

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-
assisted rate case in Pasco
County by Sky Acres Enterprises
d/b/a Terrace Park Ventures.

DOCKET NO. 980912-SU
ORDER NO. PSC-99-0665-FOF-SU
ISSUED: April 6, 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
AND REQUIRING CONFORMANCE WITH NARUC SYSTEM OF ACCOUNTS
AND
NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING
INCREASE IN 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 decision not to initiate a show cause proceeding, 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

Sky Acres Enterprises d/b/a Terrace Park Venture (Terrace Park
or utility) is a Class C wastewater utility located in Pasco
County. The utility provides wastewater service to approximately
130 residential customers and one general service customer. These
customers receive water service from Pasco County. Terrace Park
began operations in 1984 and operated without a certificate until
1997. We were unaware of the utility's existence until 1995.

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04403 APR-68

FPSC-RECORDS/REPORTING

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We instructed the utility, by letter dated April 22, 1995, to file an application for an original certificate pursuant to Section 367.045, Florida Statutes. By Order No. PSC-97-0011-FOF-SU, issued January 2, 1997, we granted the utility Certificate No. 505-S. Terrace Park obtained the land to build the mobile home park and wastewater system in 1981. At that time, the name of the company was Amanda Company and the park was known as Terrace Grove. The name of the utility was later changed to Sky Acres and the park was renamed Terrace Park Estates.

On July 20, 1998, Terrace Park applied for this staff-assisted rate case pursuant to Section 367.0814, Florida Statutes. By letter dated August 18, 1998, the utility was deemed eligible for a staff-assisted rate case. The utility paid its filing fee on September 18, 1998.

In its application, the utility requested an increase in wastewater rates. We audited the utility's records for compliance with our rules and orders and examined all components necessary for rate setting. Our staff engineer also conducted a field investigation, which included a visual inspection of the wastewater plant and collection 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.

A historical test year ended December 31, 1997, was selected for this case. Adjusted test year revenues are \$9,763 and adjusted test year operating expenses are \$26,557. This results in an adjusted net loss of \$16,794.

QUALITY OF SERVICE

The overall quality of service provided by the utility is derived from the evaluation of three separate components of water and wastewater utility operations:

- (1) Quality of the utility's product
- (2) Operational condition of the utility's plant or facilities
- (3) Customer satisfaction

Quality of Utility's Product

In order to assess the overall quality of service provided by the utility, the quality of the wastewater services must be evaluated. This evaluation consists of a review of the utility's current compliance with the wastewater treatment standards of the Department of Environmental Protection (DEP) and the Health Department.

The primary concern of a wastewater utility is the quality of the effluent discharged from the plant. Plant effluent has specific limitations which are dependent on the point of discharge. For example, the limitations imposed on surface water discharges (lakes and rivers) are more stringent than discharges to percolation ponds. Currently, the DEP's appraisal of the plant's effluent is satisfactory.

Operational Condition of the Utility's Plant or Facilities

The operational condition of the utility's treatment and collection systems must also be evaluated to determine the overall quality of service provided by the utility. Evaluation of these systems includes a review of the utility's compliance with the DEP's standards of operation as well as an analysis of proper system design. For example, among other standards of evaluation, wastewater treatment plants and collection systems are reviewed for compliance with permit standards, minimum operator requirements, lift station location, and reliability. The quality of service appears to be satisfactory. Terrace Park's operational permit expired October 1, 1995. Therefore, the utility currently is not in good standing with the DEP's rules and regulations. The DEP defines the present status of the plant as not in compliance, but not critical.

The utility's water supply line is not submerged, and on one occasion, a breakage in the line caused flooding in a nearby neighbor's yard. The water line parallels the terrain after it exits the water meter box. Terrace Park shall correct this situation within ninety days from the issuance date of this Order.

Customer Satisfaction

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 ensure that customers have been properly notified of scheduled service interruptions. A customer meeting was held on February 3, 1999, in Zephyrhills, Florida. Of the approximately one hundred customers who attended the customer meeting, only three customers were interested in speaking and none expressed concern regarding the quality of the finished product. However, several customers stated that they were having problems contacting the utility's manager or customer service representative. In addition, customers stated that in order to contact the owners of the utility they have to call long distance. Two customers complained about the odor emanating from the treatment plant. At the time of the engineering investigation and the customer meeting, our staff did not smell any abnormal odors at the plant. At the time of the investigation, the wastewater treatment plant and the collection system appeared to be operating properly.

Terrace Park shall initiate an office procedure that will expedite responses to customer complaints and phone calls. This program shall be developed within three months of the effective date of this Order and a copy of it sent to this Commission. In addition, the utility shall also come into complete compliance with the DEP's rules and regulations. Furthermore, we find that the quality of service provided by Terrace Park is satisfactory.

RATE BASE

Used and Useful

The utility's Monthly Operation Reports for the test year were utilized to calculate the used and useful percentages. In addition to these reports, we reviewed the utility's records, including annual reports, which state the amount of wastewater treated by the plant versus the plant's capacity. Terrace Park is occupied by approximately 131 customers. Two-thirds of these customers are seasonal, with one-third living at the park year-round.

Wastewater Treatment Plant

According to the utility's expired permit, the wastewater treatment plant has a designed capacity of 50,000 gallons per day

(gpd). However, our calculations reveal that the average daily flows in the maximum month are only 27,800 gpd. The utility has experienced no customer growth over the last three years. Consequently, no margin reserve is included in the used and useful calculation. Since the utility experienced no excessive infiltration or inflow, the resulting overall used and useful percentage was simply calculated by dividing 27,800 gpd by 50,000 gpd, which is 56%.

Wastewater Collection System

The wastewater collection system is not built-out. It was installed to accommodate 178 potential equivalent residential connections (ERCs). The number of test year connections were 131, with no growth anticipated. Therefore, the used and useful calculation for the collection system is 131 ERCs divided by 178 ERCs, which is 74%.

The appropriate used and useful percentages are shown on Attachment A.

Test Year Rate Base

The appropriate components of the utility's rate base include utility plant in service (UPIS), land, non-used and useful plant, accumulated depreciation, and working capital allowance. Adjustments have been made to reflect the appropriate balances. A discussion of each component of rate base and the adjustments follows:

CIAC

Generally, contributions-in-aid-of-construction (CIAC) is a component of rate base. However, for this utility, we find it appropriate to leave the balance for CIAC at \$0. The utility's tariff does not include any service availability charges. Further, the audit reflects that no service availability charges have ever been charged to the customers. The auditor noted that the utility did not charge customers connection fees. Rule 25-30.570(1), Florida Administrative Code, states:

If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs

charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the ... wastewater collection system.

No value was included in the audit for the wastewater collection system. Since this amount would be the value used for imputing CIAC, the two amounts would cancel one another. Therefore, we find that simply leaving the CIAC balance at \$0 will appropriately reflect the utility's rate base.

Utility Plant-in-Service (UPIS)

The utility's plant balance at the beginning of the test period was \$56,314. An addition to plant was made during the test year by the utility in the amount of \$455. The resulting plant balance at the end of the test period was \$56,769. This ending plant balance was reduced by \$228 to reflect the adjustment for averaging. Therefore, we find that the resulting utility plant-in-service is \$56,541.

Land

The utility's books reflected a value for land in the amount of \$4,375. Tax records support this amount, and we agree with this value. Therefore, we find that the appropriate balance for land is \$4,375.

Non-Used and Useful Plant

As previously noted, we determined the used and useful percentage for all plant accounts. The non-used and useful percentage times the appropriate accounts reflect average non-used and useful plant of \$23,021. The average accumulated non-used and useful depreciation on this plant is \$9,831. The resulting net non-used and useful plant is \$13,190. Net non-used and useful plant has a negative impact on rate base. Therefore, rate base has been decreased by \$13,190.

Accumulated Depreciation

The utility used an accelerated depreciation method. The utility recorded accumulated depreciation on its books in the amount of \$49,700. We calculated the appropriate balances based on depreciation rates in conformance with Rule 25-30.140, Florida

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Administrative Code. This balance was reduced by \$23,568 to reflect the appropriate accumulated depreciation amount at the end of the test year. This amount was also reduced to reflect an averaging adjustment in the amount of \$1,345. Based on the foregoing, we find that the appropriate balance, including the effect of an averaging adjustment, is \$24,787.

Working Capital Allowance

Consistent with Rule 25-30.443, Florida Administrative Code, the one-eighth of operation and maintenance expense (O&M) formula approach was used for calculating working capital allowance. Applying this formula, we find a working capital allowance of \$2,968 (based on O&M expense of \$23,748) is appropriate. We increased working capital by \$2,968 to reflect one-eighth of operation and maintenance expense.

Rate Base Summary

Based on the foregoing, we find that the above adjustments result in a year-end rate base of \$25,907. Rate base is shown on Schedule No. 1 and adjustments are shown on Schedule No. 1-A.

COST OF CAPITAL

Return on Equity

The utility's capital structure includes two short-term loans in the amount of \$10,220 and \$35,118, for total capital of \$45,338.

The utility recorded no common equity. By Order No. PSC-98-0903-FOF-WS, issued June 6, 1998, in Docket No. 980006-WS, we capped the rate of return on equity at 9.85% for all water and wastewater utilities having equity ratios of less than 40%. Because the utility's equity ratio is zero, the appropriate return on equity is 9.85%. However, since equity has a \$0 balance, the 9.85% return on equity is not included in calculating the overall rate of return.

The utility's short-term debt was obtained through related parties. The audit revealed no supporting written debt agreements or stated interest rate for these loans. Since the utility has no debt instrument with a stated interest rate, we assigned the cost of debt based on the cost of equity as done in previous staff-assisted rate cases. See Dockets Nos. 890792-WS, 930656-WU, and

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950966-WS. In accordance with the leverage formula approved by Order No. PSC-98-0903-FOF-WS, issued June 8, 1998, in Docket No. 980006-WS, the appropriate cost for the debt is 9.85%.

We reconciled the utility's capital structure with the adjusted rate base. Applying the cost times the pro rata share of each capital component results in an overall rate of return of 9.85%.

The return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

As noted above, during the test year the utility provided wastewater service to approximately 130 residential customers and one general service customer. The utility recorded revenues of \$12,909. However, the audit shows that the utility included non-utility deposits as revenue.

Some customers paid the utility with one check combining the payment of the Terrace Park Homeowners' Association dues with the payment of their wastewater bill. The amount associated with the homeowners' association dues totaled \$446. Also included as revenue was a short-term, no interest loan in the amount of \$2,500. Also, according to the audit, there was other unspecified, non-utility revenue in the amount of \$200. These amounts, which total \$3,146, have been removed from the utility's recorded revenue, resulting in a balance of \$9,763.

The selected test year for this rate case includes the twelve month period from January 1997 through December 1997. As background, the utility receives its billing records from Pasco County. Pasco County utilizes a base facility/inclining block gallonage charge rate structure. The utility utilizes the same rate structure and bills its wastewater customers based on 75% of the Pasco County water bill.

When appropriate, we simply use the billing determinants times the existing rates to calculate annualized test year revenues. Although we have access to test year number of bills and gallons of wastewater billed, accurately annualizing revenues is impossible due to the inclining block rate structure for the gallonage charges. Under the specific circumstances surrounding Terrace

Park, we find the adjusted test year revenue of \$9,763 is appropriate.

Test year revenues are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

Test Year Operating Expenses

The utility's recorded operating expense includes operation and maintenance expense, depreciation expense, and taxes other than income. Adjustments have been made to reflect annual operating costs on a going forward basis.

Operation and Maintenance Expenses (O&M)

A summary of adjustments follows:

Salaries and Wages - Officers

The utility recorded a \$0 balance in this account. We increased this account by \$1,300 to reflect a salary for the President of the utility.

Compensation is appropriate to recognize the responsibilities associated with making the broad overview of operation decisions, short-term and long-term financial decisions for the utility, as well as, signing checks and other tasks associated with an officer for a utility of this size. Therefore, we find that a total allowance of \$1,300 for the President is appropriate.

Sludge Removal Expense

The utility recorded \$2,124 as sludge removal expense for the test year. The utility's records indicated that on three occasions, sludge was removed at a total cost of \$1,458. Therefore, we reduced the recorded amount by \$666 to reflect the appropriate balance of \$1,458.

Purchased Power

During the test year, the utility recorded eleven months of purchased power in the amount of \$942. We annualized this amount to reflect a complete test year for purchased power. Therefore, we find an adjustment of \$86 to reflect a total purchase power expense of \$1,027 is appropriate.

Chemicals

The utility recorded chemicals expense of \$965. The chlorination method is liquid chlorine. We adjusted the chemicals expense by \$535 to reflect the total amount necessary to appropriately treat wastewater for a utility of this size. Accordingly, we find that the appropriate chemicals expense for this utility for the test year is \$1,500.

Materials and Supplies

During the test year, the utility recorded \$0 for materials and supplies. We increased this account by \$1,467 to reflect a reclassification of materials and supplies expense. The utility misclassified materials and supplies in the amount of \$1,467 to contractual services (operator). With this reclassification, we find that the appropriate balance for materials and supplies is \$1,467.

Contractual Services - Management/Billing

The utility recorded a balance of \$2,304 in this expense account for the test year. We increased this amount by \$83 to reflect the costs associated with billing. Meters are read by Pasco County at a cost of \$0.56 per meter. Based on approximately 132 meters, the annual meter reading costs is \$887. Also included in this account is an allowance for the person who is responsible for preparing and mailing the bills. The allowance for this person is \$1,500 on an annual basis. Therefore, we find that a total allowance for this account in the amount of \$2,387 is appropriate.

Contractual Services - Testing

The utility recorded \$347 for testing expense. This expense was increased by \$1,800 to reflect the appropriate amount of testing expense. Therefore, we find that the appropriate total testing expense is \$2,147. A schedule of the required wastewater tests, frequency and costs follows:

<u>Description</u>	<u>Frequency</u>	<u>Annual Cost</u>
CBOD	Monthly	\$ 600
TSS	Monthly	312
Nitrates	Monthly	156
Fecal Coli	Monthly	156
MLTSS	---	52

<u>Description</u>	<u>Frequency</u>	<u>Annual Cost</u>
MLSS	Monthly	78
MICRO	---	728
RPZ test	Yearly	<u>65</u>
	Total Amount	\$2,147

Contractual Services - Operator

The utility recorded a balance of \$12,388 in this account. We reduced this account by \$1,467 to reflect a misclassification of materials and supplies. We also reduced this account by \$1,171 to reflect the appropriate balance based on the management services agreement as provided by the audit. Therefore, the resulting balance for this expense for the test year is \$9,750.

Contractual Services - Repairs & Maintenance

The utility recorded \$0 in this account. We increased this account by \$600 to reflect an allowance for mowing and groundskeeping of the area surrounding the wastewater plant. An appropriate amount for this service is \$50 per month. Therefore, we find it appropriate to increase this account by \$600.

Rents

The utility recorded a \$0 balance in this account. To reflect an allowance for the rental of office space, we increased this account by \$600 (\$50.00 per month).

Regulatory Commission Expense

The utility paid a \$1,000 filing fee for this rate case. Pursuant to Section 367.0816, Florida Statutes, this expense has been amortized over four years, which allows an annual expense of \$250. The utility misclassified its regulatory assessment fees to this account. We removed the misclassified amount of \$540. The resulting net adjustment is a decrease of \$290. Therefore, we find that the appropriate balance for this account is \$250.

Miscellaneous Expense

According to the audit, the utility recorded a balance for miscellaneous expenses in the amount of \$3,114. The majority of this amount is the utility's purchased water expense. Reviewing water bills for the test year reveals usage in excess of 300,000

gallons during some months. This amount is excessive for wastewater utility purposes.

The utility receives water service from Pasco County. The water is used to "wash down" the wastewater plant. We estimated a more reasonable amount for the Terrace Park plant at 31,000 gallons per month. We applied the Pasco County water rates for a general service one-inch meter. The resulting calculation was \$56.36 per month or \$676 on an annual basis.

Other miscellaneous expenses in the amount of \$500 are necessary and prudent. Therefore, we find an allowance for this account in the amount of \$1,176 is appropriate. We reduced the utility's balance by \$1,938 to reflect the appropriate miscellaneous expense balance of \$1,176.

Depreciation Expense

Test year depreciation expense was calculated using the rates prescribed by Rule 25-30.140, Florida Administrative Code. The utility recorded depreciation expense in the amount of \$2,211. We calculated test year depreciation expense in the amount of \$2,690. We reduced the corrected depreciation expense by \$1,060 to reflect the non-used and useful portion of test year depreciation expense. The resulting depreciation expense net of non-used and useful is \$1,630.

Taxes Other Than Income

The utility recorded \$836 as taxes other than income. This total reflects property taxes only. We reviewed the test year property tax assessment and concluded that the appropriate amount of property taxes is \$739. Therefore, we reduced the balance by \$97 to reflect the appropriate property tax amount, and we increased this account by \$540 to reflect the misclassified regulatory assessment fees.

The \$540 was calculated based on incorrect test year revenues. We recalculated the regulatory assessment fees for the test year. The resulting regulatory assessment fee amount is \$439, which requires a further reduction of \$101. Therefore, the net adjustment for taxes is \$343, and the resulting total amount for taxes is \$1,179.

Increase in Operating Revenues and Expenses:

Operating Revenue

Revenue has been increased by \$20,257 to reflect the increase required to allow the utility to recover its expenses and earn the authorized return on its investment.

Taxes Other Than Income

This expense has been increased by \$912 to reflect regulatory assessment fees at 4.5% on the required increase in revenue. The application of these adjustments to the utility's recorded operating expenses results in operating expenses of \$27,469.

Operating expenses are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

REVENUE REQUIREMENT

The utility shall be allowed an annual increase in revenue of \$20,257 or 207.49%. This increase will allow the utility the opportunity to recover its expenses and earn a 9.85% return on its investment.

Adjusted rate base	\$ 25,907
Rate of return	x .0985
Return on investment	\$ 2,551
plus	
Adjusted O&M expense	23,748
Depreciation expense	1,630
Taxes other than income	<u>2,091</u>
Revenue requirement	\$ 30,020
Test year revenue	<u>(9,763)</u>
Increase in revenue	\$ 20,257
Percentage increase	207.49% (\$20,257/\$9,763)

The revenue requirement is shown on Schedule No. 3.

REPRESSION ADJUSTMENT

As discussed previously, the revenue requirement increase is \$20,257 or 207.49% for the wastewater system, which represents a monthly increase of \$15.38 per ERC. In an attempt to quantify the

relationship between revenue increases and consumption impacts, we created a database of all water utilities that were granted rate increases or decreases (excluding indexes and pass-throughs) between January 1, 1990 and December 31, 1995. This database contains utility-specific information from the applicable orders, tariff pages, and the utilities' annual reports for 1989 through 1995. Because the database specifically targeted water utilities, there is little information in the database regarding the impact of a wastewater rate increase on water consumption for a utility that provides only wastewater. There is some evidence that an increase of the level seen in this case will cause a decrease in water consumption. However, there are no utilities in the database which match this utility's rate increase and change in rate structure closely enough to provide a reasonable estimate of the amount of repression that might occur in this case.

We have made repression adjustments in a limited number of cases to date, and 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. Consequently, we find that a repression adjustment is not appropriate in this case. However, it will be beneficial in future cases to monitor the effects of this rate increase on consumption. Therefore, we find that the utility shall file, on a quarterly basis, reports detailing the number of bills rendered, the number of gallons billed, and the total revenues billed during the quarter, with separate totals for residential and general service customers. These reports shall be required for a period of two years, beginning the first quarter after the revised rates go into effect.

RATES AND RATE STRUCTURE

Terrace Park is located in a water use caution area (WUCA). Florida's Water Management Districts have identified areas with water shortages as "water resource caution areas." The Southwest Florida Water Management District (SWFWMD) declared Pasco County a WUCA in 1989. Terrace Park's facilities consist of one wastewater treatment plant and one wastewater collection system. Water service is provided by Pasco County.

The utility's current rate structure for wastewater is based on 75% of the amount charged by Pasco County for water. Pasco County charges Terrace Park's water customers a base fee of \$4.77

and an inclining block rate based on the amount of gallons used. The utility bills different rates for several tiers of usage. Usage of 0 to 999 gallons is included in the \$4.77 base fee. In the minimum tier of 1,000 to 3,000 gallons, the water customers pay \$1.69 per thousand gallons and in the maximum tier of 46,000 gallons and above, the customer pays \$2.51 per thousand gallons. Terrace Park's wastewater customers pay a base fee of \$3.59, which includes usage of 0 to 999 gallons. For usage of 1,000 to 3,000 gallons, the customer pays \$1.27 per thousand gallons and for usage above 46,000, the charge is \$1.88 per thousand gallons. This rate structure applies to all customers.

The utility's current rate structure for wastewater was originally established by Pasco County and approved by this Commission under grandfather provisions when the utility was granted a certificate to operate in 1997. The utility's rate structure for wastewater shall not be based on a percentage of what is being charged for water, but the rates and rate structure shall be based on what is required for this utility to exist and operate as a separate entity. We find that the utility's current rate structure for wastewater shall be changed to a base facility and uniform gallonage charge rate structure. Under this rate structure, usage of 0 to 999 gallons will no longer be included in the \$3.59 base fee.

We do not customarily set inclining block rates for wastewater utilities. An inclining block rate structure is more appropriate for water utilities when there is an urgent need for conservation and usage is high. Terrace Park's customers already pay inclining block rates to Pasco County for their water usage and average water usage is low for these customers. Under the utility's current rate structure, the total average consumption per residential bill for water is only 3,620 gallons.

Based on the foregoing, we find that the base facility and inclining block rate structure shall be discontinued and the base facility and uniform gallonage charge rate structure shall be implemented for this utility.

MONTHLY WASTEWATER RATES

During the test year, the utility provided wastewater service to approximately 130 residential customers and one general service customer. Rates were calculated using the number of bills and the

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number of gallons of wastewater billed during the test year. A schedule of the utility's current rates and approved rates follows:

--Residential--	<u>Current</u>	<u>Approved</u>
BASE FACILITY CHARGE	<u>Rates</u>	<u>Rates</u>
All Meter Sizes	\$ 3.59	\$ 10.54
GALLONAGE CHARGE		\$ 3.14 per 1,000 gallons (8,000 gallon cap)
1,000 - 3,999 gallons	\$ 1.27	
4,000 - 6,999 gallons	1.36	
7,000 - 10,999 gallons	1.44	
11,000 - 15,999 gallons	1.58	
16,000 - 45,999 gallons	1.69	
46,000 gallons and over	1.88	

--General Service--	<u>Current</u>	<u>Approved</u>
BASE FACILITY CHARGE	<u>Rates</u>	<u>Rates</u>
<u>Meter Size</u>		
5/8 x 3/4"	\$ 3.59	\$ 10.54
3/4"	N/A	15.81
1"	N/A	26.35
1 1/2"	N/A	52.71
2'	N/A	84.33
3"	N/A	168.67
4"	N/A	263.54
6"	N/A	527.09
GALLONAGE CHARGE		\$ 3.77 per 1,000 gallons
1,000 - 3,999 gallons	\$ 1.27	
4,000 - 6,999 gallons	1.36	
7,000 - 10,999 gallons	1.44	
11,000 - 15,999 gallons	1.58	
16,000 - 45,999 gallons	1.69	
46,000 gallons and over	1.88	

The average number of gallons of residential wastewater billed for the test year is approximately 3,620 gallons per month per customer. A schedule of an average residential bill based on

existing rates and approved rates follows:

Average bill using approved rates	\$ 21.91
Average bill using existing rates	<u>(6.92)</u>
Increase in bill	\$ 14.99
Percentage increase in bill	216.62% (\$14.99/\$6.92)

Included in the wastewater rate structure is a gallonage cap of 8,000 gallons. Our goal in setting a wastewater cap is to recognize the general usage level of the utility's customers. Water used beyond that general level is probably used for irrigation purposes and will not be returned to the system.

The approved rates are designed to produce revenue in the amount of \$30,020. 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 rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within ten days after the date of the notice.

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 the revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees, which is \$262 annually for wastewater. The reduction in revenues will result in a reduction in rates as illustrated in Schedule No. 4.

The utility shall file revised tariffs 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 for the reduction in the rates due to the amortized rate case expense.

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BILLING PROCEDURE

The utility's billing procedure was addressed at the February 3, 1999, customer meeting. Two customers complained that their wastewater bill did not clearly state the amount of consumption.

Rule 25-30.335(1), Florida Administrative Code, states:

Except as provided in this rule, a utility shall render bills to customers at regular intervals, and each bill shall indicate: the billing period covered; the applicable rate schedule; beginning and ending meter reading; the amount of the bill; the delinquent date or the date after which the bill becomes past due; and any authorized late payment charge.

Our staff discussed with the utility and with the customers at the customer meeting, changing the billing procedure from a quarterly billing cycle to a monthly billing cycle. The utility agreed to this billing change. Based on the customers' responses at the meeting held on February 3, 1999, the customers preferred a monthly billing cycle.

The utility shall follow the guidelines of Rule 25-30.335(1), Florida Administrative Code, for billing procedures. The utility shall bill its customers of record on a monthly basis rather than on a quarterly basis. The utility also shall bill its customers of record on a separate bill that includes the utility's name, the billing period covered, the applicable rate, and the beginning and ending meter readings. Further, the utility bill shall include the delinquent date or the date after which the bill becomes past due.

IMPLEMENTATION OF MISCELLANEOUS SERVICE CHARGES

The utility's existing tariff currently does not provide for miscellaneous service charges. The miscellaneous service charges shall be updated and included in the utility's tariff. We find that the following charges shall be authorized:

	<u>Current Charges</u>	<u>Approved Charges</u>
Initial Connection	\$0	\$ 15.00

	<u>Current Charges</u>	<u>Approved Charges</u>
Normal Reconnection	\$0	\$ 15.00
Violation Reconnection	\$0	Actual Cost
Premises Visit (in lieu of disconnection)	\$0	\$ 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 (the "cost causer"), rather than on the entire ratepaying body as a whole.

The utility shall file revised tariff sheets which are consistent with this Order. Our staff shall have administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with this Order. If revised tariff sheets are filed and approved, the miscellaneous service charges shall become effective for connections made on or after the stamped approval date on the revised tariff sheets, if no protest is filed.

TEMPORARY RATES IN THE EVENT OF PROTEST

This Order proposes an increase in 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 timely protest filed by a party other than the utility, we hereby authorize the utility to collect 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 the security for 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 \$14,004. 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 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 funds 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 at 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 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.

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, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with the Division of Water and Wastewater no later than twenty days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

BOOKS AND RECORDS

According to the audit, some of the utility's accounts were not maintained in conformance with the Uniform System Of Accounts (USOA) during the test year. Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Wastewater Utilities," states:

Water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

Section 367.161, 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 have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. In failing to maintain its books and records in conformance with the USOA, the utility's act was "willful" in the sense intended by Section 367.161, Florida

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Statutes. 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, Florida Administrative Code, 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 "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." 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).

Although Terrace Park's failure to keep some of its accounts in conformance with the USOA is an apparent violation of Rule 25-30.115, Florida Administrative Code, a show cause proceeding is not warranted and shall not be initiated. As stated in the case background, Terrace Park began operating in 1984. We were unaware of the utility's existence until 1995, at which time we instructed the utility, by letter dated April 22, 1995, to file an application for an original certificate. Order No. PSC-97-0011-FOF-SU, issued January 2, 1997, granted the utility operating Certificate No. 505-S. The test year for this proceeding is for the year ended December 31, 1997, and this proceeding is the utility's first rate case before this Commission.

Based on the foregoing, we do not find that the apparent violation of Rule 25-30.115, Florida Administrative Code, rises in these circumstances to the level which warrants the initiation of a show cause proceeding. Therefore, Terrace Park shall not be required to show cause for failing to keep some of its accounts in conformance with the NARUC USOA. However, the utility shall maintain its books and records in conformance with the 1996 NARUC USOA and shall submit a statement from its accountant by March 31, 2000, along with its 1999 annual report, stating that its books are in conformance with the NARUC USOA and have been reconciled with this Order.

DOCKET TO REMAIN OPEN

If no timely protest is received upon expiration of the protest period, this docket shall remain open for an additional ninety days from the effective date of this Order to allow Commission staff to verify that the utility has corrected the placement of the water line entering the plant from the meter.

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Once staff has verified that this work has been completed, the docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sky Acres Enterprises d/b/a Terrace Park Ventures' application for increased wastewater rates and charges is hereby 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 incorporated herein by reference. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures' rates and charges 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 that the customers have received notice. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures 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, Sky Acres Enterprises d/b/a Terrace Park Ventures 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 Sky Acres Enterprises d/b/a Terrace Park Ventures 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, Sky Acres Enterprises d/b/a Terrace Park Ventures shall submit and have approved revised tariff pages. The revised tariff pages shall be approved upon Commission staff's verification that the pages are consistent with our decision herein, that the protest period has expired, that the customer

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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 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 Sky Acres Enterprises d/b/a Terrace Park Ventures shall correct the placement of the water line entering the plant from the meter within ninety days from the issuance date of this Order. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures shall file, on a quarterly basis, reports detailing the number of bills rendered, the number of gallons billed, and the total revenues billed during the quarter, with separate totals for residential and general service customers. These reports shall be required for a period of two years, beginning the first quarter after the revised rates go into effect. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures shall initiate an office procedure that will expedite responses to customer complaints and phone calls. This program shall be developed within three months of the effective date of this Order and a copy shall be sent to this Commission. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures shall come into complete compliance with the Department of Environmental Protection's rules and regulations. It is further

ORDERED that the base facility and inclining block rate structure for Sky Acres Enterprises d/b/a Terrace Park Ventures shall be discontinued and the base facility and uniform gallonage charge rate structure shall be implemented. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures shall bill its customers of record on a monthly basis and each bill shall include the utility's name, the billing period covered, the applicable rate, the beginning and ending meter readings, and the delinquent date or the date after which the bill becomes past due. It is further

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ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures shall file revised tariff sheets which are consistent with this Order for the miscellaneous service charges. Commission staff shall have administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this Order. It is further

ORDERED that if revised tariff sheets are filed and approved, the miscellaneous service charges shall be effective for connections made on or after the stamped approval date on the revised tariff sheets, if no protest is filed. It is further

ORDERED that prior to the implementation of the rates and charges approved herein, Sky Acres Enterprises d/b/a Terrace Park Ventures shall submit and have approved a bond or letter of credit in the amount of \$14,004 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 Sky Acres Enterprises d/b/a Terrace Park Ventures shall submit monthly reports no later than twenty 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 Sky Acres Enterprises d/b/a Terrace Park Ventures shall not be ordered to show cause for its apparent violation of Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures shall maintain its books and records in conformance with the 1996 NARUC Uniform System of Accounts. It is further

ORDERED that Sky Acres Enterprises d/b/a Terrace Park Ventures shall submit a statement from its accountant by March 31, 2000, along with its 1999 annual report, stating that its books are in conformance with the NARUC Uniform System of Accounts and have been reconciled with this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, 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

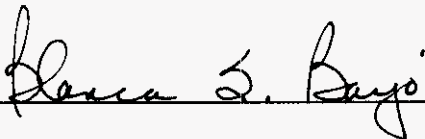
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in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that if no timely protest is received from a substantially affected person within the twenty-one day protest period, this docket shall remain open for an additional ninety days from the effective date of this Order to allow Commission staff to verify that Sky Acres Enterprises d/b/a Terrace Park Ventures has corrected the placement of the water line entering the plant from the meter. It is further

ORDERED that once Commission staff has verified that Sky Acres Enterprises d/b/a Terrace Park Ventures has corrected the placement of the water line entering the plant from the meter, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 6th day of April, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

SAM

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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 discussed herein, except for the granting of temporary rates, subject to refund, in the event of a protest and decision not to initiate a show cause proceeding, 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 April 27, 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.

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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.

SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
SCHEDULE OF WASTEWATER RATE BASE
TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 1
DOCKET NO. 980912-SU

	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$ 56,769	\$ (228) A	\$ 56,541
LAND/NON-DEPRECIABLE ASSETS	4,375	0	4,375
NON-USED AND USEFUL PLANT	0	(13,190) B	(13,190)
ACQUISITION ADJUSTMENT	0	0	0
CWIP	0	0	0
CIAC	0	0	0
ACCUMULATED DEPRECIATION	(49,700)	24,913 C	(24,787)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF CIAC	0	0	0
WORKING CAPITAL ALLOWANCE	0	2,968 E	2,968
WASTEWATER RATE BASE	\$ 11,444	\$ 14,463	\$ 25,907

SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 1A
DOCKET NO. 980912-SU

	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect adjustment for averaging	\$ <u>(228)</u>
B. <u>NON-USED AND USEFUL PLANT</u>	
1. To reflect non-used and useful average plant	\$ (23,021)
2. To reflect non-used and useful average accumulated depreciation	9,831
	\$ <u>(13,190)</u>
C. <u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation at 12/31/97	\$ 23,568
2. To reflect averaging adjustment	1,345
	\$ <u>24,913</u>
D. <u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of operation and maintenance expense	\$ <u>2,968</u>

SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 2
 DOCKET NO. 980912-SU

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	<u>PER UTILITY</u>	<u>COMMISSION ADJUSTMENT TO UTIL. BAL.</u>	<u>ADJUSTED BALANCE PER COMMISSION</u>	<u>PRO RATA ADJUST. PER COMMISSION</u>	<u>RECONCILIATION TO RATE BASE</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
COMMON EQUITY	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00%	9.85%	0.00%
SHORT-TERM DEBT	10,220	0	10,220	(4,380)	5,840	22.54%	9.85%	2.22%
SHORT-TERM DEBT	35,118	0	35,118	(15,050)	20,068	77.46%	9.85%	7.63%
PREFERRED EQUITY	0	0	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL	<u>\$ 45,338</u>	<u>\$ 0</u>	<u>45,338</u>	<u>\$ (19,430)</u>	<u>25,907</u>	100.00%		<u>9.85%</u>

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	8.85%	10.85%
OVERALL RATE OF RETURN	9.85%	9.85%

SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 3
 DOCKET NO. 980912-SU

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENT TO UTILITY BALANCE	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	TOTAL PER COMMISSION
OPERATING REVENUES	\$ 12,909	\$ (3,146) A	\$ 9,763	\$ 20,257 E	\$ 30,020
				207.49%	
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 22,808	\$ 940 B	\$ 23,748	\$ 0	23,748
DEPRECIATION (NET)	2,211	(581) C	1,630	0	1,630
AMORTIZATION (CIAC)	0	0	0	0	0
TAXES OTHER THAN INCOME	836	343 D	1,179	912 F	2,091
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 25,855	\$ 702	\$ 26,557	\$ 912	\$ 27,469
OPERATING INCOME/(LOSS)	\$ (12,947)		\$ (16,794)		\$ 2,551
WASTEWATER RATE BASE			\$ 25,907		\$ 25,907
RATE OF RETURN			-64.82%		9.85%

SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 3A
PAGE 1 OF 2
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A. OPERATING REVENUES

WASTEWATER

1. To reflect misclassified loans	\$ (2,500)
2. To reflect misclassified HOA dues	(446)
3. To reflect other non-utility related revenue	(200)
	<u>\$ (3,146)</u>

B. OPERATION AND MAINTENANCE EXPENSES

1. <u>Salaries and Wages - Officers</u>	
a. To reflect salaries and wages for President	<u>\$ 1,300</u>
2. <u>Sludge Removal Expense</u>	
a. To remove out of period sludge removal expenses	<u>\$ (666)</u>
3. <u>Purchased Power</u>	
a. To reflect annualized purchased power expense	<u>\$ 86</u>
4. <u>Chemicals</u>	
a. To reflect appropriate chemicals expense based on test year invoices	<u>\$ 535</u>
5. <u>Materials and Supplies</u>	
a. To record expense that was misclassified as contractual services	<u>\$ 1,467</u>
6. <u>Contractual Services (Management/Billing)</u>	
a. To reflect appropriate billing costs	<u>\$ 83</u>
7. <u>Contractual Services (Testing)</u>	
a. To reflect annual testing expenses	<u>\$ 1,800</u>
8. <u>Contractual Services (Operator)</u>	
a. To remove misclassified materials and supplies expense	\$ (1,467)
b. To reflect appropriate balance as per management services agreement	(1,171)
	<u>\$ (2,638)</u>
9. <u>Contractual Services (Maintenance and Repairs)</u>	
a. To reflect allowance for mowing and groundskeeping	<u>\$ 600</u>
10. <u>Rents</u>	
a. To reflect office space rental	<u>\$ 600</u>
11. <u>Regulatory Commission Expense</u>	
a. To remove misclassified regulatory assessment fees	(540)
b. To reflect rate case expense amortized over 4 years	250
	<u>\$ (290)</u>
12. <u>Miscellaneous Expense</u>	
a. To remove excessive purchased water charges and other non-utility expenses	<u>\$ (1,938)</u>

TOTAL O & M ADJUSTMENTS

\$ 939

SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
ADJUSTMENTS TO OPERATING INCOME
TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 3A
PAGE 2 OF 2
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C. DEPRECIATION EXPENSE

1. To remove recorded test year depreciation expense	\$ (2,211)
2. To reflect test year depreciation expense	2,690
3. To reflect non-used & useful portion of test year depr. expense	<u>(1,060)</u>
	\$ <u>(581)</u>

D. TAXES OTHER THAN INCOME

1. To reflect appropriate test year property taxes	\$ (97)
2. To reflect reclassification of regulatory assessment fees from regulatory commission expense	540
3. To adjust for appropriate amount of regulatory assessment fees @ 4.5% of test year revenues	<u>(101)</u>
	\$ <u>343</u>

E. OPERATING REVENUES

1. To reflect increase in revenue required to cover expenses and allow recommended rate of return	\$ <u>20,257</u>
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F. TAXES OTHER THAN INCOME

1. To reflect regulatory assessment fee at 4.5% on increase in revenue	\$ <u>912</u>
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SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
ANALYSIS OF WASTEWATER OPERATION AND
MAINTENANCE EXPENSE
TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 3B
DOCKET NO. 980912-SU

	TOTAL PER UTILITY	COMMISSION APPROVED ADJUSTMENT	TOTAL PER COMMISSION
#701 SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 0	\$ 0
#703 SALARIES AND WAGES - OFFICERS	0	1,300 [1]	1,300
#704 PENSIONS AND BENEFITS	0	0	0
#710 PURCHASED WASTEWATER TREATMENT	0	0	0
#711 SLUDGE REMOVAL EXPENSE	2,124	(666) [2]	1,458
#715 PURCHASED POWER	942	86 [3]	1,027
#716 FUEL FOR POWER PRODUCTION	0	0	0
#718 CHEMICALS	965	535 [4]	1,500
#720 MATERIALS AND SUPPLIES	0	1,467 [5]	1,467
#730 CONTRACTUAL SERVICES (MGMT)	2,304	83 [6]	2,387
#731 CONTRACTUAL SERVICES (LEGAL)	0	0	0
#735 CONTRACTUAL SERVICES (TESTING)	347	1,800 [7]	2,147
#736 CONTRACTUAL SERVICES (OPERATOR)	12,388	(2,638) [8]	9,750
#736 CONTRACTUAL SERVICES (REPAIRS & MAINT)	0	600 [9]	600
#740 RENTS	0	600 [10]	600
#750 TRANSPORTATION EXPENSE	0	0	0
#755 INSURANCE EXPENSE	85	0	85
#765 REGULATORY COMMISSION EXPENSE	540	(290) [11]	250
#770 BAD DEBT EXPENSE	0	0	0
#775 MISCELLANEOUS EXPENSES	3,114	(1,938) [12]	1,176
	<u>\$ 22,809</u>	<u>\$ 939</u>	<u>\$ 23,748</u>

SKYACRES ENTERPRISES d/b/a TERRACE PARK VENTURES
 SCHEDULE OF RATE CASE EXPENSE RATE
 REDUCTION AFTER FOUR YEARS
 TEST YEAR ENDED DECEMBER 31, 1997

SCHEDULE NO. 4
 DOCKET NO. 980912-SU

MONTHLY RATES

<u>RESIDENTIAL WASTEWATER SERVICE</u>	<u>COMMISSION APPROVED RATES</u>	<u>COMMISSION APPROVED DECREASE</u>
BASE FACILITY CHARGE:		
Meter Size:		
All Meter Sizes	\$ 10.54	\$ 0.09
RESIDENTIAL GALLONAGE CHARGE		
PER 1,000 GALLONS (8,000 gallon cap)	\$ 3.14	\$ 0.03
<u>GENERAL SERVICE</u>		
BASE FACILITY CHARGE:		
Meter Size:		
5/8" x 3/4"	\$ 10.54	\$ 0.09
3/4"	15.81	0.14
1"	26.35	0.23
1 1/2"	52.71	0.46
2"	84.33	0.74
3"	168.67	1.47
4"	263.54	2.30
6"	527.09	4.60
GENERAL SERVICE GALLONAGE CHARGE		
PER 1,000 GALLONS	\$ 3.77	\$ 0.03