

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff-) DOCKET NO. 940642-WU
assisted rate case in Citrus) ORDER NO. PSC-95-0188-FOF-WU
County by CINNAMON RIDGE) ISSUED: February 9, 1995
UTILITIES, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER GRANTING TEMPORARY RATES IN 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 regarding our granting of increased rates and charges 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

Cinnamon Ridge Utilities, Inc. (Cinnamon Ridge or utility) is a class C water only utility located in Citrus County, Florida providing water service to two separate subdivisions known as the Cinnamon Ridge community. The area serves 197 residential customers, including mobile homes and single family residences. On February 11, 1982, this utility filed an application for an original certificate to operate a water system and was granted Water Certificate No. 360-W by Order No. 10967, issued July 7, 1982.

On June 14, 1994, Cinnamon Ridge applied for a staff-assisted rate case and paid the appropriate filing fee. We have audited the utility's records and conducted an engineering field investigation

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FPSC-RECORDS/REPORTING

of the utility's water treatment facilities and certificated territory. A review of the utility's operation expenses associated with the technical production of potable water was conducted to determine prudence. Also, an in-house study of the utility's maps, files, and rate application was done to establish reasonableness of plant cost, utility plant in service, and quality of service.

Water in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District (SWFWMD). Cinnamon Ridge is not located in a Water Use Caution Area and SWFWMD has placed no restrictions on the utility at this time.

We selected a historical test year ending December 31, 1993. The utility recorded test year revenues of \$33,117 and operating expenses of \$32,715. These amounts resulted in a booked test period operating income of \$402 for the water system.

QUALITY OF SERVICE

A customer meeting was held on November 17, 1994, at the community center within the subdivision of Cinnamon Ridge, in Citrus County. Approximately 20 customers attended, with 3 customers testifying. Two of these 3 testified about the quality of service. One customer stated that the quality of service was usually good, but occasionally, especially during the summer months, could taste the chlorine in the water, and in the coffee made from the water. The other customer raised the issue of low water pressure.

Our investigation of these complaints show that the utility is providing satisfactory quality of service. The high dosage of chlorine mentioned by the customer is not a normal situation. As with all water utilities, the chlorine level is checked frequently to ascertain that it remains within limits. The utility has an automatic hypochlorinator installed which meters the dosage of chlorine as demanded by the quantity of water flowing through the device. As with any automatic equipment, it will work most of the time, but may occasionally fail due to powder build up from the chemicals, or deterioration of parts. Additionally, when maintenance is performed on the distribution system, a heavier than usual dosage of chlorine is required prior the restoration of service. This heavier dosage is normally flushed out of the lines before service is restored, but occasionally, some residual may remain for a very brief period of time. Also, some individuals are more sensitive to the taste of chlorine than others.

As for the low water pressure, the utility has correspondence that shows the county tested the pressure and found it completely

acceptable. We can not determine why this customer may have experienced low pressure unless it is within his own plumbing, or he has referenced a short period of time after a repair of the system as when the damaged pump was replaced, in which case it takes time for the pressure to be restored. It is also a possibility that the air compressor, which starts automatically when the pressure reaches a certain lowered point, may have failed to operate properly on one or more occasions, since all automated equipment is subject to a failure occasionally. However, should this occur, all customers would experience lower than normal pressure. In one instance of record, this utility experienced a failure of the air compressor due to either a frog or lizard gaining access under the cover and causing a failure.

This utility is operating in violation of Chapter 17-55, Florida Administrative Code, and the Citrus County Ordinance 91-05, both which require a community water system that serves 350 or more persons, or has 150 or more service connections to have a second well. Chapter 17-55.315(1) and Chapter 17-55.320(6)(a), Florida Administrative Code, require a second well and an auxiliary power source, respectively. This utility has been in violation of these rules for a long period of time.

The utility is currently under order of the Citrus County Public Health Unit to bring the utility into compliance, an action which will result in expensive legal action for both the utility and the County should the utility fail to comply.

The utility's expressed reason for not complying with the rules, as mentioned above, was because the county was attempting to take possession of the water system as a part of its expansion program. With the possibility of the utility losing its total investment to the county, the utility did not consider it prudent to shoulder the cost of establishing a new well and the installation of the auxiliary generator, then turning it all over to the county. Upon determining that the county was dropping its initiative to gain control of its assets, and with this agreement in writing, the utility immediately began seeking bids for the purpose of bringing the utility into compliance. We have received signed copies of contracts from the utility for both pro forma items we have included in rate base.

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

Water Treatment Plant

A review of the operator's records for the test year shows that a total of 18,332,700 gallons of drinking water was produced by this facility. The high 4 day average computes to a 101,050 gallon daily average. Due to the methodology of recording, the usual 5 day average was not possible to capture. We will use the 101,050 gallons as our daily average. Reports show 3,582,200 gallons were used for cleaning and flushing plus some minor losses due to leakage and repairs.

By accepted formulation, the used and useful for the water treatment plant is 25.14 percent, however, this formula fails to consider cases of this nature where the utility is required, by the Department of Environmental Protection (DEP), to expand its plant before its present capacity has been reached. It is for this reason that we find that the treatment plant is 100% used and useful. The water treatment plant was inspected and was operating satisfactorily.

Water Distribution System

Presently, the distribution system is providing service to 197 residences. As built, the distribution system can provide service to 280 lots (single resident homes). Using the actual connections with a margin reserve of 20 percent, the used and useful computes to 69.6 percent. Therefore, we find that the water distribution system is 69.6 percent used and useful. The water distribution system was inspected and was working satisfactorily.

Test Year Rate Base

The appropriate components of the utility's rate base include depreciable plant in service, land, plant held for future use, contributions in aid of construction (CIAC), accumulated depreciation, accumulated amortization of CIAC and working capital allowance. A discussion of each component follows.

Depreciable Plant in Service

The water treatment plant facility consists of one active, 6 inch, steel cased well with a depth of approximately 175 feet, a 20 horsepower pump capable of 350 gallons per minute, a treatment

plant consisting of an auto-metered (demand) chlorination unit and one 3,000 gallon, steel, elevated, hydropneumatic tank. The well/pump combination provide an estimated output of 252,000 gallons per day. The tank has a small but adequate air compressor mounted atop to provide the necessary pressure (38 to 58 pounds per square inch) on the system.

The utility's books reflected a utility plant in service (UPIS) balance of \$82,194 at the end of the test year. We recalculated UPIS starting with Order No. 19524, issued June 20, 1988, which showed a balance of \$158,465. Additions of UPIS up to the test year totaled \$21,479. We increased this account by \$97,750 to bring the utility's books to the proper amount. An adjustment was also made to increase plant by \$354 to transfer the cost of expensed water meters to UPIS.

As stated earlier, this utility is operating in violation of Chapter 17-55, Florida Administrative Code, and Citrus County Ordinance 91-05, both which require a community water system that serves 350 or more persons, or has 150 or more service connections to have a second well. In order to allow the utility to correct these violations, we increased water plant to include \$11,780 in pro forma plant to drill a new well and \$18,339 in pro forma plant to purchase a new standby generator. The utility has provided signed contracts for the work to be done. We also made an averaging adjustment to decrease this account by 3,085.

Based on the foregoing, we find that the appropriate average amount of test year plant in service is \$207,332.

Land

The utility's land value of \$400 was established in Order No. 19524. We made no changes to this balance.

Plant Held for Future Use

The water distribution system is 69.6% used and useful. To determine the average amount of plant held for future use, the nonused and useful percentage of 30.4% was applied to the corresponding average balances of plant in service and accumulated depreciation. Therefore, we have made an overall decrease in the balance of plant held for future use balance by \$32,388.

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

The CIAC balance reflected in Order No. 19524 is \$108,640. We increased CIAC \$15,058 to include 54 new customers and made an

increase of \$36,513 to bring CIAC to the appropriate amount. We also increased CIAC by \$16,590 to reflect CIAC for margin reserve and made an averaging adjustment which decreased this account by \$397.

Based on these adjustments, we find that the appropriate CIAC balance for the water system is negative \$139,891.

Accumulated Depreciation

The utility recorded accumulated depreciation of \$22,975 on its books for the test year. We calculated accumulated depreciation using a composite depreciation rate of 2.78% through December, 1992. Test year depreciation expense was calculated pursuant to rates set forth in Rule 25-30.140, Florida Administrative Code, and an increase of \$26,616 was made to bring accumulated depreciation to the proper amount. We also increased accumulated depreciation by \$1,515 to include one year of depreciation expense on pro forma plant. Further, we made an averaging adjustment which decreased this account by \$3,047.

Based on the foregoing, we find that the appropriate accumulation balance for the water system is \$48,059.

Accumulated Amortization

The utility recorded an accumulated amortization of CIAC balance of \$14,114. We increased this amount by \$18,819 to reflect amortization of CIAC through December 31, 1993. An \$1,141 increase was also made to reflect amortization of CIAC associated with margin reserve. Further, we made an averaging adjustment which decreased this account by \$2,119.

Based on the foregoing, we find that the appropriate accumulated amortization of CIAC is \$31,955.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense approach, the formula method, for calculating working capital allowance. Applying that formula, the working capital allowance is \$3,854.

Rate Base Summary

Based on the foregoing, we find that the appropriate test year rate base balance for the water system is \$23,203.

COST OF CAPITAL

Our calculation of the appropriate cost of capital and our adjustments are contained in Schedule No. 2. 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.

Return on Equity

The utility's books include capital stock of \$500, and retained earnings of \$5,380. We decreased retained earnings by \$7,166 to correct the figure for the corrections made to depreciation and CIAC expense which resulted in retained earnings being a negative \$1,786. Since including a negative retained earnings would penalize the utility's capital structure by understating the overall rate of return, we adjusted the negative retained earnings to zero. The company's test year average equity balance has been increased by \$22,657 to match the total rate base. Using the current leverage formula approved by Order No. PSC-94-1051-FOF-WS, issued August 29, 1994, the rate of return on common equity is 9.81%.

Overall Rate of Return

Due to the fact that this utility has no long term debt, the resulting cost of equity and appropriate overall rate of return is 9.81%.

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.

Test Year Revenues

The utility recorded water system revenues of \$33,117 during the test period. A revenue check using the billing analysis shows that the utility's test year revenue is \$33,302. Therefore, we made an adjustment of \$185 to bring test year revenue to the proper amount.

Test Year Operating Expenses

The utility recorded test year water system operating expenses of \$32,715. The utility's test year operating expenses have been traced to invoices. Based upon the application and our adjustments, we find that the utility's operating expenses is \$36,017.

Operation and Maintenance Expenses(O & M)

Operation and maintenance expenses reflected in the utility's records were traced to invoices and test year cancelled checks for verification of the appropriate account, amount, and reasonableness.

1) Purchased Power - The utility recorded \$3,226 in this account during the test year. An adjustment of \$1 was made to bring purchased power to the audited amount.

2) Chemicals - The utility recorded \$275 in this account for the test year. A review of the chemical usage shows that the utility used 200 gallons of chlorine during the test year which we believe as necessary and prudent.

3) Contractual Services - The utility recorded \$25,579 in this account during the test period. We made several adjustments to this balance.

The utility utilizes Gulf Highway Corporation (GHC) for management services at a cost of \$20,928 per year. All management, office and operational personnel are contracted. The utility has no direct employees. GHC provides the office space, telephone, computer, general manager, bookkeeper, transportation expense and meter reader along with normal office supplies. We investigated all aspects of the management contract and found that the costs are reasonable and prudent.

GHC has an agreement with a contractor to perform all required licensed operator duties and with plumbing and well companies to perform repairs and maintenance. In addition to management services during the test year, the utility recorded a \$1,473 expense for the licensed operator, \$35 for a computer software analyst, \$850 for an outside accountant, \$429 for water testing, \$1,218 for repairs and maintenance, \$449 for postage, \$127 for non-ordinary office expense and \$70 for a county permit.

We made adjustments to this account to: a) reclassify \$449 of postage to the miscellaneous expense account; b) reclassify \$127 of non-ordinary office supply expense to the miscellaneous expense account; c) reclassify \$70 of county permit cost to the miscellaneous expense account; d) reclassify \$120 of lead and

copper testing from the miscellaneous expense account; and e) include an additional \$739 for all DEP required water testing.

Based on the foregoing, we find that the appropriate test year contractual services is \$25,792. This includes \$20,928 for management services, \$1,473 for a licensed operator, \$1,253 for repairs and maintenance, \$850 for outside accounting fees and \$1,288 for DEP required water testing which are reasonable and prudent.

4) Insurance Expense - The utility recorded \$86 of insurance expense in this account during the test year. The total premium on this insurance policy is \$4,095. The utility insurance allocation is 2.1% of the total policy which is fair and reasonable.

5) Regulatory Commission Expenses - The utility recorded no expense in this account during the test year. We made an adjustment of \$250, \$1,000 divided by 4 years, to allow for the rate case filing fee amortized over 4 years.

6) Miscellaneous Expenses - The utility recorded \$794 in this account for the test year. Adjustments were made to: a) reclassify \$354 of water meters in inventory to utility plant; b) reclassify \$449 postage from the contractual services account; c) reclassify \$127 of non-ordinary office supply expense from the contractual services account; d) reclassify a \$70 county permit cost from the contractual services account; e) reclassify \$120 of lead and copper testing to the contractual services account; and f) allow \$232 additional postage per billing analysis.

A total increase of \$404 was made to this account. Based on the foregoing, we find it appropriate that test year miscellaneous expenses is \$1,198.

Depreciation Expense

The utility recorded depreciation expense of \$2,055 during the test year. We applied the prescribed depreciation rates and used and useful percentages to the appropriate test year plant-in-service account balances which resulted in a depreciation expense of \$5,085. An adjustment was made to include depreciation expense on pro forma utility plant of \$1,515. Based on the foregoing, we find it appropriate that test year depreciation expense is \$6,600.

Amortization Expense

The utility recorded amortization expense of \$1,894. After reviewing Order No. 19524 and adding the 54 new customers since the

issuance of that Order, we determined test year CIAC amortization expense to be \$4,239. Therefore, depreciation expense net of amortization of CIAC is \$2,361.

Taxes Other than Income: The utility recorded \$2,594 in this account during the test year which includes \$1,030 in real estate taxes, \$74 in intangible taxes and \$1,490 in regulatory assessment fees. An adjustment of \$9 was made to increase regulatory assessment fees to recommended test year revenues.

Operating Revenues

Revenue has been adjusted by \$4,991 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity its return on investment.

Taxes Other Than Income Taxes

This expense has been increased by an additional \$225 to reflect the regulatory assessment fee of 4.5% on its increase in revenue.

Operating Expenses Summary

Based on the foregoing, we find that the utility's test year operating expenses are \$36,017.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirement is \$38,293. This represents an annual increase in revenue of \$4,991 or 14.99%. These revenue requirements will allow the utility to recover its expenses and the opportunity to earn a 9.81% return on its investment.

RATES AND RATE STRUCTURE

The utility's current residential tariff provides for a base facility and gallonage charge rate structure which is the preferred rate structure, because it is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the variable costs of providing service (through the consumption or 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 this utility for conservation purposes, which is a statewide goal. The utility is under the jurisdiction of the Southwest Florida Water Management District. Cinnamon Ridge is not located in a Water Use Caution Area and the utility customers average monthly usage of 6,320 gallons is not viewed as excessive.

Based on the test year billing analysis, the utility provided water service to approximately 197 residential customers. Rates have been calculated based on test year customers and the consumption levels provided by the billing analysis.

The utility's current and approved rates are shown below:

MONTHLY WATER RATES

Residential, General and Multi-Residential Service

	<u>Current Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter sizes: 5/8" x 3/4"	\$ 6.10	\$ 7.66
3/4"	N/A	11.49
1"	15.25	19.15
1 1/2"	30.50	38.31
2"	48.80	61.29
3"	N/A	122.58
4"	N/A	191.53
6"	N/A	383.05
<u>Gallonage Charge</u>		
Per 1,000 Gallons	\$ 1.28	\$ 1.37

The approved rates will be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice. 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.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated.

The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on or after the effective date of the new rates.

In no event shall the rates be effective for service rendered prior to the stamped approval date.

STATUTORY RATE REDUCTION AND RECOVERY PERIOD

The statutory recovery period for rate case expense is four years. The appropriate annual reduction at the end of that period is \$262.

Section 367.0816, Florida Statutes, provides that:

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

The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees which is \$262 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 \$.05 reduction in the base facility charge for a 5/8" X 3/4" meter, and a \$.01 reduction in the gallonage charge for residential service.

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

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

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 hereby 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 \$3,445, or an escrow account, a proposed customer notice, and revised tariff sheets.

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

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

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

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

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

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino 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 account.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as 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 shall 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 Systems of Accounts. 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 shall maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

Upon expiration of the protest period, if a timely protest is not received, this docket shall remain open for an additional ninety days from the effective date of the Order so that our engineer may verify that pro forma plant has been completed. After the engineer verifies pro forma plant has been completed, and after the utility has submitted and has had approved revised tariff sheets reflecting the new rates, this docket may be closed administratively. However, if the utility fails to timely complete the pro forma plant, show cause proceedings may be initiated.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Cinnamon Ridge Utilities, Inc.'s application for increased water rates are 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 Cinnamon Ridge Utilities, Inc. is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Cinnamon Ridge Utilities, Inc.'s rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the customers have received notice. It is further

ORDERED that Cinnamon Ridge Utilities, Inc. shall provide proof that the customers have received notice within 10 days of the date of the notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Cinnamon Ridge Utilities, Inc. shall submit and have approved a proposed customer notice to its customers of the increased rates and charges and reasons therefor. The notice will be approved upon our staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Cinnamon Ridge Utilities, Inc. shall submit and have approved a bond or letter of credit in the amount of \$3,445 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

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ORDERED that in the event of a protest by any substantially affected person other than the utility, Cinnamon Ridge Utilities, Inc. is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30-360, Florida Administrative Code, provided that University Oaks Water System, Inc. 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, prior to its implementation of the rates and charges approved herein, Cinnamon Ridge Utilities, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon staff's verification that the pages are consistent with our decision herein, that the protest period has expired, and that the customer notice is adequate. It is further

ORDERED that Cinnamon Ridge Utilities, Inc. shall submit monthly reports as set forth in the body of this Order. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that the provision of this Order, regarding our granting of increased rates and charges is 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 the Division of Records and Reporting 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 Cinnamon Ridge Utilities, Inc. 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 by the Florida Public Service Commission that, upon expiration of the protest period, if no timely protest is received, this docket shall remain open for an additional ninety days from the effective date of the Order so that our engineer may verify that pro forma plant has been completed. It is further

ORDERED that upon staff verification that the pro forma plant has been completed, and after Cinnamon Ridge Utilities, Inc., has

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submitted and has had approved revised tariff sheets reflecting the new rates, this docket may be closed administratively.

By ORDER of the Florida Public Service Commission, this 9th day of February, 1995.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

MSN

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 granting rates and charges 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 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 2, 1995. 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.

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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.

CINNAMON RIDGE UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 1
 DOCKET NO. 940642-WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 82,194	\$ 125,138 A	\$ 207,332
LAND/NON-DEPRECIABLE ASSETS	400	0	400
PLANT HELD FOR FUTURE USE	0	(32,388) B	(32,388)
CIAC	(72,127)	(67,764) C	(139,891)
ACCUMULATED DEPRECIATION	(22,975)	(25,084) D	(48,059)
AMORTIZATION OF CIAC	14,114	17,841 E	31,955
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>3,854 F</u>	<u>3,854</u>
WATER RATE BASE	\$ 1,606	\$ 21,597	\$ 23,203

CINNAMON RIDGE UTILITIES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 1A
DOCKET NO. 940642-WU

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect plant per Commission Order # 19524.	\$ 97,750
2. To include water meters in inventory.	354
3. To reflect pro forma plant.	30,119
4. To reflect averaging adjustment.	(3,085)
	<u>\$ 125,138</u>
B. <u>PLANT HELD FOR FUTURE USE</u>	
1. To reflect non-used and useful plant.	\$ (38,136)
2. To reflect non-used and useful accumulated depreciation associated with non-used and useful plant.	5,748
	<u>\$ (32,388)</u>
C. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. To reflect 54 new customers.	\$ (15,058)
2. To bring amortization of CIAC to proper amount.	(36,513)
3. To reflect averaging adjustment.	397
4. To reflect CIAC for margin reserve.	(16,590)
	<u>\$ (67,764)</u>
D. <u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation on utility plant .	\$ (26,616)
2. To include 1 year depreciation expense on pro forma plant.	(1,515)
3. To reflect averaging adjustment.	3,047
	<u>\$ (25,084)</u>
E. <u>AMORTIZATION OF CIAC</u>	
1. To reflect amortization of CIAC .	\$ 18,819
2. To reflect averaging adjustment.	(2,119)
3. To reflect amortization of CIAC associated with margin reserve.	1,141
	<u>\$ 17,841</u>
F. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expenses.	<u>\$ 3,854</u>

CINNAMON RIDGE UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 2
 DOCKET NO. 940642-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%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
RETAINED EARNINGS	5,380	(5,380)	0	0.00%	0.00%	0.00%
COMMON EQUITY	500	22,703	23,203	100.00%	9.81%	9.81%
PAID IN CAPITAL	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 5,880	\$ 17,323	\$ 23,203	100.00%		9.81%

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	8.81%	10.81%
OVERALL RATE OF RETURN	8.81%	10.81%

CINNAMON RIDGE UTILITIES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 3
DOCKET NO. 940642-WU

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 33,117	\$ 185 A	\$ 33,302	\$ 4,991 F	\$ 38,293
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 29,960	\$ 868 B	\$ 30,828	0	30,828
DEPRECIATION	2,055	4,545 C	6,600	0	6,600
AMORTIZATION	(1,894)	(2,345) D	(4,239)	0	(4,239)
TAXES OTHER THAN INCOME	2,594	9 E	2,603	225 G	2,828
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 32,715	\$ 3,077	\$ 35,792	\$ 225	\$ 36,017
OPERATING INCOME/(LOSS)	\$ 402		\$ (2,490)		\$ 2,276
WATER RATE BASE	\$ 1,606		\$ 23,203		\$ 23,203
RATE OF RETURN	25.03%		-10.73%		9.81%

CINNAMON RIDGE UTILITIES, INC.
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 3A
DOCKET NO. 940642-WU

<u>A. OPERATING REVENUES</u>	<u>WATER</u>
1. To adjust revenue per utility books to revenue per billing analysis.	\$ <u>185</u>
<u>B. OPERATION AND MAINTENANCE EXPENSES</u>	
1. (615) Purchased Power	
a. To correct balance for purchased power per audit.	\$ <u>1</u>
2. (618) Chemicals	
a. No adjustments necessary.	
3. (630) Contractual Services	
a. To reclassify postage to Account No. 675.	\$ (449)
b. To reclassify office supply expense to Account No. 675.	(127)
c. To reclassify county permit cost to Account No. 675.	(70)
d. To reclassify lead and copper testing from Account No. 675.	120
e. To include all required DEP testing per staff engineer.	<u>739</u>
	\$ <u>213</u>
4. (655) Insurance Expense	
a. No adjustments necessary.	
5. (665) Regulatory Commission Expenses	
a. To reflect rate case filing fee amortized over 4 years	\$ <u>250</u>
6. (675) Miscellaneous Expenses	
a. To reclassify water meters to utility plant (Acct. No. 334)	\$ (354)
b. To reclassify postage from Account No. 630	449
c. To reclassify office supply expense from Account No. 630	127
d. To reclassify county permit cost from Account No. 630	70
e. To reclassify lead and copper testing to Account No. 630	(120)
f. To allow proper postage amount per billing analysis	<u>232</u>
	\$ <u>404</u>
TOTAL O & M ADJUSTMENTS	\$ <u>868</u>
<u>C. DEPRECIATION EXPENSE</u>	
1. To reflect commission's calculated test year depreciation expense net of non-used and useful depreciation expense	\$ 3,030
2. To include 1 year depreciation expense on pro forma plant	<u>1,515</u>
	\$ <u>4,545</u>
<u>D. AMORTIZATION EXPENSE (CIAC)</u>	
1. To reflect commission's calculated test year amortization expense	\$ <u>(2,345)</u>
<u>E. TAXES OTHER THAN INCOME</u>	
1. To correct test year regulatory assessment fee amount.	\$ <u>9</u>
<u>F. OPERATING REVENUES</u>	
1. To reflect increase in revenue required to cover expenses and allow recommended rate of return	\$ <u>4,991</u>
<u>G. TAXES OTHER THAN INCOME</u>	
1. To reflect regulatory assessment fee at 4.5% on increase in revenue	\$ <u>225</u>

CINNAMON RIDGE UTILITIES, INC.
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDING DECEMBER 31, 1993

SCHEDULE NO. 3B
 DOCKET NO. 940642-WU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(601) SALARIES AND WAGES – EMPLOYEES	\$ 0	\$ 0	\$ 0
(603) SALARIES AND WAGES – OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	3,226	1 [1]	3,227
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	275	0	275
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES	25,579	213 [2]	25,792
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	86	0	86
(665) REGULATORY COMMISSION EXPENSE	0	250 [3]	250
(670) BAD DEBT EXPENSE	0	0	0
(675) MISCELLANEOUS EXPENSES	794	404 [4]	1,198
	<u>\$ 29,960</u>	<u>\$ 868</u>	<u>\$ 30,828</u>