

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff-) DOCKET NO. 930572-WS
Assisted Rate Case in Highlands) ORDER NO. PSC-94-0243-FOF-WS
County by CRYSTAL LAKE CLUB.) ISSUED: March 4, 1994
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING
LUIS J. LAUREDO

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER
GRANTING RATES AND CHARGES

BY THE COMMISSION:

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

BACKGROUND

Crystal Lake Club (Crystal Lake or the utility) is a Class C water and wastewater utility located in Highlands County, Florida. Crystal Lake's service area is located approximately four miles south of Avon Park. Crystal Lake served 391 residential and 4 general service customers during the test year.

This Commission granted Crystal Lake Certificates Nos. 525-W and 454-S by Order No. 22300, issued December 12, 1989, and by Order No. 21515, issued July 7, 1989, for the water and wastewater systems, respectively. The transfer of Certificates Nos. 525-W and 454-S from Century Group, Inc. to Crystal Lake Community, Limited Partnership, Diamond Valley Associates, Ltd., Friendly Village

DOCUMENT NUMBER-DATE

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FPSC-REG/DO/REPORTING

Lancaster Associates, Ltd. d/b/a Crystal Lake Club was by Order No. 23974, issued January 1, 1991. Order No. 23974 also established rate base for Crystal Lake's water and wastewater systems.

On June 9, 1993, Crystal Lake Club applied for this staff-assisted rate case (SARC), and it has paid the appropriate filing fee. This is Crystal Lake's first rate proceeding before the Commission. All the necessary audit and engineering reviews in conjunction with rate setting have been performed. The test year for this case is the historical test year ended June 30, 1993. Based on our staff's audit, Crystal Lake recorded test year revenues of \$32,240 for the water system and \$36,832 for the wastewater system. Crystal Lake also recorded operating expenses of \$14,964 for the water system and \$50,243 for the wastewater system. These amounts result in booked test period operating income of \$17,276 for the water system and an operating loss of \$13,411 for the wastewater system.

QUALITY OF SERVICE

A customer meeting was held on November 15, 1993, at the Highlands County Agriculture Center in Sebring, Florida. Approximately 290 customers attended the meeting. Only four customers addressed concerns about Crystal Lake's quality of service. The customers complained about the low water pressure, chlorine taste and odor from the water system, and the bad odor from the wastewater treatment plant site.

Even though it has not been established that the pressure within the distribution system has been less than the required 20 pounds per square inch (psi) at the customers' connections, Crystal Lake has voluntarily agreed to increase water pressure another 5 psi. Also, to accommodate the customers, Crystal Lake will reduce the chlorine dosage rate at the water treatment facility.

Although the adjustments to the pressure are relatively simple to perform, Crystal Lake shall report the results of the pressure survey within thirty days of the effective date of this Order. If the results show that pressure problems still exist, Crystal Lake shall submit to this Commission a plan for corrective action, with a schedule for performance of required improvements.

Crystal Lake has assured the Commission that it has corrected the operational problem that caused the bad odor from the wastewater plant. Since Crystal Lake's records show that it has not usually had a problem with its wastewater treatment facility, we find that this operational problem was an isolated incident, and that no adjustments are necessary. Therefore, based on the above

facts, we find Crystal Lake's quality of service to be satisfactory.

RATE BASE

Used and Useful

Water Treatment Plant - The designed capacity of the water treatment plant is 480,000 gallons per day. The maximum daily flow that occurred during the test year is 186,000 gallons per day. There has been no allowance for margin reserve. This was because a regression analysis indicated negative growth rate due to a decline in the number of connections over the last five years. However, there was an addition of 120,000 gallons per day for fire flow included in the calculation. Based on the approved formula, we find that the water treatment plant is 64% used and useful.

Wastewater Treatment Plant - The wastewater treatment plant has a treatment capacity of 90,000 gallons per day. The average daily flow of the peak usage month during the test year is 68,000 gallons per day. Like the water treatment facility, there has been no allowance for margin reserve. This is because a regression analysis indicated negative growth rate due to a decline in the number of connections over the last five years. Based on the approved formula, we find that the wastewater treatment plant is 68% used and useful.

Water Distribution and Wastewater Collection Systems - Both the water distribution and wastewater collection systems have a capacity of 599 residential connections, totalling 341 Equivalent Residential Connections (ERCs). The number of test year ERCs is 220.5. With no connections added for margin reserve considerations, we find that the water distribution and wastewater collection systems are 65% used and useful.

Depreciable Plant in Service: Crystal Lake's books reflected a balance of \$387,400 in the water system's plant in service accounts at the beginning of the test year and \$539,412 in the wastewater system's plant in service accounts at the beginning of the test year. These amounts have been adjusted by \$748 and \$599, respectively, to reflect additions to the water and wastewater systems during the test period.

Averaging adjustments resulted in a reduction to the plant balances by \$374 for the water system and \$300 for the wastewater system. Therefore, the appropriate average amounts of test year

plant in service are \$387,774 for the water system and \$539,712 for the wastewater system.

Land - Crystal Lake recorded land values associated with its water and wastewater systems of \$11,159 for each system. However, based upon our review of the actual acreage required for utility purposes, we reduced these amounts by \$7,756 and \$3,245, respectively.

Plant Held for Future Use (PHFU) - The water distribution and wastewater collection systems are 65% used and useful. The water treatment plant is 64% used and useful. The wastewater treatment plant is 68% used and useful. To determine the average amount of plant held for future use (PHFU), the non-used and useful percentages of 35%, 36%, and 32%, respectively, were applied to the corresponding average balances of plant in service and accumulated depreciation. These adjustments result in average PHFU balances of \$54,038 for the water system and \$151,785 for the wastewater system.

Contributions-in-Aid-of-Construction (CIAC) - Crystal Lake recorded \$148,125 for the water system and \$148,125 for the wastewater system as CIAC. These amounts reflect cash contributions to each system. We reduced the balance by \$1,500 to reflect the averaging adjustment for each system. Therefore, the average test year balance is \$146,625 for both the water and the wastewater systems.

Accumulated Depreciation - Crystal Lake recorded accumulated depreciation of \$51,066 for the water system and \$95,756 for the wastewater system on its books. We have calculated the appropriate balances based on depreciation rates in conformity with Rule 25-30.140, Florida Administrative Code. Therefore, the appropriate balances, including the effects of averaging adjustments, are \$45,164 for the water system and \$85,502 for the wastewater system.

Accumulated Amortization of CIAC - Crystal Lake recorded accumulated amortization balances of \$18,031 for the water system and \$20,380 for the wastewater system. We recalculated the appropriate respective balances using composite depreciation rates of 3.14% for the water system and 3.56% for the wastewater system. The resulting average balances are \$16,021 for the water system and \$19,268 for the wastewater system.

Working Capital Allowance - Following current Commission practice and consistent with Rule 25-30.443, Florida Administrative Code, (Form PSC/WAS 18), we find that the one-eighth of operation and maintenance expense formula approach should be used for calculating the appropriate working capital allowance. Applying that formula,

we find that a working capital allowance of \$3,090 for the water system and \$3,598 for the wastewater system is appropriate.

Rate Base Summary - Based on the foregoing, the appropriate rate base balances for rate setting purposes are \$164,461 for the water system and \$186,580 for the wastewater system. Crystal Lake's rate base is listed on Schedule No. 1, and our adjustments are listed on Schedule No. 1-A.

CAPITAL STRUCTURE

Crystal Lake's capital structure includes a long term debt balance of \$491,998 and an equity balance, consisting of proprietary capital, of \$62,333 for the test year, for ratios of 88.76% long-term debt and 11.24% equity. Crystal Lake's debt is at a cost rate of 8.01%. Crystal Lake's return on equity, when based on the leverage graph formula in Order No. PSC-93-1107-FOF-WS, is 10.97%. Therefore, the resulting weighted costs of debt and equity are 7.11% and 1.23%, respectively.

When the approved rate base balances are less than the balances in the utility's capital structure, it is Commission policy to reduce each component in the capital structure by its weighted share of the excess capital. As a result, we reduced the long-term debt balance by \$180,431 and the equity balance by \$22,859 to reconcile Crystal Lake's capital structure components to the approved rate base balances. The weighted costs of 7.11% for debt and 1.23% for equity result in the appropriate overall rate of return of 8.34%. Crystal Lake's capital structure is shown on Schedule No. 2.

NET OPERATING INCOME

The components of Crystal Lake's operating expenses include operation and maintenance expenses, depreciation expense (net of CIAC amortization), and taxes other than income taxes. The appropriate amount of operating expenses for rate setting purposes is \$34,942 for the water system and \$40,894 for the wastewater system.

Test Period Operating Expenses

Crystal Lake recorded test year water system operating expenses of \$14,964. These expenses include operation and maintenance expense of \$7,788 and depreciation expense of \$7,176. Crystal Lake recorded test year wastewater system operating expenses of \$50,243. These expenses include operation and maintenance expense of \$34,903 and depreciation expense of \$15,340.

Test year operating expenses for water and wastewater are shown on Schedule No. 3.

Operation and Maintenance Expense

- 1) Salaries and Wages - Employees - Crystal Lake failed to allocate salaries expense between its water and wastewater systems. During the test period, it recorded \$9,120 in salaries expense for the wastewater system and \$0 for the water system. We calculated reasonable allocations for each system resulting in \$7,963 for its water system and \$7,137 for its wastewater system. These salaries are comprised of the following.

Crystal Lake recorded a property manager's salary of \$7,173 for the wastewater system and \$0 for the water system during the test year. We find that a salary allowance for the manager of \$2,004 for the water system and \$2,004 for the wastewater system is appropriate. This amount is based on the size of Crystal Lake and standard hourly wages for the position of property manager. Therefore, we have made adjustments of a \$5,169 reduction to this account for the wastewater system and a \$2,004 increase to this account for the water system.

Crystal Lake recorded maintenance salary expense of \$1,946 for the wastewater system only. As with the property manager's salary, we find that a salary for maintenance personnel equally allocated between the water and wastewater systems is appropriate. The result is a \$1,270 reduction to this account for the wastewater system and a \$676 increase to this account for the water system.

Crystal Lake recorded no billing or secretarial expenses during the test period. We have determined reasonable allowances for both a billing clerk and a secretary, based on the number of customers served by Crystal Lake and standard hourly wages for each person. This results in an allowance of \$3,802 per system.

Crystal Lake also failed to record any salary allowance associated with a ground crew or a meter reader. We have determined a reasonable salary for the ground crew of \$281 for the water system and \$655 for the wastewater system, based on the size of Crystal Lake and standard hourly wages. We have determined a reasonable salary for the meter reader of \$1,200 for the water system based on the number of customers served by Crystal Lake and standard hourly wages.

Therefore, we find the resulting allowance for employee salaries and wages is \$7,963 for the water system and \$7,137 for the wastewater system.

- 2) Salaries and Wages - Officers, Directors - Crystal Lake recorded \$0 in this account for officers' and directors' salaries. We adjusted this amount by \$1,300 for the water system and \$1,300 for the wastewater system to reflect reasonable annual allowances based on Crystal Lake's size and its officer's duties.
- 3) Purchased Water - Crystal Lake purchases water from Sebring Ridge Utilities as a standby water supply. Crystal Lake recorded \$1,350 in this account. We adjusted this amount by \$450 to reflect the balance of \$1,800 based on Crystal Lake's contractual agreement with Sebring Ridge Utilities.
- 4) Sludge Removal Expense - Crystal Lake recorded \$5,292 in this account. We adjusted this amount by \$367 to reflect the appropriate balance of \$4,925 per the audit.
- 5) Purchased Power - Crystal Lake recorded \$2,054 for the water system and \$1,688 for the wastewater system. The water system's purchased power balance was increased by \$2,746 and the wastewater system's purchased power balance was adjusted by \$3,377 to reflect the appropriate accruals to the respective accounts based on the results of Commission staff's audit.
- 6) Chemicals - Crystal Lake recorded \$280 for the water system and \$2,381 for the wastewater system in the chemicals expense account. These balances were adjusted by \$645 and \$387, respectively, to reflect additional allowances for chemicals expense we have found appropriate for the water and wastewater systems.
- 7) Materials and Supplies - Crystal Lake recorded \$974 for the water system and \$1,532 for the wastewater system during the test period. We removed from these balances the non-utility portion of the recorded amount. The appropriate resulting balance is \$283 for the water system and \$458 for the wastewater system.
- 8) Contractual Services - Crystal Lake recorded \$3,130 for the water system and \$5,641 for the wastewater system during the test period. We made several adjustments to these balances.

Crystal Lake utilizes a contract operator for its water and wastewater systems. However, there was no reflection on Crystal Lake's books of the cost for the contract operator. We made an adjustment of \$3,000 for the water system and \$3,000 for the wastewater system to reflect the cost associated with the contract operator.

Crystal Lake recorded accounting fees of \$454 for the wastewater system. We adjusted this account by \$635 for the water system and \$181 for the wastewater system to reflect the recurring accounting expense balances for these accounts.

Crystal Lake recorded \$3,130 for the water system's repairs and maintenance expense and \$5,187 for the wastewater system's repairs and maintenance expense. We reduced these amounts by \$2,320 for the water system and by \$4,731 for the wastewater system to remove the unamortized portion of repairs and maintenance expense.

Crystal Lake made no allowance for DEP laboratory testing expenses. We find that an allowance of \$833 representing water testing for primary and secondary contaminants, unregulated organic chemicals, volatile organic chemicals, and inorganic is appropriate. An additional allowance of \$400 for lead and copper testing is approved. The resulting annual allowance is \$1,233 for the water system. For the wastewater system, we find that an allowance of \$1,070 which reflects costs associated with DEP's required sampling and chemical analysis.

- 9) Rents - Crystal Lake recorded \$0 in this account. We adjusted this amount by \$600 for each system to reflect an allowance for office space overhead.
- 10) Transportation Expenses - Crystal Lake recorded \$176 in this account for the wastewater system only. We disallowed \$66 which was associated with non-utility functions. The resulting balance of \$110 was equally allocated between the water and wastewater systems.
- 11) Insurance Expense - Crystal Lake recorded \$5,869 in this account for the wastewater system only. We reduced this amount by \$1,847 to reflect the disallowance of policies not associated with the utility and further reduced this amount by \$2,803 to remove excess allocations recorded by Crystal Lake. This amount was increased by \$553 to reflect allocations not recorded by Crystal Lake. The remaining balance of \$1,772 was

equally allocated between the water and the wastewater systems.

- 12) Regulatory Commission Expense - Crystal Lake recorded \$1,755 as regulatory commission expense on the books of the wastewater system. This amount represents Crystal Lake's regulatory assessment fees and has been reclassified to the taxes other than income account. The appropriate regulatory commission expense is \$225 ($\$900/4$) for the water system and \$225 ($\$900/4$) for the wastewater system representing Crystal Lake's rate case filing fee amortized over four years.
- 13) Miscellaneous Expense - Crystal Lake recorded \$1,450 in this account for the wastewater system only. We removed misclassified payroll taxes of \$1,036. We allocated the remaining balance of \$414 equally between the two systems.

C. Depreciation Expense - Crystal Lake recorded depreciation expense of \$7,176 for the water system and \$15,340 for the wastewater system. Applying the prescribed depreciation rates to the appropriate used and useful plant in service account balances and offsetting that balance by applying the composite depreciation rates to the appropriate CIAC account balance results in depreciation expense of \$5,856 for the water system and \$7,586 for the wastewater system.

D. Taxes Other than Income - Crystal Lake recorded no taxes other than income. We adjusted this account by \$1,482 for the water system and \$1,694 for the wastewater system to reflect regulatory assessment fees based on our calculation of test year revenues. We further increased this account by \$2,174 and \$1,980 to reflect the appropriate amount of payroll taxes based on the salaries allowance approved herein for the respective systems.

Details of the operation and maintenance expenses are listed on Schedules Nos. 3B and 3C.

At the January 4, 1994 Agenda Conference, we deferred this issue in order for staff to investigate potential duplicate recovery of charges associated with the ad valorem tax expense. Upon investigation, the developer confirmed that ad valorem taxes, including the taxes on utility property, have been collected through the base lot rental charge. Therefore, to assure that there is no duplication of charges associated with Crystal Lake's ad valorem expense, we order that no allowance for ad valorem taxes be included in rates. The developer agrees with this Order.

Increases in Operating Expenses for Rate-setting Purposes

We made adjustments to taxes other than income taxes of \$708 for the water system and \$847 for the wastewater system to reflect the regulatory assessment fee of 4.5% on increase in revenue.

Operating Expenses Summary - Based on the above adjustments, Crystal Lake's test year operating expenses total \$34,942 for the water system and \$40,894 for wastewater system. The test year operating loss for the water system and wastewater system is \$1,299 and \$2,407, respectively. The test year operating revenues for the wastewater system are \$37,640, while the corresponding test year operating expenses are \$43,057. This results in a test year operating loss of \$5,417.

This results in test year operating expenses of \$34,234 for the water system and \$40,047 for the wastewater system. Therefore, the test year operating loss for the water and wastewater system is \$1,299 and \$2,407, respectively.

Test Year Operating Loss

The test year operating revenue for the water system are \$32,935 while the corresponding test year operating expenses are \$34,234. This results in test year operating loss of \$1,299.

The test year operating revenues for the wastewater system are \$37,640, while the corresponding test year operating expenses are \$40,047. This results in test year operating loss of \$2,407.

REVENUE REQUIREMENT

The appropriate revenue requirement is \$48,658 for the water system and \$56,455 for the wastewater system. This revenue requirement supports an annual increase in revenue of \$15,723 (47.74%) for the water system and \$18,815 (49.99%) for the wastewater system. This allows Crystal Lake to recover its operating expenses and earn an 8.34% return on its investment.

The revenue requirements and resulting annual increases are shown on Schedules Nos. 3 and 3-A.

RATES AND RATE STRUCTURE

Crystal Lake's current tariff provides for a flat rate structure. However, we have determined that the base facility and gallonage charge rate structure. The base facility/gallonage charge rate structure is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service. Further, the base facility charge rate structure is based upon the concept of readiness to serve all customers connected to the system. This ensures that rate payers pay their share of the costs of providing service through gallonage charge and also pay their share of the fixed costs of providing service through the base facility charge.

In addition, the base facility charge rate structure is an appropriate rate structure for conservation purposes because water use in Crystal Lake's service area appears excessive. Crystal Lake is under the jurisdiction of the Southwest Florida Water Management District. Special requirements are placed on Crystal Lake because it is located in a critical use area known as the Highlands Ridge Water Use Caution Area.

Rates have been calculated based on test year customers and consumption. We find the rates set forth below to be fair, just, reasonable, and not unfairly discriminatory. Crystal Lake's current rates and the Commission's approved rate structure have been set forth below:

CURRENT MONTHLY WATER RATES

Residential and General Service

Flat Rate per month \$ 7.00

COMMISSION APPROVED MONTHLY WATER RATES

Residential and General Service

<u>Base Facility Charge</u>	<u>Approved</u>
<u>Meter Sizes:</u>	
5/8" x 3/4"	\$ 2.75
3/4"	4.13
1"	6.88
1 1/2"	13.76

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2"	22.02
3"	44.03
4"	68.80
6"	137.59

<u>Gallonage Charge</u>	
Per 1,000 Gallons	\$ 1.27

CURRENT MONTHLY WASTEWATER RATES

Residential and General Service

Flat Rate per Month \$ 8.00

COMMISSION APPROVED MONTHLY WASTEWATER RATES

Residential and General Service

<u>Base Facility Charge</u>	<u>Approved</u>
<u>Meter Sizes:</u>	
5/8" x 3/4"	\$ 3.56
3/4"	5.34
1"	8.90
1 1/2"	17.81
2"	28.49
3"	56.99
4"	89.04
6"	178.09
<u>Gallonage Charge</u>	
Per 1,000 Gallons (Maximum charge of 6,000 gallons)	
Residential	\$ 1.39
General Service	1.67

These rates shall be effective for meter readings taken on or after 30 days after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon our staff's verification that the tariff is consistent with the Commission's decision and that the proposed customer notice is adequate.

Miscellaneous Service Charges

Crystal Lake's current water and wastewater tariffs contain no provisions for miscellaneous service charges. However, we have determined that the following charges are appropriate:

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00

Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

When both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond Crystal Lake's control require multiple actions. 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 non-payment 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 sheets. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with this Order and that the proposed customer notice is adequate.

Service Availability Charges

Currently, Crystal Lake's tariff contains a system capacity charge of \$375 for the water system and \$375 for the wastewater system, but it does not contain a provision for a meter installation charge. Crystal Lake's current service availability charges result in contribution levels of 38% for the water system and 28% for the wastewater system.

We find that the current system capacity charge for the water system meets the minimum threshold as required by Rule 25-30.580(b), Florida Administrative Code. Therefore, there will be no changes to the water system's current system capacity charge. However, we find that a \$100 meter installation charge should be included in Crystal Lake's water tariff.

Crystal Lake's current capacity charge for the wastewater system does not meet the minimum threshold requirements of Rule 25-30.580(b), Florida Administrative Code. Therefore, we have adjusted the wastewater system charge to \$700 to reflect the minimum threshold requirements.

Statutory Rate Reduction and Recovery Period

Section 367.0816, Florida Statutes, entitled "Recovery of Rate Case Expenses" provides:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rates of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

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

At the end of four years, Crystal Lake's rates should be reduced by \$236 annually for each system. Using current revenues, expenses, capital structure and customer base, the rate reduction for the water system is \$.02 and for the wastewater system is \$.02 in the base facility charge for a 5/8" x 3/4" meter. There is a rate reduction in the water system's gallonage charge of \$0.01 and no rate reduction in the wastewater system's general service or residential gallonage charge.

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

Crystal Lake shall also file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Crystal Lake files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

The required rate reduction after recovery of rate case expense is 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 Crystal Lake, we hereby authorize Crystal Lake to collect the rates approved herein, on a temporary basis, subject to refund, provided that Crystal Lake first furnish and have approved by Commission Staff, adequate security for a potential refund through a bond, letter of credit in the amount of \$23,507 or an escrow agreement with an independent financial institution, as well as a proposed customer notice and tariff sheets.

If Crystal Lake 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, Crystal Lake shall refund the amount collected that is attributable to the increase.

Crystal Lake shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, Crystal Lake 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.

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

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

be maintained by Crystal Lake. 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.

If a timely protest is not received, the processing of this case will be complete. Therefore, this docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Crystal Lake Club for an increase in its water and wastewater rates in Highlands County is approved as set forth in the body of this Order. It is further

ORDERED that all provisions of this Order, except for the granting of temporary rates subject to refund 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 25-22.029, Florida Administrative Code, is received by the Director of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0807, by the date set forth in the Notice of Further Proceeding below. 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 Crystal Lake Club is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the approved metered rates shall be effective for meter readings taken on or after 30 days after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the approved miscellaneous service charges 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 the implementation of the approved rates and charges, Crystal Lake Club shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon our Staff's verification that it is consistent with this Order. It is further

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ORDERED that in the event of a protest by any substantially affected person other than the utility, Crystal Lake Club is

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authorized to collect the approved rates on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that Crystal Lake Club has furnished satisfactory security for any potential refund and provided that it has submitted and our Staff has approved revised tariff sheets and a proposed customer notice. 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 4th day of March, 1994.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ELS

by: Kay J. J. J.
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our action herein, except for the granting of temporary rates subject to refund in the event of a protest, is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870,

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by the close of business on March 25, 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 the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 1
 WASTEWATER RATE BASE
 PAGE 2 OF 2

Account Title =====	Balance per Utility =====	Commission Adjustments to Utility Balance =====		Balance per Commission =====
Depreciable Plant in Service	539,412	300	A	539,712
Land/Nondepreciable Assets	11,159	(3,245)	B	7,914
Plant Held for Future Use	0	(151,785)	C	(151,785)
Acquisition Adjustment	0	0		0
C.W.I.P.	0	0		0
Contributions in Aid of Construction	(148,125)	1,500	D	(146,625)
Accumulated Depreciation	(95,756)	10,254	E	(85,502)
Amortization of Acquisition Adjustment	0	0		0
Accumulated Amortization of CIAC	20,380	(1,112)	F	19,268
Working Capital Allowance	0	3,598	G	3,598
 WASTEWATER RATE BASE	 \$327,070 =====	 (\$140,490) =====		 \$186,580 =====

CRYSTAL LAKE CLUB
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SCHEDULE NO. 1A
 ADJUSTMENTS TO
 RATE BASE
 PAGE 1 OF 2

A. UTILITY PLANT IN SERVICE:	WATER	WASTEWATER

1. To reflect test year additions to UPIS for the water and wastewater systems	748	599
2. To reflect the averaging adjustment for the water and wastewater systems	(374)	(300)
	-----	-----
Subtotal	374	299
B. LAND/NON-DEPRECIABLE PLANT		

1. To reflect the appropriate value of land associated with the utility	(7,756)	(3,245)
C. PLANT HELD FOR FUTURE USE (PHFU):		

1. To reflect the appropriate amount of non- used and useful plant	(60,593)	(180,327)
2. To reflect the proper amount of accumulated depreciation associated with PHFU	6,555	28,542
	-----	-----
Subtotal	(54,038)	(151,785)
D. CONTRIBUTIONS IN AID OF CONSTRUCTION		

1. To reflect averaging adjustment	1,500	1,500
E. ACCUMULATED DEPRECIATION:		

1. To reflect appropriate accumulated depreciation. at the beginning of the test year	11,999	19,875
2. Test year depreciation expense	(12,194)	(19,239)
3. Averaging adjustment	6,097	9,618
	-----	-----
Subtotal	5,902	10,254

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SCHEDULE NO. 1A
ADJUSTMENTS TO
RATE BASE
PAGE 2 OF 2

F. ACCUMULATED AMORTIZATION OF CIAC:	WATER	WASTEWATER

1. To reflect the appropriate balance at the beginning of the test year	(4,336)	(3,749)
2. Test year amortization	4,652	5,274
3. Averaging adjustment	(2,326)	(2,637)
	-----	-----
Subtotal	(2,010)	(1,112)
G. WORKING CAPITAL ALLOWANCE:		

1. Working capital allowance based on one-eighth of O&M expenses	3,090	3,598
	-----	-----
TOTAL RATE BASE ADJUSTMENTS:	(52,938)	(140,491)
	=====	=====

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SCHEDULE NO. 2
 COST OF CAPITAL

Component	Average Balance Per Utility	Commission Adjustments to Utility Balance	Adjusted Balance	Pro Rata Adjustments	Balance per Commission	Percent of Total	Weighted Cost	Weighted Cost
=====	=====	=====	=====	=====	=====	=====	=====	=====
Proprietary Capital	\$62,333	\$0	\$62,333	(22,859)	\$39,474	11.24%	10.97%	1.23%
Long Term Debt	\$491,998	0	491,998	(180,431)	311,567	88.76%	8.01%	7.11%
	-----	-----	-----	-----	-----	-----		-----
TOTAL	\$554,331	\$0	\$554,331	(\$203,290)	\$351,041	100.00%		8.34%
								=====

Zones of Reasonableness:

	Low	High
=====	=====	=====
Equity	9.97%	11.97%
Rate of Return	8.23%	8.46%

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SCHEDULE NO. 3
 OPERATING INCOME
 WATER
 Page 1 of 2

	Balance Per Utility =====	Commission Adjustments to Utility Balance =====		Test Year Balance per Commission =====	Commission Adjustments for Increase =====		Balance per Commission =====
Operating Revenues	\$32,240	\$695	A	\$32,935	\$15,723	E	\$48,658
Operating Expenses:							

Operation and Maintenance	\$7,788	\$16,934	B	\$24,722	\$0		\$24,722
Depreciation	7,176	(1,320)	C	5,856	0		5,856
Amortization	0	0		0	0		0
Taxes Other Than Income	0	3,656	D	3,656	708	F	4,364
Income Taxes	0	0		0	0		0

Total Operating Expenses	\$14,964	\$19,270		\$34,234	\$708		\$34,942

Operating Income (Loss)	\$17,276	(\$18,575)		(\$1,299)	\$15,015		\$13,716

Rate Base	\$217,399			\$164,461			\$164,461

Rate of Return	7.95%			-0.79%			8.34%
=====				=====			=====

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SCHEDULE NO. 3
 OPERATING INCOME
 WASTEWATER
 Page 2 of 2

	Balance Per Utility =====	Commission Adjustments to Utility Balance =====		Test Year Balance per Commission =====	Commission Adjustments for Increase =====		Balance per Commission =====
Operating Revenues	\$36,832	\$808	A	\$37,640	\$18,814	E	\$56,454
Operating Expenses:							

Operation and Maintenance	\$34,903	(\$6,116)	B	\$28,787	\$0		\$28,787
Depreciation	15,340	(7,754)	C	7,586	0		7,586
Amortization	0	0		0	0		0
Taxes Other Than Income	0	3,674	D	3,674	847	F	4,521
Income Taxes	0	0		0	0		0

Total Operating Expenses	\$50,243	(\$10,196)		\$40,047	\$847		\$40,894

Operating Income (Loss)	(\$13,411)	\$11,004		(\$2,407)	\$17,967		\$15,560

Rate Base	\$27,070			\$186,580			\$186,580

Rate of Return	-4.10%			-1.29%			8.34%
=====				=====			=====

CRYSTAL LAKE CLUB
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 TEST YEAR ENDED JUNE 30, 1993

SCHEDULE NO. 3A
 ADJUSTMENTS TO
 OPERATING INCOME

Page 1 of 3

A. OPERATING REVENUES:	WATER	WASTEWATER

1. To reflect the appropriate level of test year revenues based on billing analysis	695	808
B. OPERATION AND MAINTENANCE EXPENSES:		

1. Salaries and Wages Expense - Employees:		
1. To remove excess portion of salaries associated with property managers	0	(3,165)
2. To reflect appropriate salary for property managers for each system	2,004	(2,004)
3. To remove excess salaries associated with maintenance personnel	0	(594)
4. To reflect appropriate salary for maintenance personnel	676	(676)
5. To reflect appropriate salary associated with a groundskeeper	281	655
6. To reflect appropriate salaries for office assistants (billing clerk and secretary)	3,802	3,802
7. To reflect salary for a meter reader	1,200	
	-----	-----
Subtotal	7,963	(1,983)
2. Salaries and Wages Expense - Officers:		
1. To reflect a salary allowance for an officer	1,300	1,300
3. Purchased Water:		
1. To reflect appropriate costs associated with purchased water	450	0
4. Sludge Removal Expense		
1. To reflect appropriate costs associated with sludge hauling	0	(367)
5. Purchased Power Expense:		
1. To record appropriate amount of purchased power for each system	2,746	3,377

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SCHEDULE NO. 3A
 ADJUSTMENTS TO
 OPERATING INCOME
 Page 2 of 3

	WATER -----	WASTEWATER -----
6. Chemicals Expense:		
1. To reflect appropriate costs associated with chemicals	645	387
7. Materials and Supplies Expense:		
1. To remove nonutility portion of this expense	(691)	(1,074)
8. Contractual Services Expense:		
1. Reflect expense associated with contract operator	3,000	3,000
2. Reflect the appropriate amount of accounting and legal fees	635	181
3. Remove the utility recorded repairs	(3,130)	(5,187)
4. Reflect the appropriate amount of repairs expense	810	456
5. Reflect the appropriate amount of testing expense	1,233	1,070
	-----	-----
Subtotal	2,548	(480)
9. Rents Expense:		
1. To reflect an allowance for rent expense	600	600
10. Transportation Expense:		
1. Remove nonutility portion of transportation expense	0	(176)
2. To reflect the appropriate transportation allowance for the water and wastewater systems	55	55
	-----	-----
Subtotal	55	(121)
11. Insurance Expense:		
1. Remove insurance expense recorded by utility	0	(5,869)
2. To reflect appropriate amount of insurance expense associated with each system	886	886
	-----	-----
Subtotal	886	(4,983)

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SCHEDULE NO. 3A
 ADJUSTMENTS TO
 OPERATING INCOME

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	WATER	WASTEWATER
12. Regulatory Commission Expense:		
1. Remove misclassified regulatory assessment fees	0	(1,755)
2. To reflect rate case expense	225	225
	-----	-----
Subtotal	225	(1,530)
13. Miscellaneous Expense:		
1. Reclassified from miscellaneous expense to taxes other than income	0	(1,036)
2. Reflect appropriate miscellaneous expense between the two systems	207	(207)
	-----	-----
Subtotal	207	(1,243)
	-----	-----
TOTAL O & M ADJUSTMENTS:	16,934	(6,117)
	=====	=====
C. DEPRECIATION EXPENSE (NET OF CIAC AMORTIZATION):		

1. Remove test year depreciation expense per utility	(7,176)	(15,340)
2. Used and useful test year depreciation expense as approved by Commission by Staff (net of CIAC amort)	5,856	7,586
	-----	-----
Subtotal	(1,320)	(7,754)
D. TAXES OTHER THAN FEDERAL INCOME TAXES:		

1. Regulatory assessment fees based on Commission approved balance of test year revenues	1,482	1,694
2. Payroll taxes associated with Commission approved salaries and wages allowance	2,174	1,980
	-----	-----
Subtotal	3,656	3,674
E. OPERATING REVENUES:		

1. Commission approved revenue increase	15,723	18,814
F. TAXES OTHER THAN INCOME TAXES:		

1. To reflect increase in regulatory assessment fees associated with Commission approved revenue increase	708	847

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SCHEDULE NO. 3B
 DETAIL OF OPERATION AND
 MAINTENANCE EXPENSES
 WATER

---- Account ---- No. Description == =====	Balance per Utility =====	Commission Adjustments =====		Balance per Commission =====
601 Salaries and Wages - Employees	\$0	\$7,963	1	\$7,963
603 Salaries and Wages - Officers	0	1,300	2	1,300
604 Employee Pensions and Benefits	0	0		0
610 Purchased Water	1,350	450	3	1,800
615 Purchased Power	2,054	2,746	5	4,800
616 Fuel for Power Production	0	0		0
618 Chemicals	280	645	6	925
620 Materials and Supplies	974	(691)	7	283
630 Contractual Services	3,130	2,548	8	5,678
640 Rents	0	600	9	600
650 Transportation Expenses	0	55	10	55
655 Insurance Expense	0	886	11	886
665 Regulatory Commission Expense	0	225	12	225
670 Bad Debt Expense	0	0		0
675 Miscellaneous Expenses	0	207	13	207
TOTAL OPERATION AND MAINTENANCE EXPENSES	----- \$7,788 -----	----- \$16,934 -----		----- \$24,722 -----

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SCHEDULE NO. 3C
 DETAIL OF OPERATION AND
 MAINTENANCE EXPENSES
 WASTEWATER

---- Account ---- No. Description === =====	Balance per Utility =====	Commission Adjustments =====	Balance per Commission =====
701 Salaries and Wages - Employees	\$9,120	(\$1,983) 1	\$7,137
703 Salaries and Wages - Officers	0	1,300 2	1,300
704 Employee Pensions and Benefits	0	0	0
711 Sludge Removal Expense	5,292	(367) 4	4,925
715 Purchased Power	1,688	3,377 5	5,065
716 Fuel for Power Production	0	0	0
718 Chemicals	2,381	387 6	2,768
720 Materials and Supplies	1,532	(1,074) 7	458
730 Contractual Services	5,641	(480) 8	5,161
740 Rents	0	600 9	600
750 Transportation Expenses	176	(121) 10	55
755 Insurance Expense	5,869	(4,983) 11	886
765 Regulatory Commission Expense	1,755	(1,530) 12	225
770 Bad Debt Expense	0	0	0
775 Miscellaneous Expenses	1,450	(1,243) 13	207
TOTAL OPERATION AND MAINTENANCE EXPENSES	----- \$34,904 -----	----- (\$6,117) -----	----- \$28,787 -----