

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a Staff-) DOCKET NO. 940617-WS
Assisted Rate Case in Duval) ORDER NO. PSC-95-0341-FOF-WS
County by WILLIAM C. DEMETREE) ISSUED: March 13, 1995
AND JACK C. DEMETREE d/b/a)
DEMETREE ENTERPRISES)
_____)

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
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

William C. Demetree and Jack C. Demetree d/b/a Demetree Enterprises (Demetree or Utility) is a Class C utility located in Duval County. Demetree provides water and wastewater service to 600 units in the Villa Del Rio and the Ortega Arms apartment complexes and water service to 23 single family residences. Demetree purchases potable water from the City of Jacksonville for distribution to its customers. The wastewater is collected and treated by the utility.

On June 7, 1994, the utility applied for a staff-assisted rate case and paid the appropriate filing fee. The official filing date is August 10, 1994. We audited the utility's records and conducted

DOCUMENT NUMBER-DATE

02718 MAR 13 95

FPSC-RECORDS/REPORTING

a field investigation, which included an inspection of the treatment facilities and certificated territory. The utility's operating expenses, maps, files and rate case application were also reviewed to determine reasonableness of plant costs and maintenance expense. We selected a projected test year ended December 31, 1995.

The utility has completed plant additions to accommodate a 56 single family residential development. This development is expected to come on line in 1995. The expenses have been projected for December 31, 1995 to support this new development.

Based on our audit, the utility collected combined revenues of \$207,700, paid operating expenses of \$209,041 which resulted in a net operating loss of \$1,341.

QUALITY OF SERVICE

A customer meeting was held on November 16, 1994. Only one customer attended this meeting. The customer had comments and opinions concerning the increase of service rates, but had no comments concerning the quality of service. To evaluate the overall quality of service provided by the utility, we must consider three separate components of wastewater utility operations: (1) quality of utility's product (wastewater service); (2) operational conditions of utility's plant or facilities; and (3) customer satisfaction.

Since the utility sells purchased water, the water utility passes along municipal water that has been subject to the strictest federal and state standards. The wastewater plant in service is under the jurisdiction of both state and county regulatory standards which are constantly monitoring the utility. No violations or corrective orders are pending against either the water utility or the wastewater utility.

Our engineer visited the service area during the initial field investigation. The water plant facilities consist of a master meter that measures the volume of water purchased from the City of Jacksonville and customer meters that measure metered water sold. The wastewater plant is a 0.250 million gallon per day (mgd) plant with a rated capacity of 0.150 mgd to meet treatment standards for a surface discharge system. All wastewater plant facilities were found to be well maintained and in good operating condition. Finally, there are no open citations or active complaints against Demetree that have been filed with this Commission or with other regulatory agencies. Therefore, in consideration of the foregoing,

we find that the overall quality of service provided by Demetree is satisfactory.

RATE BASE

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

Used and Useful:

The utility purchases water from the City of Jacksonville. Therefore, a used and useful analysis for the water treatment plant is not applicable.

The distribution system owned and maintained by the utility has the capacity to serve only the established 23 single family homes and the new 56 unit development, a total of 79 equivalent residential connections (ERCs). In keeping with the approved formula used to determine a starting point for useful and non-useful assets, we find that the distribution system is 37.85% used and useful. The exceptions to this are Account No. 309 (Supply Mains) which are on-site supply lines for the two general service customers and Account No. 334 (Meter and Meter Installations) which are installed upon demand. Both exceptions are 100% used and useful.

The rated capacity of the wastewater treatment plant is 150,000 gallons per day (gpd). The five highest daily flows occurred during October of the test year and averaged 128,600 gpd. Using our formula, we find that the wastewater treatment plant is 88.96% used and useful.

The only collection system listed as a utility asset is the new 56 unit development that has not started servicing customers. The formula approach which is used as an indicator to determine useful plant will be calculated using twelve ERCs to determine useful plant. According to our calculation, we find that the wastewater collection system is 32.14% used and useful. The exception to this is Account No. 363 (Services to Customers) which is 100% used and useful.

Test Year Rate Base

This utility has never had rate base established by the Commission. The present owners acquired the facilities from a partnership liquidation. The present owners received ownership of the water and wastewater plant as part of the liquidation. The water and wastewater plant was immediately contributed to form a new partnership. For financial statement and income tax purposes, the utility plant was recorded on the books of Demetree on July 1, 1983, at a basis of \$45,354.17. The \$45,354.17, represented the basis of their interest in the prior partnership. The \$45,354.17 was allocated the following way: \$3,500 to land; \$32,000 to a wastewater outfall line; \$3,000 to plant buildings and the rest to structures and the balance to force and gravity sewers. Documentation of the original plant cost was not available for review.

In 1984, a new 250,000 gallon wastewater plant was purchased. By 1986, it was no longer cost efficient to operate the water plant. The utility incurred costs of \$39,978 in extending a force main to the city force main, and \$18,605 to install new meters to meter the water that was purchased from the City of Jacksonville. Since 1993, when the utility became certificated, all plant additions since then have been properly documented, if not properly capitalized.

In order to determine the value of original plant, we performed an original cost study. The appropriate components of the utility's rate base include Utility plant in service, land, non-used and useful components, contributions-in-aid-of-construction (CIAC), accumulated depreciation, accumulated amortization of CIAC and working capital allowance. Adjustments are necessary to reflect the appropriate balances at the test year.

Utility Plant-in-Service (UPIS)

The utility requested an average plant balance of \$99,090 for water and \$394,431 for wastewater. These plant balances were verified with the utility's general ledger, contracts and invoices. UPIS for the water division was decreased by \$2,980 to reflect the meter installation charge. Therefore, we find that the appropriate average balances for UPIS are \$96,110 for water and \$394,431 for wastewater.

Land

The utility owns the land on which the water and wastewater systems are located. The original cost study established the land

value at \$5,010. The utility allocated the land cost totally to the wastewater system. The utility, at inception, provided water and wastewater service. We reallocated the land based on a 10% and 90% split between the water and the wastewater system. Therefore, we find that the land value at December, 1995, is \$501 for the water system and \$4,509 for the wastewater system.

Plant Held for Future Use (PHFU)

We calculated PHFU based on the non-used and useful percentages of plant net of accumulated depreciation. Therefore, we find that the appropriate amount of PHFU for the wastewater system is \$20,138.

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

The utility has requested a CIAC balance of \$20,053 for water and \$34,808 for wastewater. The utility calculated the requested CIAC amounts using an estimate of 65 future connections. Subsequently, the utility provided updated information that supports 12 future connections. The CIAC balances shall be adjusted to reflect 12 future connections and the additional service availability charges. Therefore, we have decreased the CIAC balance by \$17,545 for water and \$28,382 for wastewater.

Based on our audit, the utility did not record CIAC on its books and has not submitted competent substantial evidence as to the amount of CIAC. In these circumstances, Rule 25-30.570 (1), Florida Administrative Code, requires the imputation of CIAC to be based on the amount of plant costs charged to the facilities and plant attributable to the water transmission and distribution system and the sewage collection system. The utility has plant costs of \$52,220 recorded for the transmission and distribution system and \$67,061 recorded for the collection system. Therefore, based on the above, we shall make an adjustment to increase the CIAC balance by \$52,220 for the water system and \$67,061 for the wastewater system.

The net effect of the above adjustments results in an increase to CIAC by \$34,675 for water and \$38,679 for wastewater, and the appropriate average balance of CIAC is \$54,728 for water and \$73,487 for wastewater.

Accumulated Depreciation

The utility application included accumulated depreciation of \$23,420 and \$240,186 for the respective water and wastewater systems. We calculated the appropriate balances based on

depreciation rates in conformity with Rule 25-30.140, Florida Administrative Code. Therefore, the appropriate balances, including the corresponding adjustments to the above plant adjustments, are \$23,245 for the water system and \$240,186 for the wastewater system.

Amortization of CIAC

Amortization of CIAC has been calculated consistent with our calculation of accumulated depreciation. The resulting average balances are \$11,868 for the water system and \$9,647 for the wastewater system.

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 the working capital allowance. Applying that formula, we find that the working capital allowance is \$10,183 for water and \$16,373 for wastewater.

Rate Base Summary

Based on the foregoing, we find the appropriate test year rate base balances are \$40,689 for water and \$91,149 for wastewater.

COST OF CAPITAL

Our calculation of the appropriate cost of capital and our adjustments are contained in Schedules Nos. 2-A and 2-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.

Return on Equity

Based on our audit, the utility's capital structure includes 100% common equity. Using the current leverage formula approved by Order No. PSC-94-1051-FOF-WS, issued August 29, 1994, we find that the rate of return on equity is 9.81%.

Overall Rate of Return

Applying the weighted average method to the total capital structure yields an overall rate of return of 9.81% with a range of 8.81% to 10.81%.

NET OPERATING INCOME

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

Test Year Operating Revenues

The test year operating revenue for the water system is \$40,807, while the corresponding test year operating expenses are \$81,458. This results in a test year operating loss of \$47,727.

The test year operating revenue for the wastewater system is \$175,562, while the corresponding test year operating expenses are \$167,834. This results in a test year operating income of \$7,728.

Test Year Operating Expenses

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 are 90,971 for water and \$167,891 for wastewater.

Operation and Maintenance Expenses

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) Salaries and Wages - The utility requested \$2,767 for the water system and \$26,103 for the wastewater system as salaries for the primary, in-house operator. The operator handles the maintenance and repairs for the utility. The operators responsibilities were expected to intensify once the additional 56 ERCs were added for the new subdivision. There will only be 12 additional ERCs by the projected test year. We have decreased salaries by \$86 for water and \$1,973 for wastewater.

2) Employee Pension and Benefits - The utility requested \$884 for the water system and \$7,877 for the wastewater system as employee pension and benefits. These amounts represented payroll taxes, and were reclassified as taxes other than income.

Therefore, we have decreased this expense by \$884 for water and \$7,877 for wastewater.

3) Purchased Water - The utility requested \$49,949 for purchased water expenses. This amount is projected for present and future customers. This expense has been increased by \$3,535 to reflect the City of Jacksonville's rate increases effective on March 1, 1995. This adjustment eliminates a request for a purchased water pass through rate application.

4) Purchased Power - The purchased power cost totalled \$32,689 for the test year ended December 31, 1993. The addition of 12 new connections is estimated to increase the cost of purchased power by \$734 annually. The utility has revised its purchase power expense to total \$33,423. We find that no adjustment is necessary.

5) Chemicals - The utility estimated chemicals to cost \$13,898. It is anticipated that the purchase of chemicals will increase as the 56 new connections come on-line. The utility has revised their estimate to 12 new connections for the projected test year of December 31, 1995. We believe an appropriate allowance for handling the present and future customers for chemical expenses is \$9,052. Therefore, we have decreased chemical expenses by \$4,846.

6) Materials and Supplies - The utility included \$5,746 in expenses for materials and supplies. We have decreased this expense by \$46 to remove duplicated expense.

7) Contractual Services Other - The utility included \$36,334 for water and \$57,106 for wastewater contractual expenses. These expenses included the cost for management fees, consultant services, office rent, copy machine expense, telephone, main frame computer system, office furniture, office supplies, file cabinets, and personal computers. The utility shares office space and employee staff with several other affiliated companies. Based on the general ledger, the number of customers, the size of the utility and the shared facilities, staff has reduced contractual service. This expense was decreased by \$15,559 for water and \$19,437 for wastewater to remove and reclassify the cost incurred for the well capping and dismantling of a water plant.

8) Regulatory Commission Expense - The utility application included rate case expense of \$375 and \$3,375 for the respective water and wastewater systems. Rate case expense is allocated 10% to water and 90% to the wastewater system. The utility has provided staff with an update of rate case expense incurred and expected costs to complete. Rate case expense is estimated to total \$14,866 by completion of this case, which includes a \$2,000

filing fee and \$12,866 for accounting consultant services. The utility hired an accounting consultant due to its lack of expertise and because this is the utility's first rate proceeding. After reviewing the actual payments and the projected completion costs for reasonableness and prudence, we believe much of the consultant's expense to be excessive given the complexity of the case and value of the information provided. The staff assistance program is designed to provide the utility the expertise it lacks and to save the expense of hiring outside consultants. If the utility had relied on our staff's expertise, rate case expense would have been the cost of the filing fees. Therefore, we reduced rate case expense by \$8,666, for unnecessary costs and duplication of effort. Based on the foregoing, the utility shall be granted \$6,200 in rate case expense split evenly between water and wastewater and amortized over four years. The appropriate annual amount for rate case expense is \$775 for water and \$775 for wastewater.

9) Miscellaneous Expense - The utility purchases water from the City of Jacksonville. An allowance has been appropriated for purchased water and for supplies. No invoices or documented support could be found to justify this expense. Therefore, we have decreased miscellaneous expense by \$400 for water system.

Depreciation Expense

Test year depreciation expense was calculated using the rates prescribed by Rule 25-30.140, Florida Administrative Code. We have decreased this expense by \$1,204 for wastewater to remove non-used and useful depreciation expense. The projected amount of CIAC was adjusted to reflect the correct number of ERCs. Therefore, the appropriate amount for test year depreciation expense is \$1,298 for water and \$9,557 for wastewater.

Amortized Expense

The utility requested \$9,500 for the capping of a well and the dismantling of an abandoned water plant. This cost is amortized over a period of four years, which results in \$2,375 in amortization expense.

Taxes Other Than Income

The utility requested taxes other than income of \$6,060 for water and \$25,837 for wastewater. This expense has been adjusted to reflect actual test year property taxes, the appropriate amount of regulatory assessment fees and to reclassify payroll taxes at the appropriate amounts. The net affect of these adjustments results

in a decrease of \$2,657 for water and an increase of \$1,458 for wastewater.

Increase in Operating Revenues for Ratesetting Purposes

Revenues have been increased by \$54,157 for water and \$1,275 for wastewater to reflect the increase in revenues required to cover expenses and allow the utility the opportunity to earn the authorized return on its investment.

Increase in Operating Expenses for Ratesetting Purposes

Expenses have been adjusted by \$2,437 for water and \$57 for wastewater to reflect the regulatory assessment fees at 4.5% on the required increase in revenue.

Operating Expenses Summary

Based on the foregoing, the appropriate amounts of operating expenses for the test year are \$90,971 for water and \$167,891 for wastewater.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirements are \$94,964 for water and \$176,837 for wastewater. This represents an annual increase in revenue of \$54,157 or 132.72% for water and \$1,275 or 0.73% for wastewater. 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 CHARGES

The base facility and gallonage charge rate structure is the appropriate rate structure for those customers currently metered and the flat rate structure is the appropriate rate structure for unmetered customers. During the test year the utility provided water service to approximately 23 residential customers and 2 general service customers and wastewater service to 2 general service customers. We calculated rates based on consumption for the test year, plus an average consumption for an additional 12 residential customers.

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

WATER - MONTHLY RATES

Residential, Multi-Residential and General Service

	<u>Current Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter Sizes: 5/8" x 3/4"	\$ 0	\$ 6.95
3/4"	0	10.42
1"	0	17.37
1-1/2"	0	34.74
2"	0	55.58
3"	0	111.16
4"	0	173.68
6"	0	347.36
8"	0	555.78
 <u>Consumption Charge</u>		
Per 100 cubic feet	\$.55	\$ 1.10

WASTEWATER - MONTHLY RATES

Residential Service

	<u>Current Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter Size: All sizes	\$ 0	\$ 10.53
 <u>Consumption Charge</u>		
Per 100 cubic feet (1,337 cubic feet maximum)	\$ 2.56	\$ 1.94

Multi-Residential and General Service

	<u>Current Rates</u>	<u>Commission Approved Rates</u>
<u>Base Facility Charge</u>		
Meter Sizes: 5/8" x 3/4"	\$ 0	\$ 10.53
3/4"	0	15.79
1"	0	26.32
1-1/2"	0	52.64
2"	0	84.23
3"	0	168.45
4"	0	263.21
6"	0	526.42
8"	0	842.27
<u>Consumption Charge</u>		
Per 100 cubic feet	\$ 2.56	\$ 2.33

The utility uses cubic feet to measure the consumption for water and wastewater. The conversion factor is one cubic foot equals 7.48 gallons. Therefore, 100 cubic feet equals 748 gallons.

The approved rates 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 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.

Miscellaneous Charges

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

	<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

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

- 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), Florida Administrative Code, including a delinquency in bill payment.
- 4) Premises Visit (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages. The revised tariff sheets shall be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision and the proposed customer notice is adequate.

Service Availability Charges

The utility's existing tariff does not authorize service availability charges. The utility has requested service charges for 56 future connections.

The utility's existing CIAC level will be 58.50% for water and 23.47% for wastewater. We calculated system capacity charges based on projected plant and growth. Based on these calculations, the charge will not cause the utility to exceed the maximum 75% contribution level. Therefore, we authorize the following charges:

<u>METER SIZES:</u>	<u>Water</u>	<u>Wastewater</u>
Meter Sizes: 5/8" x 3/4"	\$ 110	N/A
Larger than 5/8" x 3/4"	Actual cost	Actual cost
System Capacity Charge	\$ 213	\$1,071

The service availability charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff pages. The revised tariff sheets shall be approved upon staff's verification that the tariff sheets are consistent with the Commission's decision and the proposed customer notice is adequate.

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 \$812 for both the water and wastewater systems.

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 rate case expense incurred by the utility for this case is \$6,200. Using Section 367.0816, Florida Statutes, the appropriate recovery period for these expenses is four years which allows the utility to recover approximately \$812 for each system per year through its rates. Once the annual rate case expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to \$812 for both systems.

At the end of four years the utility's rates shall be reduced for each system by \$812 annually. Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this rate reduction is reflected on Schedules Nos. 4-A and 4-B.

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 and wastewater 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 \$6,231, 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.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that William C. Demetree and Jack C. Demetree d/b/a Demetree Enterprises's application for increased water and wastewater 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 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 William C. Demetree and Jack C. Demetree d/b/a Demetree Enterprises is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that William C. Demetree and Jack C. Demetree d/b/a Demetree Enterprises'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 William C. Demetree and Jack C. Demetree d/b/a Demetree Enterprises 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, William C. Demetree and Jack C. Demetree d/b/a Demetree Enterprises 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, William C. Demeteree and Jack C. Demetree d/b/a Demetree Enterprises shall submit and have approved a bond or letter of credit in the amount of \$6,231 or an escrow agreement as a guarantee of any potential refund of revenues collected on a temporary basis. It is further

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

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

ORDERED that in the event of a protest by any substantially affected person other than the utility, William C. Demeteree and Jack C. Demetree d/b/a Demetree Enterprises 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 William C. Demeteree and Jack C. Demetree d/b/a Demetree Enterprises 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, William C. Demeteree and Jack C. Demetree d/b/a Demetree Enterprises 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 William C. Demeteree and Jack C. Demetree d/b/a Demetree Enterprises shall submit monthly reports as set forth in the body of this Order. It is further

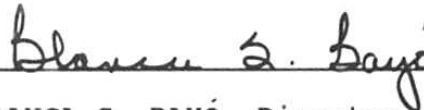
ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period, consistent with our decision herein. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall file a customer notice. It is further

ORDERED that if no timely protest is received from a substantially affected person, the security funds may be released. It is further

ORDER NO. PSC-95-0341-FOF-WS
DOCKET NO. 940617-WS
PAGE 19

ORDERED that this docket shall be closed if no timely protest is received from a substantially affected person, and upon the utility's filing and staff's approval of revised tariff sheets and the customer notice.

By ORDER of the Florida Public Service Commission, this 13th day of March, 1995.



BLANCA S. BAYÓ, 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 regarding our granting of the increased 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 April 3, 1995. In the absence of such a petition, this order shall become effective

ORDER NO. PSC-95-0341-FOF-WS
DOCKET NO. 940617-WS
PAGE 20

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.

DEMETREE ENTERPRISES - DUVAL COUNTY			SCHEDULE NO. 1-A			
SCHEDULE OF WATER RATE BASE			DOCKET NO. 940617-WS			
TEST YEAR ENDED DECEMBER 31, 1995						
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 95,450	\$ 3,640	\$ 99,090	\$(2,980)	96,110	
2 LAND	0	0	0	501	501	
3 NON-USED & USEFUL COMPONENTS	0	0	0	0	0	
4 ACCUMULATED DEPRECIATION	(20,717)	(2,703)	(23,420)	175	(23,245)	
5 CIAC	0	(20,053)	(20,053)	(34,675)	(54,728)	
6 AMORTIZATION OF CIAC	0	689	689	11,179	11,868	
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0	
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	0	11,807	11,807	(1,624)	10,183	
RATE BASE	\$ 74,733	\$(6,620)	\$ 68,113	\$(27,424)	40,689	

DEMETREE ENTERPRISES - DUVAL COUNTY			SCHEDULE NO. 1-B			
SCHEDULE OF WASTEWATER RATE BASE			DOCKET NO. 940617-WS			
TEST YEAR ENDED DECEMBER 31, 1995						
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 352,054	\$ 42,377	\$ 394,431	\$ 0	\$ 394,431	
2 LAND	5,010	0	5,010	(501)	4,509	
3 NON-USED & USEFUL COMPONENTS	0	0	0	(20,138)	(20,138)	
4 ACCUMULATED DEPRECIATION	(240,186)	0	(240,186)	0	(240,186)	
5 CIAC	0	(34,808)	(34,808)	(38,679)	(73,487)	
6 AMORTIZATION OF CIAC	0	1,088	1,088	8,559	9,647	
7 ACQUISITION ADJUSTMENTS -NET	0	0	0	0	0	
8 ADVANCES FOR CONSTRUCTION	0	0	0	0	0	
9 DEFERRED TAXES	0	0	0	0	0	
10 WORKING CAPITAL ALLOWANCE	0	21,525	21,525	(5,152)	16,373	
RATE BASE	\$ 116,878	\$ 30,182	\$ 147,060	(\$ 55,911)	\$ 91,149	

DEMETREE ENTERPRISES - DUVAL COUNTY ADJUSTMENTS TO RATE BASE TEST YEAR ENDED DECEMBER 31, 1995		SCHEDULE NO. 1-C DOCKET NO. 940617-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
(1) <u>UTILITY PLANT IN SERVICE</u>			
a) Adjmt to reflect the approp. number of meters and at the approp. charge	\$ <u>(2,980)</u>		
(2) <u>LAND</u>			
a) Reallocation of land	\$ <u>501</u>	\$ <u>(501)</u>	
(3) <u>NON-USED & USEFUL COMPONENTS</u>			
a) Adjustment to reflect used & useful plant		\$ <u>(20,138)</u>	
(4) <u>ACCUMULATED DEPRECIATION</u>			
a) Adjustment related to the approp. number of meters and charge	\$ <u>175</u>		
(5) <u>CIAC</u>			
a) Adjustment to reflect the correct number of ERCs at the approved charge	\$ 17,545	28,382	
b) Adjustment to reflect the imputation of Transmission Lines & Collection system	<u>(52,220)</u>	<u>(67,061)</u>	
	\$ <u>(34,675)</u>	\$ <u>(38,679)</u>	
(6) <u>ACCUMULATED AMORTIZATION OF CIAC</u>			
a) Related Adjustment to reflect the correct number of ERCs	\$ (598)	\$ (887)	
b) Adjustment related to the imputed CIAC	<u>11,777</u>	<u>9,446</u>	
	\$ <u>11,179</u>	\$ <u>8,559</u>	
(6) <u>WORKING CAPITAL</u>			
a) Adjustment to agree with recommended operating expenses	\$ <u>(1,624)</u>	\$ <u>(5,152)</u>	

DEMETREE ENTERPRISES - DUVAL COUNTY CAPITAL STRUCTURE TEST YEAR ENDED DECEMBER 31, 1995						SCHEDULE NO. 2-A DOCKET NO. 940617-WS				
DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST PER COMMISSION	
1 LONG TERM DEBT	\$ 0	0.00%	0.00%	0.00%	\$ 0	0	0.00%	0.00%	0.00%	
2 INTERCOMPANY PAYABLE	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
3 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
4 COMMON EQUITY	215,174	100.00%	9.30%	9.30%	(83,336)	131,838	100.00%	9.81%	9.81%	
5 CUSTOMER DEPOSITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
7 INVESTMENT TAX CREDITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
8 ACCUM. DEFERRED TAXES	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
9 TOTAL CAPITAL	\$ 215,174	100.00%		9.30%	\$ (83,336)	\$ 131,838	100.00%		9.81%	
RANGE OF REASONABLENESS							LOW	HIGH		
							-----	-----		
RETURN ON EQUITY							8.81%	10.81%		
							=====	=====		
OVERALL RATE OF RETURN							8.81%	10.81%		
							=====	=====		

DEMETREE ENTERPRISES - DUVAL COUNTY		SCHEDULE NO. 2-B			
ADJUSTMENTS TO CAPITAL STRUCTURE		DOCKET NO. 940617-WS			
TEST YEAR ENDED DECEMBER 31, 1995					
DESCRIPTION	SPECIFIC ADJUSTMENT (1)	SPECIFIC ADJUSTMENT (2)	PRO RATA RECONCILE	NET ADJUSTMENT	
1 LONG TERM DEBT	\$ 0	\$ 0	\$ 0	0	
2 INTERCOMPANY PAYABLES	0	0	0	0	
3 PREFERRED STOCK	0	0	0	0	
4 COMMON EQUITY	0	0	(83,336)	(83,336)	
5 CUSTOMER DEPOSITS	0	0	0	0	
6 ACCUM. DEFERRED INCOME TAX	0	0	0	0	
7 OTHER (Explain)	0	0	0	0	
8 TOTAL CAPITAL	\$ 0	\$ 0	(83,336) \$	(83,336)	

DEMETREE ENTERPRISES - DUVAL COUNTY		SCHEDULE NO. 3-A						
STATEMENT OF WATER OPERATIONS		DOCKET NO. 940617-WS						
TEST YEAR ENDED DECEMBER 31, 1995								
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT	
1 OPERATING REVENUES	\$ 40,235	\$ 68,980	\$ 109,215	\$(68,408)	\$ 40,807	\$ 54,157	\$ 94,964	
OPERATING EXPENSES:		171.44%				132.72%		
2 OPERATION AND MAINTENANCE	\$ 67,055	\$ 27,397	\$ 94,452	\$(12,994)	\$ 81,458	\$	\$ 81,458	
3 DEPRECIATION NET OF CIAC AMORT.	3,057	(689)	2,368	(1,070)	1,298		1,298	
4 AMORTIZATION EXPENSE	0	0	0	2,375	2,375		2,375	
5 TAXES OTHER THAN INCOME	2,728	3,332	6,060	(2,657)	3,403	2,437	5,840	
6 INCOME TAXES	0	0	0	0	0	0	0	
7 TOTAL OPERATING EXPENSES	\$ 72,840	\$ 30,040	\$ 102,880	\$(14,346)	\$ 88,534	\$ 2,437	\$ 90,971	
8 OPERATING INCOME	\$(32,605)	\$ 38,940	\$ 6,335	\$(54,062)	\$(47,727)	\$ 51,720	\$ 3,993	
9 RATE BASE	\$ 74,733		\$ 68,113		\$ 40,689		\$ 40,689	
RATE OF RETURN	-43.63%		9.30%		-117.30%		9.81%	

DEMETREE ENTERPRISES - DUVAL COUNTY
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 3-B
 DOCKET NO. 940617-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 172,897	\$ 58,918	\$ 231,815	\$ (56,253)	\$ 175,562	\$ 1,275	\$ 176,837
OPERATING EXPENSES		34.08%				0.73%	
2 OPERATION AND MAINTENANCE	\$ 191,333	\$ (19,137)	\$ 172,196	\$ (41,214)	\$ 130,982	\$	\$ 130,982
3 DEPRECIATION NET OF CIAC AMORT.	21,193	(1,088)	20,105	(10,548)	9,557		9,557
4 AMORTIZATION EXPENSE	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	23,169	2,668	25,837	1,458	27,295	57	27,352
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 235,695	\$ (17,557)	\$ 218,138	\$ (50,304)	\$ 167,834	\$ 57	\$ 167,891
8 OPERATING INCOME	\$ (62,798)	\$ 76,475	\$ 13,677	\$ (5,949)	\$ 7,728	\$ 1,217	\$ 8,945
9 RATE BASE	\$ 116,878		\$ 147,060		\$ 91,149		\$ 91,149
RATE OF RETURN	-53.73%		9.30%		8.48%		9.81%

DEMETREE ENTERPRISES – DUVAL COUNTY
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 3-C
DOCKET NO. 940617-WS
PAGE 1 OF 2

EXPLANATION	WATER	WASTEWATER
(1) OPERATING REVENUES		
a) Adjustment to reflect actual test year revenues	\$ (68,408)	\$ (56,253)
(2) OPERATION & MAINTENANCE		
a) Salaries & Wages adjusted to reflect reasonable allowance	(86)	(1,973)
b) Reclassification to reflect payroll taxes TOTI	(884)	(7,877)
c) Adjustment reflect incr. purchased water costs	3,535	
d) Adjustment to reduce contractual services—mgmt	(15,559)	(19,437)
e) Reduction to remove duplicated miscellaneous exp.	(400)	
f) Reduced Purchase Power costs		(4,435)
g) Reduced chemicals exp.		(4,846)
h) Reduction to materials and supplies	0	(46)
i) Adjustment to reflect actual ratecase expense	400	(2,600)
	<u>\$ (12,994)</u>	<u>\$ (41,214)</u>
(3) DEPRECIATION EXPENSE		
a) Adjustment to related to correct SAC and number of meters	\$ (1,070)	
b) Corresp. used & useful adjustments		(1,204)
c) Adjustment related to imputed CIAC amortized		(1,875)
d) Adjustment related to reduced plant		(7,469)
	<u>\$ (1,070)</u>	<u>\$ (10,548)</u>
(4) AMORTIZATION EXPENSE		
a) Amort. of the costs on the abandon plt.	<u>\$ 2,375</u>	
(5) TAXES OTHER THAN INCOME TAXES		
a) Regulatory assessment fees related to revenue adjustment	\$ (3,332)	(2,668)
b) Reclassification of payroll taxes	675	6,075
c) Adjustment to reflect actual test year property taxes		(1,949)
	<u>\$ (2,657)</u>	<u>\$ 1,458</u>

DEMETREE ENTERPRISES - DUVAL COUNTY
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 3-C
DOCKET NO. 940617-WS
PAGE 2 OF 2

EXPLANATION	WATER	WASTEWATER
<u>(6) OPERATING REVENUES</u>		
a) Adjustment to reflect recommended revenue requirement	\$ <u>54,157</u>	\$ <u>1,275</u>
<u>(7) TAXES OTHER THAN INCOME TAXES</u>		
a) Regulatory assessment taxes on additional revenues	\$ <u>2,437</u>	\$ <u>57</u>

RECOMMENDED RATE REDUCTION SCHEDULE

DEMETREE ENTERPRISES
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 4-A
 DOCKET NO. 940617-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WATER RATES

<u>RESIDENTIAL, MULTI-RESIDENTIAL & GENERAL SERVICE</u>	<u>MONTHLY RECOMMENDED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 6.95	0.01
3/4"	10.42	0.01
1"	17.37	0.02
1-1/2"	34.74	0.05
2"	55.58	0.08
3"	111.16	0.15
4"	173.68	0.24
6"	347.36	0.48
8"	555.78	0.00
CONSUMPTION CHARGE		
PER 100 cubic feet	\$ 1.10	0.00

*The calculation for determining the consumption charge per 100 cubic feet:

RECOMMENDED RATE REDUCTION SCHEDULE

DEMETREE ENTERPRISES
 TEST YEAR ENDING DECEMBER 31, 1995

SCHEDULE NO. 4-B
 DOCKET NO. 940617-WS

CALCULATION OF RATE REDUCTION AMOUNT
AFTER RECOVERY OF RATE CASE EXPENSE AMORTIZATION PERIOD OF FOUR YEARS

MONTHLY WASTEWATER RATES

<u>MULTI-RESIDENTIAL AND GENERAL SERVICE</u>	<u>MONTHLY RECOMMENDED RATES</u>	<u>MONTHLY RATE REDUCTION</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8"X3/4"	\$ 10.53	0.01
1"	15.79	0.01
1-1/4"	26.32	0.02
1-1/2"	52.64	0.04
2"	84.23	0.06
3"	168.45	0.12
4"	263.21	0.19
6"	526.42	0.39
8"	842.27	0.00
CONSUMPTION CHARGE		
PER 100 CUBIC FEET	\$ 2.33	0.00
<u>RESIDENTIAL SERVICE</u>		
BASE FACILITY CHARGE:		
Meter Size:		
ALL SIZES	10.53	0.02
CONSUMPTION CHARGE		
PER 100 CUBIC FEET	\$ 1.94	0.00
(1,337 cubic feet maximum)		