476	(30,906)	52,570
8 DEBIT DEFERRED INCOME TAXES	0	0	0	0	0
9 WORKING CAPITAL ALLOWANCE	39,715	14,642	54,357	(35,396)	18,961
<b>RATE BASE</b>	<b>\$ 289,882 \$</b>	<b>11,607 \$</b>	<b>301,489 \$</b>	<b>(133,523)\$</b>	<b>167,966</b>
	=====	=====	=====	=====	=====

JASMINE LAKES UTILITIES CORPORATION  
SCHEDULE OF WASTEWATER RATE BASE  
DECEMBER 31, 1991

SCHEDULE NO. 1-B  
920148-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 918,016	\$ (5,000)	\$ 913,016	\$ (176,291)	736,725
2 LAND	5,802	0	5,802	0	5,802
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0
4 ACCUMULATED DEPRECIATION	(215,661)	(12,883)	(228,544)	(305)	(228,849)
5 ACQUISITION ADJUSTMENT - NET	0	0	0	0	0
6 CIAC	(162,245)	0	(162,245)	0	(162,245)
7 AMORTIZATION OF CIAC	58,270	0	58,270	1,014	59,284
8 DEBIT DEFERRED INCOME TAXES	0	0	0	0	0
9 WORKING CAPITAL ALLOWANCE	21,485	14,748	6,203	(1,097)	28,142
<b>RATE BASE</b>	<b>\$ 625,667</b>	<b>\$ (3,135)</b>	<b>\$ 622,532</b>	<b>\$ (183,672)</b>	<b>438,860</b>

JASMINE LAKES UTILITIES CORPORATION ADJUSTMENTS TO RATE BASE DECEMBER 31, 1991		SCHEDULE NO. 1-C 920148-WS	
EXPLANATION	WATER	WASTEWATER	
<b>1. UTILITY PLANT IN SERVICE</b>			
A. To adjust value of rapid drain equipment	\$ 0	\$ (163,750)	
B. To retire water treatment plant	(225,681)	0	
C. To allocate to nonutility operations	(1,570)	(1,283)	
D. To adjust for negative acquisition amount	(6,495)	(11,258)	
	\$ (233,746)	\$ (176,291)	
<b>2. LAND</b>			
A. To retire water plant land	\$ (2,570)	\$ 0	
<b>3. ACCUMULATED DEPRECIATION</b>			
A. To remove accumulated depreciation related to the retirement of the treatment plant	\$ 98,696	\$ 0	
B. To remove accumulated depreciation related to the adjusted value of sewer treatment plant	0	4,048	
C. To adj. acc. depr. for the period 4/90 to 7/90	(4,496)	(4,929)	
D. To adj. acc. depr. for allocation to nonutility operations	397	295	
E. To adj. negative acquisition adj. for amort.	162	281	
	\$ 94,759	\$ (305)	
<b>4. CIAC</b>			
A. To remove CIAC related to plant retirement	\$ 74,336	\$ 0	
<b>5. ACCUMULATED AMORTIZATION OF CIAC</b>			
A. To remove accumulated amortization of CIAC related to the retirement of treatment plant	\$ (32,113)	\$ 0	
B. To adj. acc. amort. of CIAC for the period 4/90 to 7/90	1,207	1,014	
	\$ (30,906)	\$ 1,014	
<b>6. WORKING CAPITAL</b>			
A. To adjust working capital provision	\$ (35,350)	\$ (8,091)	

JASMINE LAKES UTILITIES CORPORATION CAPITAL STRUCTURE DECEMBER 31, 1991						SCHEDULE NO. 2--A 920148-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	\$ 478,106	83.36%	10.21%	8.51%	\$ 48,971	\$ 527,077	86.86%	10.21%	9.87%	
2 SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
3 CUSTOMER DEPOSITS	17,627	3.07%	8.00%	0.25%	(13,880)	3,747	0.62%	8.00%	0.05%	
4 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
5 COMMON EQUITY	77,842	13.57%	14.00%	1.90%	(1,840)	76,002	12.52%	10.97%	1.37%	
6 INVESTMENT TAX CREDITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
7 DEFERRED TAXES	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
8 TOTAL CAPITAL	<u>\$ 573,575</u>	<u>100.00%</u>		<u>10.66%</u>	<u>\$ 33,251</u>	<u>\$ 606,828</u>	<u>100.00%</u>		<u>10.29%</u>	
RANGE OF REASONABLENESS							LOW	HIGH		
RETURN ON EQUITY							9.97%	11.97%		
OVERALL RATE OF RETURN							10.17%	10.42%		



JASMINE LAKES UTILITIES CORPORATION ADJUSTMENTS TO CAPITAL STRUCTURE DECEMBER 31, 1991		SCHEDULE NO. 2-B 920148-WS			
DESCRIPTION	REMOVE NON- UTILITY COMPONENTS		PRO RATA RECONCILE	NET ADJUSTMENT	
1 LONG TERM DEBT	\$ 0 \$	0 \$	48,971 \$	48,971	
2 SHORT TERM DEBT	0	0	0	0	
3 CUSTOMER DEPOSITS	0	0	(13,880)	(13,880)	
4 PREFERRED STOCK	0	0	0	0	
5 COMMON EQUITY	(9,813)	0	7,973	(1,840)	
6 INVESTMENT TAX CREDITS	0	0	0	0	
7 DEFERRED INCOME TAXES	0	0	0	0	
8 TOTAL CAPITAL	\$ (9,813)\$	0 \$	43,064 \$	33,251	

JASMINE LAKES UTILITIES CORPORATION  
 STATEMENT OF WATER OPERATIONS  
 DECEMBER 31, 1991

SCHEDULE NO. 3-A  
 920148-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	\$ 341,585	\$ 178,901	\$ 520,486	\$(169,222)	\$ 351,264	\$ 87,935	439,199
OPERATING EXPENSES						25.03%	
2 OPERATION AND MAINTENANCE	\$ 317,720	\$ 117,139	\$ 434,859	\$(68,398)	\$ 366,461	\$	366,461
3 DEPRECIATION	11,505	3,035	14,540	(5,056)	9,484	0	9,484
4 AMORTIZATION	0	0	0	14,555	14,555	0	14,555
5 TAXES OTHER THAN INCOME	27,908	11,221	39,129	(11,673)	27,456	3,957	31,413
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 357,133	\$ 131,395	\$ 488,528	\$(70,572)	\$ 417,956	\$ 3,957	421,913
8 OPERATING INCOME	\$ (15,548)	\$ 47,506	\$ 31,958	\$(98,650)	\$(66,692)	\$ 83,978	17,286
9 RATE BASE	\$ 289,882	\$	\$ 301,489	\$	\$ 167,966	\$	\$ 167,966
RATE OF RETURN	-5.36%		10.60%		-39.71%		10.29%

JASMINE LAKES UTILITIES CORPORATION  
STATEMENT OF WASTEWATER OPERATIONS

SCHEDULE NO. 3-B  
920148-WS

DECEMBER 31, 1991

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIRED
1 OPERATING REVENUES	\$ 125,979	\$ 310,082	\$ 436,061	\$(310,082)	\$ 125,979	\$ 216,033	\$ 342,012
OPERATING EXPENSES						171.48%	
2 OPERATION AND MAINTENANCE	\$ 171,879	\$ 117,986	\$ 289,865	\$(64,726)	\$ 225,139	\$ 0	\$ 225,139
3 DEPRECIATION	20,248	17,883	38,131	(4,268)	33,863	0	33,863
4 AMORTIZATION	0	0	0	0	0	0	0
5 TAXES OTHER THAN INCOME	24,222	17,855	42,077	(13,954)	28,123	9,721	37,845
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 216,349	\$ 153,724	\$ 370,073	\$(82,948)	\$ 287,125	\$ 9,721	\$ 296,846
8 OPERATING INCOME	\$ (90,370)	\$ 156,358	\$ 65,988	\$(227,134)	\$(161,146)	\$ 206,311	\$ 45,165
9 RATE BASE	\$ 625,667	\$ 622,532	\$ 622,532	\$ 438,860	\$ 438,860	\$ 438,860	\$ 438,860
RATE OF RETURN	- 14.44%	10.60%	10.60%	- 36.72%	- 36.72%	10.29%	10.29%

JASMINE LAKES UTILITIES CORPORATION		SCHEDULE NO. 3-C	
ADJUSTMENTS TO OPERATING STATEMENTS		920148-WS	
DECEMBER 31, 1991			
EXPLANATION	WATER	WASTEWATER	
<b>1. OPERATING REVENUES</b>			
A. Reverse revenue increase utility contends is needed to achieve its revenue requirement	\$ (168,037)	\$ (310,082)	
B. Adj. to remove fire protection overcharges	(1,185)	0	
	\$ (169,222)	\$ (310,082)	
<b>2. OPERATING EXPENSES</b>			
A. Remove wastewater expense related to sewer main maintenance	\$ 0	\$ (25,496)	
B. Adj. to reflect purchased water cost at current county rate	(1,172)	0	
C. Adj. legal costs	(5,672)	0	
D. Adj. to reflect reduced exp. related to retirement of plant	(23,752)	0	
E. Adj. to reflect out of period and charitable expense	(1,338)	(43)	
F. Adj. rate case expense	8,882	3,602	
G. Adj. insurance expense	(10,401)	(10,400)	
H. Adj. lease expense by 1/3	(2,300)	(2,300)	
I. Adj. contract service expense	(3,244)	(6,720)	
J. Adj. miscellaneous expense	(90)	(90)	
K. Adj. officer salary by 1/3	(12,417)	(12,417)	
L. Adj. benefits related to reduction to officer's salary	(7,153)	(7,153)	
M. Adj. for transportation repairs not done	(625)	(625)	
N. Adj. for allocation to nonutility operations	(9,117)	(8,085)	
	\$ (68,398)	\$ (64,726)	
<b>3. DEPRECIATION</b>			
A. Adj. to reduce depreciation for retired assets	\$ (5,045)	\$ 0	
B. Adj. to reduce depr. for revalued sludge dewatering equip.	0	(4,135)	
C. Adj. to correct depr. exp. for incorrect retire. of tractor	206	205	
D. Adj. to correct depr. exp. for allocation to nonutility ops.	(55)	(57)	
E. Adj. for amort. of acq. adj.	(162)	(281)	
	\$ (5,056)	\$ (4,268)	
<b>4. AMORTIZATION</b>			
A. Amortization of loss on retired assets	\$ 14,555	\$ 0	
<b>5. TAXES OTHER THAN INCOME TAXES</b>			
A. Remove provision for added RAF taxes	\$ (7,562)	\$ (13,954)	
B. Remove prov. for added RAF taxes related to overcharges	(53)	0	
C. Remove provision for property taxes on retired plant	(4,058)	0	
	\$ (11,673)	\$ (13,954)	
<b>6. OPERATING REVENUES</b>			
A. Additional revenues to achieve revenue requirement	\$ 87,935	\$ 216,033	
<b>7. TAXES OTHER THAN INCOME TAXES</b>			
A. Adjustment for RAF taxes	\$ 3,957	\$ 9,721	

RATE SCHEDULE  
WATER

UTILITY: Jasmine Lakes Utilities Corporation  
 COUNTY: Pasco  
 TEST YEAR ENDED: December 31, 1991

	<u>Monthly Rates</u>				
	<u>Current</u>	<u>Commission Approved Interim</u>	<u>Utility Proposed Final</u>	<u>Utility Implemented PAA (1)</u>	<u>Commission Approved Final</u>
<u>Residential and General Service</u>					
Base Facility Charge:					
Meter Size:					
5/8"x3/4"	\$2.96	\$3.27	\$11.83	\$9.94	\$8.50
1"	\$7.42	\$8.20	\$29.58	\$24.85	\$21.25
1-1/2"	\$14.84	\$16.41	\$59.15	\$49.70	\$42.50
2"	\$23.39	\$25.86	\$94.64	\$79.52	\$68.00
3"	\$47.40	\$52.40	\$189.28	\$159.04	\$136.00
4"	\$74.06	\$81.87	\$295.75	\$248.50	\$212.50
6"	\$148.12	\$163.75	\$591.50	\$497.00	\$425.00
8"	---	---	\$946.40	\$795.20	\$680.00
Gallonge Charge per 1,000 G.	\$3.33	\$3.68	\$3.29	\$3.59	\$3.10
<u>Private Fire Protection</u>					
2"	---	---	\$31.55	---	---
3"	---	---	\$63.09	---	---
4"	---	---	\$98.58	\$82.83	\$70.83
6"	---	---	\$197.17	\$165.67	\$141.67
8"	---	---	\$315.47	\$265.07	\$226.67
<u>Typical Residential Bills</u>					
5/8" x 3/4" meter					
3 M	\$12.95	\$14.31	\$21.70	\$20.71	\$17.80
5 M	\$19.61	\$21.67	\$28.28	\$27.89	\$24.00
10 M	\$36.26	\$40.07	\$44.73	\$45.84	\$39.50

REMARKS:

- (1) According to Section 367.081(8), Florida Statutes, the utility may implement its proposed rates because the case was protested. The utility elected to implement the Commission's proposed agency action (PAA) rates which were lower than the utility's proposed final rates. The final rates approved in Order No. PSC-93-0027-FOF-WS have been in effect since March 7, 1993, on an interim basis pending the outcome of the rate proceeding.

**RATE SCHEDULE  
 WASTEWATER**

UTILITY: Jasmine Lakes Utilities Corporation  
 COUNTY: Pasco  
 TEST YEAR ENDED: December 31, 1991

Monthly Rates

	<u>Current</u>	<u>Commission Approved Interim</u>	<u>Utility Proposed Final</u>	<u>Utility Implemented PAA (1)</u>	<u>Commission Approved Final</u>
<b>Residential</b>					
Base Facility Charge:					
Meter Size:					
All Meter Sizes	\$3.50	\$8.08	\$14.57	\$10.85	\$9.49
Gallage Charge per 1,000 G.	\$0.77	\$1.78	\$2.07	\$2.71	\$2.40
Gallage Cap *	10M	10M	10M	6M	6M
<b>General Service</b>					
Base Facility Charge:					
Meter Size:					
5/8"x3/4"	\$3.50	\$8.08	\$14.57	\$10.85	\$9.49
1"	\$8.80	\$20.32	\$36.43	\$27.13	\$23.73
1-1/2"	\$17.57	\$40.56	\$72.85	\$54.25	\$47.45
2"	\$28.11	\$64.89	\$116.56	\$86.80	\$75.92
3"	---	---	\$233.12	\$173.60	\$151.84
4"	---	---	\$364.25	\$271.25	\$237.25
6"	---	---	\$728.50	\$542.50	\$474.50
8"	---	---	\$1,165.60	\$868.00	\$759.20
Gallage Charge per 1,000 G. (No Maximum)	\$0.77	\$1.78	\$2.49	\$3.25	\$2.88
<u>Typical Residential Bills</u>					
5/8" x 3/4" meter					
3 M	\$5.81	\$13.42	\$20.78	\$18.98	\$16.69
5 M	\$7.35	\$16.98	\$24.92	\$24.40	\$21.49
Maximum Bill *	\$11.20	\$25.88	\$35.27	\$27.11	\$23.89

REMARKS:

- (1) According to Section 367.081(8), Florida Statutes, the utility may implement its proposed rates because the case was protested. The utility elected to implement the Commission's proposed agency action (PAA) rates which were lower than the utility's proposed final rates. The final rates approved in Order No. PSC-93-0027-FOF-WS have been in effect since March 7, 1993, on an interim basis pending the outcome of the rate proceeding.



UTILITY: Jasmine Lakes Utilities Corporation  
 COUNTY: Pasco  
 TEST YEAR ENDED: December 31, 1991

SCHEDULE OF COMMISSION APPROVED RATES  
 AND RATE DECREASE IN FOUR YEARS

WATER

Monthly Rates

	<u>Commission Approved Final Rates</u>	<u>Rate Decrease</u>
<u>Residential and General Service</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$8.50	\$0.40
1"	\$21.25	\$0.99
1-1/2"	\$42.50	\$1.99
2"	\$68.00	\$3.18
3"	\$136.00	\$6.36
4"	\$212.50	\$9.94
6"	\$425.00	\$19.87
8"	\$680.00	\$31.80
Gallonge Charge per 1,000 G.	\$3.10	\$0.14
<u>Private Fire Protection</u>		
4"	\$70.83	\$3.31
6"	\$141.67	\$6.62
8"	\$226.67	\$10.60

UTILITY: Jasmine Lakes Utilities Corporation  
 COUNTY: Pasco  
 TEST YEAR ENDED: December 31, 1991

SCHEDULE OF COMMISSION APPROVED RATES  
 AND RATE DECREASE IN FOUR YEARS

WASTEWATER

Monthly Rates

	<u>Commission Approved Final Rates</u>	<u>Rate Decrease</u>
<u>Residential</u>		
Base Facility Charge:		
Meter Size:		
All Meter Sizes	\$9.49	\$0.55
Gallage Charge per 1,000 G. (Maximum 6,000 Gallons)	\$2.40	\$0.14
<u>General Service</u>		
Base Facility Charge:		
Meter Size:		
5/8"x3/4"	\$9.49	\$0.55
1"	\$23.73	\$1.38
1-1/2"	\$47.45	\$2.76
2"	\$75.92	\$4.42
3"	\$151.84	\$8.83
4"	\$237.25	\$13.80
6"	\$474.50	\$27.60
8"	\$759.20	\$44.15
Gallage Charge per 1,000 G. (No Maximum)	\$2.88	\$0.17