

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff- ) DOCKET NO. 930449-WU  
Assisted Rate Case in Lake ) ORDER NO. PSC-93-1816-FOF-WU  
County by GLENN'S COVE CENTRAL ) ISSUED: 12/22/93  
WATER SYSTEM. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING TEMPORARY RATES IN  
THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

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

CASE BACKGROUND

Glenn's Cove Central Water System (Glenn's Cove or utility) is a Class "C" water utility located in Lake County. The utility was granted Water Certificate No. 324-W, by Order No. 8956, issued July 16, 1979. The utility, originally developer-owned, has provided water service to its customers since 1965. It was sold to the present owners in 1978.

DOCUMENT NUMBER PAGE

13600 DEC 22 93

FFSC-RECORDS/REPORTING

The utility's service area, known as the Glenn's Cove subdivision, is located near the city of Tavares, Florida. The utility provides water to 57 residential customers and there are less than 5 additional available lots that could be considered potential customers. Several of the residents of the subdivision are served by private wells.

On May 3, 1993, the utility applied for this staff assisted rate case and paid the appropriate filing fee. We have reviewed the utility's books and records and conducted an engineering field investigation. The test year for this case is the historical test year ended March 31, 1993.

Water use in the utility's service area is under the jurisdiction of the St. Johns River Water Management District. The Commission has a memorandum of understanding (MOU) with the Florida Water Management Districts. The memorandum recognizes that a joint cooperative effort is necessary to implement an effective, state wide conservation policy.

#### QUALITY OF SERVICE

A customer meeting was held on October 7, 1993, at the Tavares Civic Center in Tavares, Florida. Six customers were in attendance. No significant quality of service complaints were heard at that time.

A customer, who was unable to attend the meeting, called us to voice concerns about the clarity of the water and that the utility did not print its telephone number on its bills. She stated that although the situation does not presently exist, in the past she had sediment problems and cloudy water. The utility investigated and could not find a cause for the earlier problems. Currently, it has a routine flushing program that keeps sediment under control. Since no other complaints were received, we believe that this was an isolated incident.

Our review indicates that the utility is in compliance with state and local health requirements. Based on the foregoing, we find that the quality of service is satisfactory. However, we find it appropriate to require the utility to publish its telephone number on customer bills.

#### RATE BASE

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

#### Used and Useful

The utility's water treatment plant consists of a single well that is the minimum size necessary to provide service to the present customers; the development is basically built out. No backup well exists. Therefore, we find the water treatment facility and the water distribution system to be 100% used and useful.

#### Utility Plant-in-Service

We have never established rate base for this utility. Although documentation of the original plant cost was not available for review, all plant additions since the utility's transfer and certification in 1979 have been properly documented, if not properly capitalized. An original cost study was performed by our staff engineer to determine the value of original plant.

The utility booked \$4,500 in plant in its 1992 annual report. This dollar amount represents the purchase price of the utility (less land) in 1978. The original cost study and an audit of plant additions after 1978 indicate that the proper valuation of utility plant-in-service is \$50,505. Therefore, we have made an adjustment of \$46,005 and an averaging adjustment of (\$403). After considering all of the above, we find that as of March 31, 1993, the appropriate average plant-in-service amount is \$50,102.

#### Land

The utility recorded land value of \$500. Based on two pieces of similar property deeded in 1967 and 1969, we recalculated land value and determined that the appropriate price per square foot is \$0.25, yielding a land value for the utility of \$400. Therefore, we have made an adjustment of (\$100) to land value.

#### Contributions-in-Aid-of-Construction

The utility recorded CIAC of \$1,000. Our audit showed the utility permitted a discount on a partner's connection not authorized by its tariff in the amount of \$350, received excess revenues in the amount of \$860 resulting from an unauthorized rate increase, and had expensed plant totalling \$11,877 on its income tax returns for the years 1979 through 1992. We imputed these amounts. Further, the utility collected an additional \$13,015 in CIAC from customer connection charges. After making an averaging adjustment of (\$1,205), we find the appropriate average balance for CIAC is \$25,897.

#### Amortization of CIAC

The utility recorded a \$525 balance in accumulated amortization of CIAC as of March 31, 1993. To reflect the appropriate amount of amortization based on our adjustments to CIAC, we have adjusted amortization by \$5,612 and have made an averaging adjustment of (\$503). We find the average accumulated amortization to be \$5,634.

#### Accumulated Depreciation

The utility did not record any accumulated depreciation. We find the appropriate balance for accumulated depreciation as of March 31, 1993, is \$27,795. An averaging adjustment of (\$915) reduces the balance to \$26,880.

#### Working Capital Allowance

This utility has never had a rate case. It is Commission practice in such instances to utilize the formula method to calculate working capital. The formula method calculation results in a figure that is one-eighth of operation and maintenance expense. In a later section of this Order, we find the appropriate operation and maintenance expense is \$5,749. Therefore, we have included one-eighth of that amount, \$719, in the rate base as the utility's working capital allowance.

#### Test Year Rate Base

Based on the foregoing, we find the test year rate base amount is \$4,077.

### CAPITAL STRUCTURE

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2 attached to this Order. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order.

For the test year Glenn's Cove's capital structure is 100% proprietary capital. The utility recorded \$994 of proprietary capital in its capital structure. In order to reconcile capital structure to rate base, we have increased the utility's capital structure by \$3,083.

Based on the leverage formula approved by Order No. PSC-93-1107-FOF-WS, issued July 29, 1993, the utility's allowable return on proprietary capital should be 9.30%. The 100% proprietary capital is treated the same as equity for the purpose of determining rate of return. Therefore, we find the overall rate of return is 9.30%.

### NET OPERATING INCOME

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

#### Unapproved Rate

The utility recorded test year revenue of \$4,925. Our audit revealed that the utility had implemented an unauthorized rate increase in 1980 which yielded unauthorized test year revenue in the amount of \$860. Because 1) this utility is currently operating at a deficit and does not have sufficient cash flow to cover a refund, and 2) the administrative costs involved in refunding such a small overcharge may exceed the refund, we do not find a refund to be prudent. Further, we shall not require the utility to impute the full 13 years worth of overcharges. The costs involved in auditing 13 years worth of consumption and revenue, given the small size of the utility, may far exceed the modest amount of the potential refund. Therefore, we have removed \$860 from test year revenue and have imputed the test year overcharges of \$860 to CIAC.

We do not believe that the unauthorized rate increase was a willful violation of the tariff nor did the rate increase put the utility in an overearnings position. Further, as discussed later, though not directly offsetting, the utility also unknowingly undercharged most of its customers on service availability charges by \$80 per connection. Therefore, we are not requiring the utility to show cause why it should not be fined for not charging its approved tariffed rates; however, the utility is put on notice that any future tariff violations may result in punitive action.

#### Operation and Maintenance (O & M) Expenses

Operation and maintenance expenses reflected in the utility's records were traced to invoices and test year canceled checks for verification of the appropriate account, amount, and reasonableness. Our adjustments are itemized on Schedule No. 3-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below:

- 1) Salaries and Wages - The utility is managed and run by its owners. The utility booked a total of \$1,200 in salaries for the two partners: \$500 for one who performs the functions of office manager and \$700 for one who performs as the plant operator. The office manager spends roughly 8 hours per month performing bookkeeping services, making bank deposits, reconciling bank statements, and preparing year end tax and Public Service Commission reports. Based on the above, we have adjusted her salary by \$849. This increase is calculated using the \$14.05 per hour recommended in the Florida Water and Sewer Wage Survey after being indexed forward to 1993 dollars.

The plant operator spends 8 hours per month operating the water plant, completing maintenance reports, and handling repairs, hookups, water tests, etc. Based on salaries approved previously for plant operators with similar plant operations and duties, we have adjusted his salary by \$740 calculated at a \$15 per hour rate.

A third employee of the utility spends approximately 5 hours per month reading meters, preparing billings, reports, correspondence, and posting customer payments. No salary was booked for this employee during the test year. We have provided a salary allowance of \$584 calculated on a \$9.73 per



hour rate as recommended in the Wage Survey referenced above. Compared with like utilities of this size, we find the time spent by each employee performing his duties is reasonable. Therefore, the total adjustment for employee salaries is \$2,173.

- 2) Materials and Supplies - The utility recorded \$189 for this expense. Existing expenses in this account include office supply, postage, and printing charges. We are adding \$92 for telephone expense (one half of the basic local service charge), and \$50 for pumphouse painting (\$250 amortized over 5 years). The total adjustment is \$142.
- 3) Contractual Services - The test year contractual service expense was \$412. Our audit determined that \$260 of this was non-utility expense and thus has been removed. Of the remaining expenses, \$102 is required bacteriological testing. To be in compliance with Department of Environmental Protection (DEP) mandatory testing requirements for volatile organic contaminants (VOCs), secondary contaminants (SOCs), unregulated contaminants, etc. an additional \$240 per year (\$720 amortized over three years) will be necessary. In addition, laboratory testing for lead and copper will cost the utility \$420 for each series of tests. The first series will be required by the end of 1993 and a second series will be necessary six months later. Providing no problems are identified, annual testing will continue to be necessary for at least three years. Based on the above, we find the first series to be an annual expense, while the second series shall be annualized over a three year period. Therefore, we increase contractual services by \$800 to allow for testing.
- 4) Regulatory Commission Expense - This expense has been increased by \$38 to reflect the rate case filing fee of \$150 amortized over four years.
- 5) Miscellaneous Expense - This account is increased by \$25 to reflect an unbooked annual expense for Department of Community Affairs registration.

Depreciation Expense (Net of Amortization of CIAC)

The utility did not record depreciation expense or amortization expense for CIAC. We calculated test year depreciation expense pursuant to Rule 25-30.140, Florida

Administrative Code. In doing so, we have arrived at a depreciation expense of \$1,830. We applied the actual depreciation rate to expensed plant CIAC and the composite depreciation rates to the remainder of the CIAC balance, which results in test year CIAC amortization expense of \$1,006. Therefore, based on the above, we find the appropriate annual net depreciation expense is \$824.

#### Taxes Other Than Income

The utility recorded gross receipts tax of \$209. We reduced this amount by \$26 to reflect the test year revenue of \$4,065 at 4.5%. We further adjusted the expense by an additional \$161 to reflect regulatory assessment fees at 4.5% on the increase in revenues required by the utility to earn its rate of return, as discussed below.

Based on the foregoing adjustments, we find the utility's test year operating expenses to be \$7,255.

#### REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$7,634. This represents an annual increase in revenue of \$3,569 or 87.80 percent. These revenue requirements will allow the utility to recover its expenses and allow it an opportunity to earn a 9.30% return on its investment.

#### RATES AND CHARGES AND RATE STRUCTURE

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow the utility to recover its expenses and the opportunity to earn an 9.30 percent return on its investment.

#### Monthly Service Rates

Currently, the utility employs a base facility/gallorage charge rate structure. The base facility charge includes 5,000 gallons and the gallorage charges are "declining block." This is an inappropriate rate structure for conservation purposes. As mentioned in the case background, the MOU between this Commission and the Water Management Districts states that a common objective



of the two agencies is to foster conservation and to employ conservation oriented rate structures to achieve this end.

The utility's average per capita water use of 55 gallons per day falls below the per capita 150 gallons per day maximum usage criteria set by the Water Management Districts in critical use areas. Although a more progressive conservation program is not necessary because the average usage is not considered to be excessive, the utility does have declining block rates. Wherever possible it is our practice to convert all utilities to the standard base facility/gallage charge rate structure. This is the preferred rate structure as it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. Therefore, we find it is appropriate to change the rate structure to the traditional base facility charge and gallage charge rate structure.

Approximately 48 percent or \$3,643 of the revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on the annualized number of factored ERCs. The remaining 52 percent or \$3,991 of the revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period.

The utility's existing rates and rate structure and those approved herein are set forth below for comparison.

EXISTING MONTHLY RATES AND CHARGES

Residential

Base Facility Charge

<u>Meter Size</u>	<u>Existing</u>
5/8" x 3/4"	\$ 5.00 Includes 5,000 gallons

Gallage Charge

Per 1,000 gallons:	
From 5,000 to 10,000 gallons	\$ 0.50
From 10,000 to 25,000 gallons	0.35
From 25,000 and over	0.25

APPROVED MONTHLY RATES AND CHARGES

Base Facility Charge

<u>Meter Size</u>	<u>Approved</u>
5/8" x 3/4"	\$ 5.45
3/4"	8.18
1"	13.63
1-1/2"	27.27
2"	43.63
3"	87.26
4"	136.34

Includes NO gallonage

Gallonage Charge

Per 1,000 gallons \$ 0.98

The rates approved above shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decision herein and that the proposed customer notice is adequate.

Service Availability Charges

The utility's current approved service availability charges are as follows:

Current Customer Connection Charge

<u>Meter Size</u>		<u>Amount</u>
5/8" x 3/4"	Main extension and tap-in charge	\$500.00
	Meter installation fee	\$ 80.00

No changes need to be made to the water capacity charge or the meter installation charge.

As mentioned earlier, the utility has undercollected its service availability charges. Rather than the approved total service availability charges of \$580, the utility charged \$420 per main extension and tap-in and \$80 per meter, for a total of \$500. This error appears to be a mistake in the utility's interpretation of the tariff rather than a willful violation. Therefore, we are not going to institute punitive action nor are we going to impute the undercharges since the utility did not collect the money and, therefore, did not benefit from it. The customers have received a benefit by paying the lower amount. Although there are only a few remaining future connections, the utility is ordered to charge its tariffed rate of \$580 per connection.

The service availability charges approved above will be effective for service rendered on or after the stamped approval date on the revised tariff pages.

Miscellaneous Service Charges

The utility's current tariff contains no provision for miscellaneous service charges. We authorize the following charges:

Water

Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	\$15.00
Premises Visit (in lieu of disconnection)	\$10.00

These charges are designed to more accurately reflect the costs associated with each service and to place the burden of payment on the person who causes the cost to be incurred rather than on the entire ratepaying body. Following is a description of each service:

- 1) Initial Connection - This charge is to be levied for service initiation at a location where service did not exist previously.
- 2) Normal Reconnection - This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

- 3) Violation Reconnection - This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), F.A.C., including a delinquency in bill payment.
- 4) Premises Visit (in lieu of disconnection) - This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages.

#### Statutory Rate Reduction and Recovery Period

The statutory recovery period for rate case expense is four years. The appropriate annual rate reduction at the end of that period is \$39.

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

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

The only rate case expense incurred by the utility in the instant case is a \$150 filing fee. The four-year recovery period for this fee allows the utility to recover \$38.00 per year through its rates. Once the annual rate case expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to \$39.

At the end of four years, Glenn's Cove Central Water System's rates should be reduced by \$39 annually. Assuming no change in the utility's current revenues, expenses, capital structure and

customer base, the effect of this rate reduction is an approximate rate reduction of \$ .03 in the base facility charge and a reduction of \$.01 in the gallonage charge.

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

Rate reductions after the recovery of rate case expense are shown on Schedule No. 4.

#### Temporary Rates in the Event of Protest

This Order proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund provided that the utility first furnish and have approved by Commission staff, adequate security for a potential refund through a bond, letter of credit in the amount of \$2,430, or an escrow account, and a proposed customer notice, and revised tariff sheets.

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

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

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

- 1) The letter of credit is irrevocable for the period it is in effect.

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

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

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

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is



ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Wastewater no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

#### BOOKS AND RECORDS

During the test year, the utility's books were not maintained in conformity with the Uniform System of Accounts (USOA). Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

- 1) Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

We believe the utility has the expertise necessary to convert and maintain the utility's records in conformity with this rule. Therefore, the utility is ordered to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Glenn's Cove Central Water System for an increase in its water rates in Lake County is approved as set forth in the body of this Order. It is further

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

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

ORDERED that all of the provisions of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-222.029, Florida Administrative Code, is received by the Director of Records

and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Glenn's Cove Central Water System is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

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

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

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

ORDERED that prior to its implementation of the rates and charges approved herein, Glenn's Cove Central Water System shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reason therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Glenn's Cove Central Water System shall submit and have approved a bond or letter of credit in the amount of \$2,430 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Glenn's Cove Central Water System shall submit revised tariff sheets which shall be approved upon Staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that an appropriate customer notice has been submitted. It is further

ORDERED that, in the event of a protest by any substantially affected person other than the utility, Glenn's Cove Central Water System is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Glenn's Cove

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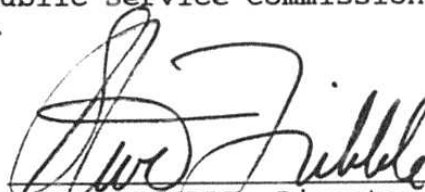
Central Water System has furnished satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that Glenn's Cove Central Water System shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that Glenn's Cove Central Water System shall publish its telephone number on customer bills. It is further

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

By ORDER of the Florida Public Service Commission, this 22nd day of December, 1993.



STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

SLE

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions taken herein, except for the granting of temporary rates in the event of

protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7) (a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 12, 1994. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

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

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

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notice of appeal must be in the form specified in Rule 9.900(a),  
Florida Rules of Appellate Procedure.

GLENN'S COVE CENTRAL WATER SYSTEM  
 SCHEDULE OF WATER RATE BASE  
 TEST YEAR ENDED MARCH 31, 1993

SCHEDULE NO. 1  
 DOCKET NO. 930449--WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	4,500	45,602 A	50,102
LAND/NON-DEPRECIABLE ASSETS	500	(100) B	400
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	0	0	0
CWIP	0	0	0
CIAC	(1,000)	(24,897) C	(25,897)
ACCUMULATED DEPRECIATION	0	(26,880) D	(26,880)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	525	5,109 E	5,634
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>719 F</u>	<u>719</u>
WATER RATE BASE	4,525	(448)	<span style="border: 1px solid black; padding: 2px;">4,077</span>



GLENN'S COVE CENTRAL WATER SYSTEM  
ADJUSTMENTS TO RATE BASE  
TEST YEAR ENDED MARCH 31, 1993

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect additional plant per Commission	46,005
2. Averaging adjustment	(403)
	<u>45,602</u>
B. <u>LAND</u>	
1. To reflect decrease in land valuation based on comparison to similar lots	<u>(100)</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. Imputation of partner discount	350
2. Imputation of unauthorized revenues for test year	860
3. Additional CIAC collected per utility records	13,015
4. Imputation of expensed plant	11,877
5. Averaging adjustment	(1,205)
	<u>24,897</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. Accumulated depreciation per Commission analysis	27,795
2. Averaging adjustment	(915)
	<u>26,880</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. Accumulated amortization of CIAC	5,612
2. Averaging adjustment	(503)
	<u>5,109</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
1. 1/8 of operation and maintenance expenses	<u>719</u>

GLENN'S COVE CENTRAL WATER SYSTEM  
 SCHEDULE OF CAPITAL STRUCTURE  
 TEST YEAR ENDED MARCH 31, 1993

SCHEDULE NO. 2  
 DOCKET NO. 930449-WU

	<u>PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 0	0	0	0.00%	0.00%	0.00%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
PROPRIETARY CAPITAL	994	3,083	4,077	100.00%	9.30%	9.30%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 994	3,083	4,077	100.00%		9.30%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	8.30%	10.30%
OVERALL RATE OF RETURN	8.30%	10.30%

GLENN'S COVE CENTRAL WATER SYSTEM  
 SCHEDULE OF WATER OPERATING INCOME  
 TEST YEAR ENDED MARCH 31, 1993

SCHEDULE NO. 3  
 DOCKET NO. 930449-WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	<u>4,925</u>	<u>(860) A</u>	<u>4,065</u>	<u>3,569 E</u>	<u>7,634</u>
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	2,831	2,918 B	5,749	0	5,749
DEPRECIATION (NET)	0	824 C	824	0	824
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	548	(26) D	522	161 F	683
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>3,379</u>	<u>3,715</u>	<u>7,094</u>	<u>161</u>	<u>7,255</u>
OPERATING INCOME/(LOSS)	<u>1,546</u>		<u>(3,029)</u>		<u>379</u>
WATER RATE BASE	<u>4,525</u>		<u>4,077</u>		<u>4,077</u>
RATE OF RETURN	<u>34.16%</u>		<u>-74.29%</u>		<u>9.30%</u>

GLENN'S COVE CENTRAL WATER SYSTEM  
 ADJUSTMENTS TO OPERATING INCOME  
 TEST YEAR ENDED MARCH 31, 1993

SCHEDULE NO. 3A  
 DOCKET NO. 930449-WU

<u>A. OPERATING REVENUES</u>	<u>WATER</u>
1. To remove revenues collected during the test year attributable to unauthorized rate increase	<u>(860)</u>
<u>B. OPERATION AND MAINTENANCE EXPENSES</u>	
1. Salaries and Wages — Employees	
a. To add additional allowance for plant operator	740
b. To add additional allowance for accountant and manager	849
c. To add allowance for billing clerk	584
subtotal	<u>2,173</u>
2. Materials and Supplies	
a. To add allowance for telephone expense	92
b. To add allowance for painting of pumphouse (amortized over 5 years)	50
subtotal	<u>142</u>
3. Contractual Services	
a. To remove non-utility expense	(260)
b. To add additional DER required testing allowance	800
subtotal	<u>540</u>
4. Regulatory Commission Expense	
a. To add SARC filing fee amortized over 4 years	<u>38</u>
5. Miscellaneous Expenses	
a. To add unbooked annual DCA registration	<u>25</u>
O&M TOTAL	<u>2,918</u>
<u>C. DEPRECIATION NET OF CIAC</u>	
1. To add test year depreciation expense	1,830
2. To add test year amortization expense for CIAC	(1,006)
subtotal	<u>824</u>
<u>D. TAXES OTHER THAN INCOME TAXES</u>	
1. To reflect appropriate regulatory assessment fee for test year revenue	<u>(26)</u>
<u>E. OPERATING REVENUES</u>	
1. To reflect Commission's approved revenue increase	<u>3,569</u>
<u>F. TAXES OTHER THAN INCOME TAXES</u>	
1. To reflect the additional regulatory assessment fee associated with Commission's approved revenue requirement	<u>161</u>

GLENN'S COVE CENTRAL WATER SYSTEM  
 ANALYSIS OF WATER OPERATION AND  
 MAINTENANCE EXPENSE  
 TEST YEAR ENDED MARCH 31, 1993

SCHEDULE NO. 3B  
 DOCKET NO. 930449-WU

	TOTAL PER UTIL.	COMM. ADJUST.	TOTAL PER COMM.
SALARIES AND WAGES – EMPLOYEES	\$ 1,200	\$ 2,173 [1]	\$ 3,373
SALARIES AND WAGES – OFFICERS	0	0	0
PENSIONS AND BENEFITS	0	0	0
PURCHASED WATER	0	0	0
PURCHASED POWER	606	0	606
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	129	0	129
MATERIALS AND SUPPLIES	189	142 [2]	331
CONTRACTUAL SERVICES	310	(260) [3]	50
TESTING	102	800 [3]	902
RENTS	0	0	0
TRANSPORTATION EXPENSE	0	0	0
INSURANCE EXPENSE	85	0	85
REGULATORY COMMISSION EXPENSE	0	38 [4]	38
MISCELLANEOUS EXPENSES	210	25 [5]	235
	\$ 2,831	\$ 2,918	\$ 5,749

GLENN'S COVE CENTRAL WATER SYSTEM  
 SCHEDULE OF RATE CASE EXPENSE RATE  
 REDUCTION AFTER FOUR YEARS  
 TEST YEAR ENDED MARCH 31, 1993

SCHEDULE NO. 4  
 DOCKET NO. 930449-WU

MONTHLY RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>APPROVED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 5.45	0.03
1"	8.18	0.04
1-1/4"	13.63	0.07
1-1/2"	27.27	0.14
2"	43.63	0.22
3"	87.26	0.45
4"	136.34	0.70
GALLONAGE CHARGE PER 1,000 GALLONS	\$ 0.98	0.01