

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-
assisted rate case by Dixie
Groves Estates, Inc.

DOCKET NO. 980726-WU
ORDER NO. PSC-99-0243-FOF-WU
ISSUED: February 9, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST,
DECLINING TO INITIATE SHOW CAUSE PROCEEDINGS,
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASED RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the granting of temporary rates, subject to refund, in the event of a protest and our decision not to initiate show cause proceedings, 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

Dixie Groves Estates, Inc. (Dixie Groves or utility), came under the jurisdiction of this Commission on July 11, 1972, by resolution of the Pasco County Commission. The utility is a Class C utility providing water service to approximately 337 customers in Pasco County. By Order No. 6417, issued December 19, 1974, the Commission established metered rates for the utility and ordered the utility to install meters at its own cost within 90 days for all customers not receiving metered service. By Order No. 7268,

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

issued June 10, 1976, the Commission established rate base, revenues, expenses, and cost of capital, after all meters were installed.

On November 13, 1980, the utility submitted an application for a staff-assisted rate case. The Commission found Dixie Groves eligible for staff assistance and assigned Docket No. 800712-WU for the case. Order No. 10535, issued January 20, 1982, established rate base for Dixie Groves and approved an annual revenue increase of \$312. The utility also received price index adjustments in 1983, 1985, and 1996, along with one pass-through price adjustment in 1996.

On June 9, 1998, the utility submitted an application for this staff-assisted rate case. The cover letter submitted with the application requested emergency interim rates within the scope of the utility's staff-assisted rate case. After a review of the utility's annual reports and other data provided by the utility, by Order No. PSC-98-1106-FOF-WU, issued August 19, 1998, we denied the utility's request for emergency interim rates. The official filing date for this rate case has been established as August 8, 1998.

We have audited the utility's records for compliance with our rules and orders and examined all components necessary for rate setting. A field investigation was conducted, which included a visual inspection of the water plant and water distribution system, along with the service area. The utility's operating expenses, maps, files and rate application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, utility plant in service, and quality of service.

An historical test year ending June 30, 1998 has been selected for this case. Based on our analysis, the utility's test year revenue is \$34,032, and test year operating expenses are \$58,877. This results in an operating loss of \$24,845 for the test year.

QUALITY OF SERVICE

A determination regarding the overall quality of service provided by the utility is derived from the evaluation of three separate components of water utility operations. This includes the quality of the utility's product, the operational condition of the utility's plant or facilities, and customer satisfaction.

An evaluation of the quality of the product consists of a review of the utility's current compliance with the Department of Environmental Protection (DEP) and Health Department standards. The ultimate concern of a water utility is the quality of piped water consumed by customers. The degree to which a utility is able to maintain satisfactory water quality may be reflected by its ability to meet DEP primary and secondary drinking water standards, as well as several unregulated standards set by the Environmental Protection Agency (EPA).

The primary drinking water standards include maximum contaminant levels (MCLs) for harmful contaminants. These MCLs are not to be exceeded, unless specified otherwise by a DEP variance or exemption. Some examples of primary contaminants are arsenic, lead, trihalomethanes, coliform bacteria and radium. Secondary drinking water standards generally contain MCLs which regulate the aesthetic qualities of the water, such as color, corrosivity, odor and hardness. Additionally, each utility must periodically test for several unregulated contaminants, which the EPA considers potentially harmful. These contaminants are still under investigation by the EPA. Dixie Groves has no current DEP, Health Department, or EPA violations.

Evaluation of the operational conditions of the utility's treatment and distribution systems includes a review of the utility's compliance with DEP standards of operation, as well as an analysis of proper system design. For example, among other standards of evaluation, water treatment plants and distribution systems are reviewed for compliance with permit standards and minimum operator requirements, as well as standards regarding the location of wells with regard to potential sources of pollution.

Dixie Groves is a Class C utility providing water treatment service to the retirement community of Dixie Groves Estates. The utility's water treatment facility consists of one 4 inch and two 6 inch black iron-cased wells, at depths of 56 feet, 65 feet, and 100 feet, and two 7.5 horsepower pumps capable of pumping 187,200 gallons per day based on a 12 hour day. The water is then fed to a 1,000 gallon hydropneumatic tank. The DEP-rated designed capacity of the plant was not given. The Southwest Florida Water Management District (SWFWMD) consumptive use permitted capacity is 39,000 gallons per day per pump and 52,000 gallons per day per peak month. The design consists of two similar small water treatment systems. Well numbers one and two are housed in the same building; well number one is not operational. Well number three is located

approximately two streets east of wells one and two, and both wells two and three utilize the same distribution system. Basically, water is pumped from the ground, chlorinated using liquid chlorine, pressurized, metered, and distributed to the customers. At the time of the engineering field investigation, this facility appeared to be operating properly.

The water distribution system is comprised of 2,880 feet of 4 inch pipe (transite), 210 feet of 3 inch pipe, 9,970 feet of 2 inch pipe, and 350 feet of 1.5 inch pipe (all other pipes are galvanized), a 7.5 and a 10 horsepower pump, and two 1,000 gallon hydropneumatic tanks. At the time of the engineering investigation, the distribution systems appeared to be operating properly.

A review of the DEP 1997 records revealed that the status of the water treatment plant and distribution system is not in compliance, but not critical. A DEP inspection was conducted in 1997, and deficiencies were discovered. The deficiencies (sequential water tests were not conducted properly, paperwork was not submitted in a timely manner, and other deficiencies) did not merit closing down the operation of the plant. Our engineer also checked with our Division of Consumer Affairs for any registered complaints and found that no complaints have been received.

The final component of the overall quality of service which must be assessed is the level of customer satisfaction which results from the utility's relations with its customers. A qualitative evaluation of these relations includes a review of proper notification requirements between the utility and its customers, as well as a review of action taken by the utility regarding customer complaints. For example, utility policies are reviewed in order to insure that customers have been properly notified of scheduled service interruptions.

A customer meeting was held on December 2, 1998 in New Port Richey, Florida. Approximately 12 customers, 2 utility employees, and the utility operator attended the meeting. Five customers chose to give comments regarding the utility's quality of service, the proposed rate increase, and other issues related to the case. Of these five customers, only two expressed a negative appraisal concerning the quality of the finished product. These two customers expressed concerns regarding utility owners not responding to customer phone calls, dark water, pressure and odor. Another customer stated he was very satisfied with the water

quality and the cost, but would like to see plant improvements. At the time of the engineering investigation, no smell or abnormal odors or abnormal water color in the plant's finished product was detected.

On December 3, 1998, one of our staff engineers performed an on site investigation at the residences of the two customers who had expressed concerns regarding the quality of the product. Our engineer found no evidence of abnormal water quality. At the time of the investigation, the water treatment plant and distribution system appeared to be operating properly.

Based on the foregoing, we find that the quality of service provided by Dixie Groves is satisfactory. However, as a result of the concerns expressed by the customers, we find it appropriate to require Dixie Groves to initiate an office procedure that will expedite responses to customer complaints and phone calls. This program shall be developed within three months of this Order, and a copy of the program shall be sent to the Commission.

RATE BASE

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

Used and Useful

The utility's monthly operating reports for the test year were utilized to calculate the used and useful percentages. A review of the utility's annual reports, which displayed the amount of water treated compared to the amount of water purchased and the quantity of the water released during the initiation of the line flushing program, revealed that 50% of the total water pumped was unaccounted for. Dixie Groves believes the unaccounted for water may be the result of old defective meters. The utility has taken steps by employing the Florida Rural Water Association to perform leak testing to try to resolve this situation. However, an investigation by the Florida Rural Water Association did not reveal any leaks which would explain the large amount of unaccounted-for

water, which supports the utility's belief that it is due to inaccurate customer water meters.

The utility's meters are old, measurement accuracies are questionable, and most of the customer meters in service need to be replaced. In fact, approximately 100 existing customer meters have a zero meter reading each month. The manufacturer's recommended life for a 5/8 inch x 3/4 inch meter is 17 years, which is above normal for meters exposed to Florida waters, and the majority of meters for this utility have exceeded their useful life.

The utility is in the process of replacing its older meters and anticipates that this program will continue until all connections have new or rebuilt meters in place. We have included the cost for a meter replacement program in our calculations. This will allow the utility to replace 100 known defective meters immediately and initiate an annual meter replacement program of twelve meters. The utility shall implement this program within six months of the effective date of this Order.

In addition, the distribution system is more than 23 years old. There are some components that are in need of being replaced, and the utility is in the process of initiating a gate valve replacement program. Because the average service life of the gate valves is twenty years, all of the gate valves should be replaced as soon as possible. Therefore, we find it appropriate to require the utility to implement a gate valve replacement program and have included \$1,144, in contractual services - other, to allow the utility to replace approximately six gate valves per year over a five year period.

The utility's service area is built out, and all of the service lines have been installed. Based on the foregoing, we find that both the water treatment plant and the water distribution system are 100% used and useful.

Test Year Rate Base

The appropriate components of Dixie Groves' rate base include utility plant in service (UPIS), land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, accumulated amortization of CIAC, and working capital allowance. Utility plant, land, depreciation, and CIAC balances were last determined as of September 30, 1980 in the utility's last staff-assisted rate case by Order No. 10535, issued January 20, 1982, in Docket No.

800712-WU. We used the amounts set forth in that Order as a basis for rate base components updated in this Order. Further adjustments are necessary to reflect test year changes. A discussion of each component follows:

Utility Plant in Service (UPIS)

The utility recorded UPIS balances of \$57,725 at the end of the test year. We calculated UPIS by starting with Order No. 10535, which established UPIS of \$53,190 as of September 30, 1980, made an adjustment of \$11,047 to include plant additions and retirements through the test year, and reclassified \$5,925 of UPIS from operation and maintenance expenses.

An adjustment of \$6,750 was made to include pro forma plant which consists of replacing 100 meters. We made an adjustment of (\$3,174) to retire the original cost of 100 meters which are being replaced as pro forma. An averaging adjustment of (\$3,294) was also made to UPIS. The total adjustments amount to \$17,254. The resulting test year UPIS is \$74,979.

Land

The utility recorded a land value of \$211 for the test year. Order No. 10535, issued January 20, 1982, included a land value of \$1,211 for the utility. No utility land has been sold since land value was established in Order No. 10535. Therefore, we made an adjustment of \$1,000 to reflect the appropriate balance of \$1,211.

Non-Used and Useful Plant

As discussed previously, we have determined that all distribution and collection system accounts are 100% used and useful.

Contributions in Aid of Construction (CIAC)

The utility recorded a CIAC balance of (\$663) at the end of the test year. By Order No. 10535, this Commission established CIAC of (\$9,680). In June, 1998, the utility added \$663 in this account for the cost of a new line connection. We made an adjustment of (\$9,680) to bring CIAC to the appropriate amount. An averaging adjustment of \$332 was also made. Therefore, the appropriate test year CIAC balance is (\$10,011).

Accumulated Depreciation

The utility books reflected an accumulated depreciation balance of (\$48,730) at the end of the test year. We calculated accumulated depreciation starting with balances from Order No. 10535 and used the depreciation rates set forth in that Order to calculate depreciation up to the test year. We calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, Florida Administrative Code. We made an adjustment of (\$1,100) to bring the utility's figure to the appropriate amount, made an adjustment of \$3,174 to reflect the retirement of 100 meters, and made an adjustment of (\$198) to reflect depreciation expense on pro forma meters. An averaging adjustment of \$1,694 was also made. Accordingly, the appropriate test year accumulated depreciation balance is (\$45,160).

Accumulated Amortization

The utility did not record an accumulated amortization balance at the end of the test year. We calculated amortization of CIAC by starting with balances from Order No. 10535 and amortized CIAC by using a yearly composite rate. We made an adjustment of \$8,597 to reflect test year accumulated amortization of CIAC. An averaging adjustment of (\$235) was also made. Accordingly, the appropriate accumulated amortization balance is \$8,362.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, we used the one-eighth of operation and maintenance expense formula approach for calculating working capital allowance. Applying that formula, and based on operation and maintenance expenses of \$51,393, the appropriate working capital allowance is \$6,424.

Rate Base Summary

Applying all of the above adjustments results in a test year rate base of \$35,805.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in

nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

Return on Equity

Based on the staff audit, the utility's capital structure consists of a \$9,378 note at a cost of 8.00%, a \$12,636 note at a cost of 12.50%, a \$2,677 note at a cost of 8.00%, customer deposits of \$1,406 at a cost of 6.00%, and negative common equity of \$17,807. The debts are notes to the utility from the stockholders. Based on the staff audit, there are no executed debt instruments, and no payments are being made on the interest or principal of the loans. Since the utility has no debt instruments and no payments are being made on the principal or interest, we have assigned the cost of debt based on the cost of equity as done in Dockets Nos. 890792-WS, 930656-WU, 950966-WS.

Using the current leverage formula approved by Order No. PSC-98-0903-FOF-WS, issued July 6, 1998, in Docket No. 980006-WS, the rate of return on common equity is 9.85%, with a range of 8.85% - 10.85%. Because inclusion of a negative common equity would penalize the utility's capital structure by understating the overall rate of return, we have adjusted the negative common equity to zero.

Applying the weighted average method to the total capital structure yields an overall rate of return of 9.64%. The company's test year capital structure balance has been adjusted to match the total of the water rate base.

NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedule No. 3, and our adjustments are itemized on Schedules Nos. 3-A and 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 revenues of \$27,159 during the test period. An engineering investigation of the amount of water pumped, 23,436,000 gallons, compared to the amount of water sold, 12,275,000 gallons, during the test year yields an unaccounted-for

water percentage of 47.62%. As stated earlier, the utility believes the unaccounted-for water is due to inaccurate customer water meters.

As previously set forth in this Order, we have approved an allowance for a meter replacement program which includes pro forma replacement of 100 meters within six months of the effective date of this Order, along with an annual replacement program thereafter. We believe that once the meters are replaced, an acceptable unaccounted-for water amount, 10% or less, will result. In order to prevent the utility from experiencing an overearnings situation once new meters are installed, and to encourage the rapid replacement of inaccurate meters, we have based test year revenue on the amount of water pumped, allowing a 10% unaccounted-for water percentage. We have imputed \$6,873 in revenue, resulting in test year revenue of \$34,032.

Test Year Expenses

The utility recorded operating expenses of \$61,607 for the test year. The components of these expenses include operation and maintenance expenses, depreciation expense, amortization of CIAC, and taxes other than income taxes. The utility's test year operating expenses have been reviewed, and invoices and other supporting documentation have been examined. Adjustments have been made to reflect unrecorded test year expenses and to reflect our approved allowances for plant operations.

Operation and Maintenance Expenses (O&M)

The utility charged \$56,547 to O&M expenses during the test year. A summary of adjustments follows:

Purchased Power

The utility recorded a purchased power expense of \$1,824 for the test year. We made an adjustment of (\$182) to allow for repression which is addressed subsequently in this Order. This results in a purchased power expense of \$1,642.

Chemicals

The utility recorded a chemical expense of \$3,278 during the test year. We made an adjustment of (\$328) to allow for repression. This results in a chemical expense of \$2,950.

Contractual Services - Testing Expense

The utility recorded water testing expenses of \$6,146 for the test year. We annualized the testing costs based on the required testing frequency and made an adjustment of (\$853) to reflect the annualized water testing cost. The required tests and frequency at which those tests must be repeated are:

Required Water Testing

<u>Test</u>	<u>Frequency</u>	<u>Annualized Cost</u>
Coliforms	Monthly	\$ 624
TDS	Monthly	\$ 312
So4	Monthly	\$ 480
Micro Particles	Annually	\$ 68
Lead	Semi-Annually	\$ 1,142
Copper	Semi-Annually	\$ 1,142
Sulfate	Every 3 years	\$ 20
Primary Inorganics	Every 3 years	\$ 90
Secondary Inorganics	Every 3 years	\$ 90
Pesticides	Every 3 years	\$ 350
VOC's	Every 3 years	\$ 97
Gross Alpha	Every 3 years	\$ 50
Group II's	Every 3 years	\$ 83
T. Hard	Every 3 years	\$ 17
Alk	4 times per year	\$ 208
Calcium	4 times per year	\$ 208
	Annual Cost	<u>\$ 5,293</u>

The resulting balance for contractual services - testing expense is \$5,293.

Contractual Services - Other

The utility recorded a contractual services - other amount of \$20,897. We made adjustments to this account to remove \$290 from test year expenses, to reclassify \$5,925 of utility plant to rate base, to include \$1,144 for a valve replacement program (6 per year for five years), to include \$1,644 for a meter change out program (12 per year), to disallow \$506 of cost of meter services which is covered under an employees job description, and to disallow \$108 of cost for locating lines which should have been done by the utility. Total adjustments amount to (\$4,041) which results in a contractual services - other expense of \$16,856.

Regulatory Commission Expense

The utility recorded no regulatory commission expense. We made an adjustment of \$250 to include the rate case filing fee of \$1,000 amortized over four years as required by Section 367.0816, Florida Statutes.

O&M Summary

We have made total O&M adjustments of (\$5,154). Accordingly, we find that test year O&M expenses are \$51,393.

Depreciation Expense

The utility recorded \$1,073 of depreciation expense. We calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, Florida Administrative Code. We made a \$2,315 adjustment to depreciation expense to bring the utility balance to the appropriate amount, made a \$397 adjustment to include depreciation on pro forma meters, made a (\$187) adjustment to reflect depreciation expense on the retired meters, and made a CIAC amortization adjustment of (\$439). Our total adjustments amount to \$2,086. The resulting depreciation expense net of CIAC is \$3,159.

Taxes Other Than Income Taxes

The utility recorded taxes other than income of \$3,987. We have increased regulatory assessment fees by \$661 to reflect regulatory assessment fees on test year revenue and to remove a \$67 late filing fee on ad valorem taxes. Therefore, test year taxes other than income is \$4,581.

Operating Revenues

Revenues have been adjusted by \$29,898 to reflect the increase in revenue required to cover expenses and allow the authorized rate of return on investment.

Taxes Other Than Income Taxes

This expense has been increased by \$1,345 to reflect the regulatory assessment fee of 4.5% on the increase in revenue.

Operating Expenses Summary

The application of our adjustments to the utility's test year operating expenses results in approved operating expenses of \$60,478.

REVENUE REQUIREMENT

Based upon our review of the utility's books and records and based upon the adjustments discussed above, we find that the appropriate annual revenue requirement for this utility is \$63,930. This revenue requirement represents an annual increase in revenue of \$29,898 (87.85%). This revenue requirement will allow the utility to recover its operating expenses and will allow it the opportunity to earn a 9.64% return on its investment.

Since the utility has not had a rate case in over 18 years, we completed an analysis to determine the amounts by which the rates would have increased if the utility had taken advantage of price indexes on an annual basis. If the utility applied for, and received, an annual price index each year since its last rate case, its rates would have increased 101.69%, based on operation and maintenance expenses allowed in Order No. 10535.

The revenue requirement and resulting annual increase are shown on Schedules Nos. 3.

REPRESSION OF CONSUMPTION

The approximate preliminary increase in an average customer bill in this case, before any adjustment for repression, was 90%. The magnitude of the water system rate increase leads us to believe that it is appropriate to consider making a repression adjustment in this proceeding.

In an attempt to quantify the relationship between revenue increases and consumption impacts, we have created a database of all water and wastewater utilities that were granted rate increases or decreases (excluding indexes and pass-throughs) between January 1, 1990 and December 31, 1995. Several utilities were excluded from the analysis, typically due to the lack or unreliability of consumption data. Data from the remaining 67 utilities forms the basis for our analysis.

Our analysis in this case was performed using two different bases of comparison. The first basis of comparison used Dixie Groves' preliminary increase in an average bill, before any repression adjustment, of 90%. This preliminary increase was compared to other utilities in the database which, as in Dixie Groves' case, underwent no change in the BFC/gallonage charge water system rate structure. We isolated seven utilities in the database which had experienced similar percentage increases in average monthly bills. The reductions in average monthly consumption per meter equivalent (ME) for these seven isolated utilities were 25%, 23%, 19%, 9%, 5%, 4% and 3%. We analyzed further the seven utilities, comparing their prior average bills and average consumption per ME to Dixie Groves. This analysis eliminated the utilities which had experienced reductions in average consumption of 19%, 9%, 4% and 3%.

We do not believe that the consumption reductions of the remaining three utilities of 25%, 23% and 5%, respectively, provide us with clear guidance with regards to the appropriate consumption reduction for Dixie Groves. Although we believe it is better to err on the side of caution, we believe that a 5% reduction in consumption is too conservative in this case. A summary analysis of our database reveals that, on an overall basis, utilities which experienced increases to the water system only, as in Dixie Groves' case, with no change in the BFC/gallonage charge rate structure averaged an approximate 37% increase in customers' average bills, and exhibited a corresponding overall consumption reduction of approximately 7%. As mentioned previously, the increase in Dixie Groves' average bill, before any adjustment for repression, was 90%. We do not believe it is reasonable to reduce consumption by 5% in this case when the magnitude of the increase in Dixie Groves' average bill is more than double the average of similar utilities in the database. Nor do we believe, however, that reducing consumption by 23% to 25% is appropriate. The utilities in the database that exhibited the 23% and 25% consumption reductions

received concomitant wastewater increases, which, we believe, further incited their customers to reduce consumption.

Because this analysis does not provide clear guidance with respect to Dixie Groves' estimated consumption reduction, we believe the following method would represent the upper limit of Dixie Groves' potential consumption reduction:

Dixie Groves' preliminary increase	90%
/ Overall average of water-only increases	37%
= Magnitude of Dixie Groves' increase compared to overall average	2.4
x Average consumption reduction associated with water-only increases	6.97%
= Estimate of upper limit of Dixie Groves' consumption reduction	16.81%

The second basis of comparison used Dixie Groves' annual revenue requirement increase for the water system, which was \$90/ME. We isolated eight utilities which experienced similar revenue requirement increases; utilities were then eliminated from our analysis using the same bases of comparison as in the preceding analysis. There were three remaining utilities; two utilities exhibited reductions in average monthly consumption per ME of 7% and 5%, while one utility experienced an increase in consumption of 5%. The utility with a 5% increase in average consumption appears to be anomalous, as the other two utilities exhibited fairly significant consumption reductions of 5% and 7%. For the same reasons as in the first analysis, we do not believe that, based on the magnitude of the increase in this case, it is reasonable to reduce consumption by 5% to 7%.

Based on our analyses, Dixie Groves' anticipated consumption reduction ranges from a low of 5% to 7% to a high of 17%. Therefore, although arguably subjective, we believe that, based on our analysis, 10% is an appropriate, conservative estimate of the anticipated reduction in consumption.

As discussed above, this case represents only the fifth instance in which we have made a regression adjustment, and, as such, we have no established, previously-approved methodology to calculate an appropriate adjustment. Until we do have approved methodologies in place, we believe it is appropriate to err on the side of caution when considering the magnitude of our adjustments. Therefore, we find that the appropriate consumption adjustment is

a reduction of 2,109,200 gallons for the water system. In addition, in order to monitor the effects of the rate increase on consumption, the utility shall file, on a quarterly basis, reports detailing the number of bills rendered, the number of gallons sold and the total revenues billed during the quarter. These reports shall be required for a period of two years, beginning the first quarter after the revised rates go into effect.

RATES AND CHARGES

Rates and Rate Structure

Dixie Groves is located in a water use caution area (WUCA). The SWFWMD declared Pasco County a WUCA in 1989. Dixie Groves has implemented a conservation program that has been approved by the SWFWMD. On November 10, 1998, we received a copy of the utility's water conservation plan. Specifically, in the areas of unaccounted-for-water losses and public education, the utility is doing the following to achieve its conservation goals:

Unaccounted-for-water

- (1) Replace and repair meters on a regular basis.
- (2) Locate and repair leaks in the distribution system.
- (3) Maintain, repair and replace water system components on a regular basis.
- (4) Maintain records and procedures for identifying needed repairs, the cost, and subsequent implementation.
- (5) Meter all existing and future water customers for billing purposes.
- (6) Charge rates based upon the cost of providing service and request rate adjustments from the Public Service Commission to ensure that water revenues are sufficient to finance future expansions, repair and replacement. Calculate and report the gross per-capita water usage.

Public Education

- (1) Mail water conservation pamphlets to its customers.
- (2) Encourage customers to view video tapes on water conservation that are available at the Pasco County Public Library.

The utility's current rate structure consists of a base facility and gallonage charge rate structure which applies to both

the residential and general service customers. Under the current rate structure, the total average consumption per bill is 5,213 gallons which is below the 10,000 gallon threshold that determines whether a more aggressive conservation-oriented rate structure is appropriate. Accordingly, the utility shall retain the base facility and gallonage charge rate structure.

Approximately 57%, or \$36,265, of the revenue requirement is associated with the fixed costs of providing service. Fixed costs are recovered through the base facility charge based on an annualized number of factored equivalent residential connections (ERCs). The remaining 43%, or \$27,665, of the revenue requirement represents the consumption charge based on the estimated number of gallons consumed during the test period. Schedules of the utility's existing rates and our approved rates are as follows:

RESIDENTIAL AND GENERAL SERVICE WATER RATES

<u>Base Facility Charge</u>	<u>Existing Monthly Rate</u>	<u>Approved Monthly Rate</u>
<u>Meter Size</u>		
5/8" x 3/4"	\$ 3.98	\$ 8.96
3/4"	N/A	13.44
1"	9.95	22.41
1-1/2"	N/A	44.82
2"	N/A	71.71
3"	N/A	143.41
4"	N/A	224.08
6"	N/A	448.16
<u>Gallonage Charge</u>		
Per 1,000 gallons	\$.85	\$ 1.46

Using the 337 test year residential water customers with an average use of 5,213 gallons/month per customer, an average residential monthly water bill comparison would be as follows:

	Average Monthly Bills Using Existing <u>Rates</u>	Average Monthly Bill Using Approved <u>Rates</u>	Percent <u>Increase</u>
Base Facility Charge	\$ 3.98	\$ 8.96	97.03%*
Gallonage Charge	<u>4.43</u>	<u>7.61</u>	
Total	\$ 8.41	\$ 16.57	

*7.59% of the increase is for repression.

The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with our decision, and that the customer notice is adequate. The utility shall provide proof of the date notice was given within 10 days after the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate shall 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

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the 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. The reduction in revenues will result in the rate reduction shown on Schedule No. 4.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall 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.

CUSTOMER DEPOSITS

Amount of Customer Deposits

The utility's tariff presently provides for a customer deposit of \$10.00, or an amount to cover minimum charges for service for three billing periods. This tariff became effective over 23 years ago on June 24, 1975, and we believe the customer deposit amounts should be updated. Rule 25-30.311(1), Florida Administrative Code, states, "Each utility may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the customer from complying with utilities' rules for prompt payment of bills." Further, Rule 25-30.311(7), Florida Administrative Code, states:

A utility may require, upon reasonable written notice of not less than 30 days, such request or notice being separate and apart from any bill for service, a new deposit, where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required deposit shall not exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12 month period immediately prior to the date of notice. In the event the customer has had service less than 12 months, then the utility shall base its new or additional deposit upon the average monthly billing available.

Based on the foregoing, we find that the utility's existing amounts for customer deposits shall be updated to an amount equal to the average charge for water service for two billing periods. Accordingly, the appropriate customer deposit for water service is \$33.00. The utility shall file revised tariff sheets which are consistent with our decision. Our staff shall have administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with our decision. Once revised tariff sheets are filed and approved, the customer deposits shall

become effective for connections made on or after the stamped approval rate of the revised tariff sheets, if no protest is filed.

Interest on Customer Deposits

The utility started collecting customer deposits in May, 1993. The utility books showed customer deposits of \$1,406 for the test year. However, it was discovered during the audit that the utility has not paid any interest on the customer deposits it has received. Rule 25-30.311(4) (a), Florida Administrative Code, states:

Each public utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 6 percent per annum. The utility shall pay an interest rate of 7 percent per annum on deposits of nonresidential customers qualifying under subsection (5) below when the utility elects not to refund such a deposit after 23 months.

Based on the foregoing, we find it appropriate to require the utility to pay interest on all customer deposits, including those collected since 1993, as required by Rule 25-30.311, Florida Administrative Code. Past due monies shall include interest calculated in accordance with Rule 25-30.311, Florida Administrative Code, and shall be paid within 90 days of the effective date of this Order.

Refund of Customer Deposits

Rule 25-30.311(5), Florida Administrative Code, provides:

After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the residential customer's deposits and shall, at its option, either refund or pay the higher rate of interest specified above for nonresidential deposits, providing the customer has not, in the preceding 12 months, (a) made more than one late payment of a bill (after the expiration of 20 days from the date of mailing or delivery by the utility), (b) paid with check refused by a bank, (c) been disconnected for nonpayment, or at any time, (d) tampered with the meter, or (e) used

service in a fraudulent or unauthorized manner. Nothing in this rule shall prohibit the company from refunding at any time a deposit with any accrued interest.

Prior to the utility change in ownership in January, 1997, all customer deposits were being held in an attorney trust fund. The staff audit showed a total of nine customers who may be eligible to have their deposits refunded. Accordingly, we find it appropriate to require the utility to investigate and determine if these nine customers with deposits being held over 23 months have established a satisfactory payment record as described above. If so, the utility shall refund those customer deposits to those customers within 90 days of the effective date of this Order.

MISCELLANEOUS SERVICE CHARGES

The utility's existing tariff currently provides for miscellaneous service charges which include a reconnect fee of \$10.00 if performed during regular business hours, and a reconnect fee of \$15.00 if performed after regular business hours. We believe the miscellaneous service charges should be updated and find that the following charges are appropriate:

	<u>Existing Normal Hours</u>	<u>Existing After Hours</u>	<u>Approved (All Hours)</u>
Initial Connection	N/A	N/A	\$15.00
Normal Reconnection	\$10.00	\$15.00	\$15.00
Violation Reconnection	\$10.00	\$15.00	\$15.00
Premises Visit (in lieu of disconnection)	N/A	N/A	\$10.00

The four types of miscellaneous service charges are:

- 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.

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, the cost causer, rather than on the entire ratepaying body as a whole.

The utility shall revise its tariff to incorporate the charges discussed above. The utility shall file revised tariff sheets which are consistent with our decision. Our staff shall have administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with our decision. Once revised tariff sheets are filed and approved, the miscellaneous service charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

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 as temporary rates. The rates approved herein shall be collected by the utility subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon Commission staff's approval of security for both the potential refund and a copy of the proposed customer notice. The security shall be in the form of a bond or letter of credit in the amount of

\$20,637. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

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 a 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 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 agreement.

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 shall 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.

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

SHOW CAUSE

Rule 25-30.110(1)(a), Florida Administrative Code, provides that "[e]ach utility shall preserve its records in accordance with the "Regulations to Govern the Preservation of Records of Electric, Gas, and Water Utilities" as issued by the National Association of Regulatory Utility Commissioners (NARUC), as revised May 1985".

The NARUC Regulations to Govern the Preservation of Records General Instructions state,

The public utility or licensee shall provide reasonable protection for records subject to the regulations in this part from damages by fires,

floods, and other hazards and, in the selection of storage spaces, safeguard the records from unnecessary exposure to deterioration from excessive humidity, dryness, or lack of proper ventilation.

The NARUC Regulations to Govern the Preservation of Records General Instructions further state,

When any records are destroyed before the expiration of the prescribed period of retention, a certified statement listing, as far as may be determined, the records destroyed and describing the circumstances of accidental or other premature destruction shall be filed with the Commission within ninety days from the date of discovery of such destruction. Discovery of loss of records is to be treated in the same manner as in the case of premature destruction.

During the audit, the utility was requested to provide invoices and supporting documentation for all plant additions and retirements to utility plant in service from January 1, 1981 through June 30, 1998. However, the utility was unable to provide invoices or other supporting documentation to substantiate \$12,496 of plant additions recorded on its books from January 1, 1987 to December 31, 1994. The utility previously had stored these records in a pump house, and in 1990, the gas chlorination equipment malfunctioned and destroyed everything in the pump house, including the motor, pump, electrical wiring, and boxes of records. The records were obliterated once they came into contact with the gas chlorine.

In addition, Rule 25-30.311(4)(a), Florida Administrative Code, states:

Each public utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 6 percent per annum. The utility shall pay an interest rate of 7 percent per annum on deposits of nonresidential customers qualifying under subsection (5) below when the utility elects not to refund such a deposit after 23 months.

As discussed previously, the utility started collecting customer deposits in May, 1993, and it was discovered during the audit that the utility has not paid interest on the customer deposits it has received.

Section 367.161(1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated, any Commission rule, order, or provision of Chapter 367, Florida Statutes. Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failure to preserve its records, the utility's failure to notify the Commission of the destruction of utility records within ninety days or the utility's failure to pay interest on customer deposits would meet the standard for a "willful violation." In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., the Commission, having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

Failure of a utility to preserve its records in accordance with the "Regulations to Govern the Preservation of Records of Electric, Gas, and Water Utilities" as issued by the National Association of Regulatory Utility Commissioners (NARUC), failure to notify the Commission of the destruction of utility records within ninety days, and failure to pay interest on customer deposits are apparent violations of Rules 25-30.110(1)(a) and 25-30.311(4)(a), Florida Administrative Code. However, we do not believe that the utility's apparent violations of these rules rise to the level of warranting that show cause proceedings be initiated.

First, the destruction of the utility's records was the result of an accident and we were subsequently able to physically verify utility plant and the appropriate costs associated with that plant. Furthermore, the utility's records are now being kept at the office of the secretary/treasurer of the utility, who is a certified public accountant. Therefore, it appears that the utility has

taken the appropriate steps to ensure that its books and records are preserved and maintained in the future. In addition, the destruction of the records has now been brought to our attention, albeit not within ninety days, and the utility is now cognizant of its affirmative obligation to report any future loss or destruction of records.

With regards to the unpaid interest on customer deposits, the utility books show customer deposits of \$1,406 for the test year. Interest on these deposits would amount to approximately \$84 on an annual basis. We believe that an immediate payment of the past due interest to each customer is the most appropriate method to remedy this apparent violation now because it assures that the customers will receive the money to which they are entitled. As discussed earlier, we have ordered the utility to pay all monies due customers, plus interest, calculated in accordance with Rule 25-30.311, Florida Administrative Code. We believe that ordering the payment of these past due monies, instead of initiating a show cause proceeding, is in the best interests of the customers of the utility at this point in time.

Based on the foregoing, we do not find it appropriate to initiate a show cause proceeding for either apparent violation. However, we do find it appropriate to place the utility on notice that if it fails to preserve its records in the future or fails to report any other premature destruction of records in accordance with the "Regulations to Govern the Preservation of Records of Electric, Gas, and Water Utilities" as issued by the National Association of Regulatory Utility Commissioners (NARUC), as revised May 1985," a future show cause proceeding may be initiated.

CLOSING OF DOCKET

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Dixie Groves Estates, Inc.'s application for increased water rates is hereby approved as set forth in the body of this Order. It is further

ORDER NO. PSC-99-0243-FOF-WU
DOCKET NO. 980726-WU
PAGE 28

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 incorporated by reference herein. It is further

ORDERED that Dixie Groves Estates, Inc. is hereby authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Dixie Groves Estates, 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 proper notice. It is further

ORDERED that Dixie Groves Estates, Inc. shall provide proof that the customers have received notice within ten days of the date of the notice. It is further

ORDERED that in the event of a protest by any substantially affected person other than the utility, Dixie Groves Estates, 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 Dixie Groves Estates, Inc. first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Dixie Groves Estates, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon our 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 and that any required security has been provided. 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, in the event of a protest, prior to its implementation of the rates approved herein, Dixie Groves Estates,

Inc. shall submit and have approved a bond or letter of credit in the amount of \$20,637 as a guarantee of any potential refund of revenues collected on a temporary basis. Alternatively, the utility may establish an escrow account with an independent financial institution. It is further

ORDERED that in the event of a protest, Dixie Groves Estates, Inc. shall submit monthly reports no later than 20 days after each monthly billing which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that Dixie Groves Estates, Inc. shall initiate within 3 months of the date of this Order an office procedure to expedite responses to customer complaints and phone calls which the utility shall provide a copy of to this Commission. It is further

ORDERED that Dixie Groves Estates, Inc. shall initiate meter and gate valve replacement programs consistent with our decision herein. It is further

ORDERED that Dixie Groves Estates, Inc. shall file reports on a quarterly basis detailing the number of bills rendered, the number of gallons sold and the total revenues billed during the quarter. These reports shall be filed for a period of 2 years, beginning the first quarter after the approved rates set forth in this Order become effective. It is further

ORDERED that Dixie Groves Estates, Inc. shall pay interest on all customer deposits as required by Rule 25-30.311, Florida Administrative Code. Past due monies shall include interest calculated in accordance with Rule 25-30.311, Florida Administrative Code, and shall be paid within 90 days of the effective date of this Order. It is further

ORDERED that Dixie Groves Estates, Inc. shall investigate and determine if customers with deposits being held over 23 months have established a satisfactory payment history as more fully detailed in the body of this Order. For those customers who have established a satisfactory payment history, the utility shall refund those customers' deposits within 90 days of the effective date of this Order. It is further

ORDERED that the provisions of this Order regarding our granting increased rates and charges, except for the granting of temporary rates, subject to refund, in the event of a protest and

ORDER NO. PSC-99-0243-FOF-WU
DOCKET NO. 980726-WU
PAGE 30

our decision not to initiate show cause proceedings, are issued as proposed agency action and shall become final and effective unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that if no timely protest is received by a substantially affected person within twenty-one days of the issuance of this Order, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 9th day of February, 1999.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

BLR

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 increased rates and charges, except for the granting of temporary rates, subject to refund, in the event of a protest and our decision not to initiate show cause proceedings, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 2, 1999. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective on the date subsequent to the above date.

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.

ORDER NO. PSC-99-0243-FOF-WU
DOCKET NO. 980726-WU
PAGE 32

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.

DIXIE GROVES ESTATES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDING JUNE 30, 1998

SCHEDULE NO. 1
 DOCKET NO. 980726-WU

	<u>TEST YEAR PER UTILITY</u>	<u>COMM. ADJUST. TO UTIL. BAL.</u>	<u>BALANCE PER COMM.</u>
UTILITY PLANT IN SERVICE	\$ 57,725	\$ 17,254 A	\$ 74,979
LAND/NON-DEPRECIABLE ASSETS	211	1,000 B	1,211
NON USED AND USEFUL PLANT	0	0	0
CIAC	(663)	(9,348) C	(10,011)
ACCUMULATED DEPRECIATION	(48,730)	3,570 D	(45,160)
AMORTIZATION OF CIAC	0	8,362 E	8,362
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>6,424</u> F	<u>6,424</u>
WATER RATE BASE	\$ 8,543	\$ 27,262	\$ 35,805

DIXIE GROVES ESTATES, INC.
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDING JUNE 30, 1998

SCHEDULE NO. 1A
DOCKET NO. 980726-WU

<u>A. UTILITY PLANT IN SERVICE</u>	<u>WATER</u>
1. To adjust utility plant to commission approved balance.	\$ 11,047
2. To reclassify utility plant from O & M expenses.	5,925
3. To include 100 pro forma meters.	6,750
4. To retire 100 meters.	(3,174)
5. To reflect an averaging adjustment.	(3,294)
	<u>\$ 17,254</u>
<u>B. LAND</u>	
1. To reflect original cost of land.	\$ 1,000
<u>C. CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	
1. To adjust CIAC to commission approved amount.	\$ (9,680)
2. To reflect an averaging adjustment.	332
	<u>\$ (9,348)</u>
<u>D. ACCUMULATED DEPRECIATION</u>	
1. To reflect commission approved accumulated depreciation.	\$ (1,100)
2. To reflect the retirement of 100 meters	3,174
3. To reflect depreciation on pro forma meters.	(198)
4. To reflect averaging adjustment.	1,694
	<u>\$ 3,570</u>
<u>E. AMORTIZATION OF CIAC</u>	
1. To reflect commission approved amortization of CIAC.	\$ 8,597
2. To reflect averaging adjustment.	(235)
	<u>\$ 8,362</u>
<u>F. WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expenses.	\$ 6,424

DIXIE GROVES ESTATES, INC.
SCHEDULE OF CAPITAL STRUCTURE
TEST YEAR ENDING JUNE 30, 1998

SCHEDULE NO. 2
DOCKET NO. 980726-WU

	<u>PER UTILITY</u>	<u>SPECIFIC ADJUSTMENTS</u>	<u>BALANCE BEFORE PRO RATA ADJUSTMENTS</u>	<u>PRO RATA ADJUSTMENTS</u>	<u>BALANCE PER COMM.</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
LONG-TERM DEBT	\$ 9,378	\$ 0	\$ 9,378	\$ 3,489	\$ 12,867	35.94%	9.85%	3.54%
LONG-TERM DEBT	\$ 12,636	\$ 0	\$ 12,636	\$ 4,701	\$ 17,337	48.42%	9.85%	4.77%
LONG-TERM DEBT	\$ 2,677	\$ 0	\$ 2,677	\$ 996	\$ 3,673	10.26%	9.85%	1.01%
COMMON EQUITY	\$ (17,807)	\$ 17,807	\$ 0	\$ 0	\$ 0	0.00%	9.85%	0.00%
CUSTOMER DEPOSITS	\$ 1,406	\$ 0	\$ 1,406	\$ 523	\$ 1,929	5.39%	6.00%	0.32%
TOTAL	\$ 8,290	\$ 17,807	\$ 26,097	\$ 9,708	\$ 35,805	100.00%		9.64%

RANGE OF REASONABLENESS

	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	8.85%	10.85%
OVERALL RATE OF RETURN	9.64%	9.64%

DIXIE GROVES ESTATES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDING JUNE 30, 1998

SCHEDULE NO. 3
DOCKET NO. 980726-WU

	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMM.
OPERATING REVENUES	\$ 27,159	\$ 6,873 A	\$ 34,032	\$ 29,898 E	\$ 63,930
OPERATING EXPENSES:				87.85%	
OPERATION AND MAINTENANC	\$ 56,547	\$ (5,154) B	\$ 51,393	\$ 0	\$ 51,393
DEPRECIATION (NET)	1,073	2,086 C	3,159	0	3,159
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	3,987	594 D	4,581	1,345 F	5,926
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 61,607	\$ (2,474)	\$ 59,133	\$ 1,345	\$ 60,478
OPERATING INCOME/(LOSS)	\$ (34,448)		\$ (25,101)		\$ 3,452
WATER RATE BASE	\$ 8,543		\$ 35,805		\$ 35,805
RATE OF RETURN	<u>-403.23%</u>		<u>-70.10%</u>		<u>9.64%</u>

DIXIE GROVES ESTATES, INC.
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE
 TEST YEAR ENDING JUNE 30, 1998

SCHEDULE NO. 3B
 DOCKET NO. 980726-WU

	<u>TOTAL PER UTIL.</u>	<u>COMM. ADJUST.</u>	<u>TOTAL PER COMM.</u>
(601) SALARIES AND WAGES - EMPLOYEES	\$ 14,400	\$ 0	\$ 14,400
(603) SALARIES AND WAGES - OFFICERS	1,200	0	1,200
(604) EMPLOYEE PENSIONS AND BENEFITS	2,340	0	2,340
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	1,824	(182)[1]	1,642
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	3,278	(328)[2]	2,950
(620) MATERIALS AND SUPPLIES	1,319	0	1,319
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	2,250	0	2,250
(635) CONTRACTUAL SERVICES - TESTING	6,146	(853)[3]	5,293
(636) CONTRACTUAL SERVICES - OTHER	20,897	(4,041)[4]	16,856
(640) RENTS	600	0	600
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	1,031	0	1,031
(665) REGULATORY COMMISSION EXPENSE	0	250 [5]	250
(670) BAD DEBT EXPENSE	130	0	130
(675) MISCELLANEOUS EXPENSES	1,132	0	1,132
	<u>\$ 56,547</u>	<u>\$ (5,154)</u>	<u>\$ 51,393</u>

DIXIE GROVES ESTATES, INC.
 SCHEDULE OF RATE CASE EXPENSE RATE
 REDUCTION AFTER FOUR YEARS
 TEST YEAR ENDING JUNE 30, 1998

SCHEDULE NO. 4
 DOCKET NO. 980726-WU

MONTHLY RATES

<u>RESIDENTIAL AND GENERAL SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>RATE DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 8.96	\$ 0.02
3/4"	13.44	0.03
1"	22.41	0.05
1-1/2"	44.82	0.09
2"	71.71	0.15
3"	143.41	0.29
4"	224.08	0.46
6"	448.16	0.92
 RESIDENTIAL GALLONAGE CHARGE PER 1,000 GALLONS	 \$ 1.46	 \$ 0.00