

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for
certificate to operate a water
utility in Charlotte and Lee
Counties, by Town and Country
Utilities Company.

DOCKET NO. 981288-WU
ORDER NO. PSC-99-2198-PAA-WU
ISSUED: November 8, 1999

The following Commissioners participated in the disposition of
this matter:

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

FINAL ORDER ACKNOWLEDGING WITHDRAWALS OF OBJECTIONS BY CHARLOTTE
AND LEE COUNTIES AND GRANTING TOWN AND COUNTRY UTILITIES
COMPANY'S APPLICATION TO OPERATE A WATER UTILITY IN
CHARLOTTE AND LEE COUNTIES, AND NOTICE OF PAA ORDER
ESTABLISHING RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service
Commission that the actions discussed herein, establishing rates
and charges, are 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

On November 10, 1998, Town and Country Utilities Company (Town
and Country or utility) filed an application for an original
certificate to operate a water utility in Charlotte and Lee
Counties. Town and Country is a wholly-owned subsidiary of the
Babcock Florida Company (Babcock), which currently owns and
operates all existing water facilities in the proposed territory.

The existing water facilities provide potable and non-potable
water service to a variety of residential, commercial and
agricultural customers. The existing potable water service is

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provided to approximately 71 equivalent residential connections (ERCs), of which 22.5 are residential customers and 48.5 are commercial customers. The existing non-potable water service is provided to approximately 216,654 ERCs. Both the potable and non-potable water services are currently being provided at no cost.

The utility plans to expand its facilities to provide additional potable water service to five proposed residential developments within the proposed service area. These five developments are:

- 1) Babcock Family Community;
- 2) SR 31 Ag Facility;
- 3) Trout Creek Golf Course and Country Club;
- 4) Deep Lake Villas; and
- 5) The Wilderness at Crescent B Ranch

The communities and developments will be constructed on a phased basis over a period of at least fifteen years. While the application describes the phasing concept, only the first phase cost factors are included for purposes of setting rates in this Order. Of the five residential developments listed above, the first two are part of the utility's Phase 1. The other three will be phased in at a later date.

The utility has no plans for expanding the agricultural water service. However, the utility is proposing to provide bulk raw water to neighboring utilities.

Town and Country has entered into an agreement with Babcock to obtain a long-term right to use the necessary properties for the operation of the water utility. In its application, the utility states that prior to its formation, its parent company owned the existing facilities, which will now be utilized by the utility in providing service to new territory. The utility also states that it will continue to employ operations, maintenance, and technical advisory personnel necessary to ensure continued efficient provision of water service to the various customers of the utility. Additionally, the utility states that the parent company is currently providing service to its own property at no cost, and "has for 50 years owned the property and overseen the water resources within the property which is to be the service territory of Town and Country Utilities Company."

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On November 5, 1998, Lee County filed an objection to Town and Country's application on the grounds that the area described in the application was within the existing service area of Lee County Utilities, and that the application was inconsistent with, and violated the provisions of, the Lee County Comprehensive Plan. Specifically, Lee County stated that it is "the current potable water supplier for the area commonly known as the 'North Fort Myers' area of unincorporated Lee County, which includes areas of unincorporated Lee County that are identified in the Lee County Comprehensive Plan as 'Lee County Future Water Services Areas', and are listed in Town and Country's ... application."

On November 9, 1998, Charlotte County also objected to Town and Country's application on the grounds that it was inconsistent with "certain specific goals, objectives, and policies from the Charlotte County 1988 Comprehensive Plan as amended". Additionally, Charlotte County stated that the utility's application was inconsistent with Chapter 163, Part II, Florida Statutes, and Chapter 187, Florida Statutes, the State Comprehensive Plan, and that "granting of this application would weaken the effectiveness of Charlotte County's planning guidelines for future development and growth consistent with the comprehensive plan adopted by the Board of County Commissioners".

Because timely objections to the utility's application were filed by Charlotte and Lee Counties, the matter was set for hearing by Order No. PSC-99-0084-PCO-WU, issued January 13, 1999, the Order Establishing Procedure.

Pursuant to a Memorandum of Understanding (MOU) between the Commission and the Department of Community Affairs (DCA), the Commission provides the DCA with copies of applications for original certificates as well as applications for amendments. The DCA, in turn, provides the Commission with comments as to the need for service in the requested territory and compliance with local comprehensive plans. By letter dated December 4, 1998, the DCA provided comments, also objecting to the proposed certification in support of Charlotte County.

On March 22, 1999, Town and Country filed a Motion for Extension of Time to file all prefiled testimony and exhibits and the prehearing statements of all parties in this docket. In support of its motion, Town and Country stated that it required this additional time so as to allow all parties to this proceeding ample time to determine the nature and extent of the objections by

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Charlotte and Lee Counties and to attempt to reach settlement agreements. By Order No. PSC-99-0696-PCO-WU, issued April 12, 1999, the utility's request for a thirty-day extension of time for all parties was granted.

WITHDRAWAL OF OBJECTIONS

On April 19, 1999, Charlotte County filed a Withdrawal of Objection to Town and Country's application. Charlotte County and the utility entered into a Stipulated Settlement Agreement on April 13, 1999, wherein the Board of County Commissioners agreed to withdraw its objection to the utility's application in return for certain terms and conditions as outlined in the Agreement.

One of the conditions that the utility agreed to was to maintain the integrity of the ecosystem known as the Telegraph Cypress Swamp and to acknowledge that this area was a significant ecological, recreational, and economic resource. In addition, the utility has agreed to "use the permitting programs of the South Florida Water Management District ('SFWMD') to ensure the long term viability and productivity of this resource" and to "operate the water utility approved by the FPSC so that its operations shall not adversely affect the integrity of the ... Telegraph Cypress Swamp".

Further, Town and Country has agreed that any subdivision approval within Charlotte County in the utility's certificated territory, as approved by the Commission, "will require a Rural Communities Comprehensive Plan designation including a Rural Community master development plan for rural and conservation areas outside the Urban Service Area, which designation shall be created by large scale plan amendment consistent with objective 2.7 (Rural Community) of the 1997-2010 Future Land Use Element, or other appropriate and acceptable Future Land Use Map designation consistent with the Goals, Objectives, and Policies of the Charlotte County Comprehensive Plan". The stipulated settlement agreement between the utility and Charlotte County appears to alleviate the concerns outlined in the County's objection to the utility's application.

On June 3, 1999, Lee County also withdrew its objection to the utility's application and advised that it had entered into a Stipulated Memorandum of Agreement (MOA), dated May 25, 1999. The MOA would allow the utility to proceed with its application and with the "permitting, testing, and analyses necessary to determine its ability to deliver bulk, raw fresh water to the County of

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sufficient quantity and quality as may be further determined and agreed upon by the Parties". The MOA also dictates that the intention of the parties is "to evaluate whether Town and Country can make available for a reasonable consideration, sufficient quantities and quality of bulk, raw fresh water from within Lee County to satisfy the County's need for such service, as such needs may arise".

Upon review of the withdrawal of objections by both Counties, and the stipulated agreements entered into between the Counties and the utility, it appears that the parties have reached a reasonable compromise among themselves sufficient to resolve their disputes. As a result, the Chairman's Office has canceled the administrative hearing scheduled in this docket. On June 9, 1999, our staff contacted the Planning Manager in the Bureau of Local Planning at the DCA, who stated that the DCA fully supports the protest withdrawals by both counties. Because the agreements appear to be appropriate resolutions to the parties' disputes, the Withdrawals of Objections by Charlotte and Lee Counties are hereby acknowledged.

APPLICATION

As previously stated, on November 10, 1998, in compliance with Sections 367.031 and 367.045, Florida Statutes, Town and Country, a wholly-owned subsidiary of Babcock, filed an application for an original certificate to operate a water facility in Charlotte and Lee Counties. Included with the application is a check in the amount of \$3,000, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code.

In accordance with Rule 25-30.033(1)(j), Florida Administrative Code, the utility submitted a copy of a 99-year lease that provides for continuous use of the land and treatment facilities currently owned by Babcock, the utility's parent company, and from whom the utility will lease those facilities and property.

The application also provides proof of compliance with the noticing requirements set forth in Rule 25-30.030, Florida Administrative Code. As previously noted, two timely objections were received, but were subsequently withdrawn. Therefore, a hearing is not required.

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Pursuant to Rule 25-30.033(1)(b), (c) and (d), the application identifies the utility as being a Florida corporation, which has not elected to be an S Corporation under the Internal Revenue Code, Section 1362.

Pursuant to Rule 25-30.033(1)(e) and (s), Florida Administrative Code, the application describes the basis of the utility's financial ability to provide service and the entities upon which the utility will rely for funding. Town and Country is a wholly-owned subsidiary of Babcock, which has for over 50 years owned the property and overseen the water facilities that are to be included in the utility's service territory. The utility is just beginning operation and will not receive any revenues until such time as an original water certificate is granted by this Commission and the appropriate rates and charges for the utility are approved. Consequently, no detailed financial statements for Town and Country were available to include with the application. The utility did include comparative balance sheets for Babcock and its subsidiaries for the years ending December 31, 1996 and 1997, along with an affidavit of Earl Drayton Farr, Jr., Secretary of Babcock, attesting that Babcock will fund the capital needs and any operating deficits of the utility as needed. The application also contains information regarding the assets of the utility to be utilized in the provision of service, as well as anticipated operation and maintenance expenses to be incurred in such operation. Those lists of assets and operation and maintenance expenses were prepared in accordance with Rule 25-30.115, Florida Administrative Code. The application also provides that Babcock will provide all necessary funding to the utility "as and when needed to ensure that all needs for capital improvements are met in a timely manner and to ensure the continued provision of safe and efficient potable and non-potable water service in the future within the proposed service territory".

Pursuant to Rule 25-30.033(1)(e), Florida Administrative Code, the application provides information to support the utility's technical ability to provide service. In its application, the utility states that it "can provide such service and expansion of that service as and when needed in the most efficient and effective manner". All of the water facilities currently owned and operated by a related party will begin being operated by the utility before or immediately upon our approval and certification. Babcock currently operates all existing facilities and has the appropriate certificates and licenses to operate those existing supplied facilities. Town and Country will continue to employ the same

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personnel as its parent company and will hire additional qualified personnel as needed.

Pursuant to Rule 25-30.033(1)(e), Florida Administrative Code, the utility maintains that there is currently a need for both potable and non-potable water service within the proposed service territory as described in the utility's application, which includes existing residential, commercial and agricultural services. With respect to the availability of alternative sources for service, the application indicates that the utility has not inquired from other utilities within the service area who might be able to provide service to this territory. The utility reasons that it is presently providing service to the area and, upon Commission approval, it will immediately take over the provision of service. The utility states that "any attempts to obtain service from any outside source would dramatically increase the cost of providing such service and could quite possibly result in a decrease of the quality of service provided." In its application, the utility further states that it reviewed local plants and facilities and found no other existing entity in a position to provide such service. Notice of the utility's application was given to all local utilities and governmental entities. As previously noted, the objections filed by both Charlotte and Lee counties have been withdrawn and the utility has entered into settlement agreements with the counties, respectively.

Pursuant to Rule 25-30.033(1)(f), Florida Administrative Code, the utility states that the "provision of water service in the proposed service territory, including use of existing and proposed facilities as outlined in this Application, will be consistent with the water sections of the local Comprehensive Plans for both Charlotte and Lee County as approved by the Department of Community Affairs."

Pursuant to Rule 25-30.033(1)(l) and (n), Florida Administrative Code, the application contains adequate territory description and maps. A description of the territory is appended to this Order as Attachment A. In accordance with Rule 25-30.033(1)(m), Florida Administrative Code, the utility also provided a copy of detailed system maps showing the proposed lines, treatment facilities and the territory to be served.

Based on the foregoing, Town and Country has demonstrated the need for service to Charlotte and Lee Counties. We find that it is in the public interest to grant, and we do so grant, Town and

Country an original water certificate to serve the territory described in Attachment A.

INITIAL RATES AND CHARGES AND RETURN ON EQUITY

Town and Country proposes to provide water service in Charlotte and Lee Counties to approximately 138 square miles of service territory. The proposed service territory encompasses nearly 90,000 acres of land which consists primarily of the Babcock Crescent B Ranch. The ranch is owned by Babcock and is currently used for farming, cattle, rock mining, and recreation.

The existing water facilities provide potable and non-potable water service to a variety of residential, commercial and agricultural customers. The existing potable water service is provided to approximately 24 commercial customers and 9 residential customers. The existing residential customer is the S.R. 31 Farming Residence which is utilized by leasing farmers.

The existing commercial customers are comprised of:

- a) the Telegraph Cypress Field Club, one of the recreational facilities holding events involving sporting clays and firearm training;
- b) the Ranch Headquarters containing the main office for the Crescent B Ranch;
- c) the Babcock Wilderness Adventure Tours, a public facility with a gift shop and cafeteria;
- d) the Earth Source Mine, a rock mine which provides base rock, sand, fill and topsoil;
- e) the Cypress Lodge;
- f) the Crossroads Wilderness Institute, a home for 35 challenged youths with a staff of 25 and open full time;
- g) a fire station;
- h) a Division of Forestry Tower; and
- i) 22 recreational facilities (16 meters) utilized by ranch employees, private citizens and youth groups.

The utility also has numerous non-potable water supply facilities under its control within the proposed service area. The non-potable water service is primarily used for pasture irrigation, farm lease operations and rock processing at the Earth Source Mine. These water facilities include 322 unmetered wells which represent approximately 216,654 ERCs. All existing water services are currently being provided at no cost.

The utility plans to expand its facilities to provide additional potable water service to five proposed residential developments within the proposed service area. The communities and developments will be constructed on a phased basis over a period of at least fifteen years. The first phase will involve expansion of the existing water treatment facility at the Ranch Headquarters. According to the application, this expansion was scheduled to begin in late 1998.

The utility has no plans for expanding the agricultural water service. However, the utility is proposing to provide bulk raw water to neighboring utilities. According to the engineering portion of the application, "the service territory owned by the parent company covers several sustainable water supply resources. These resources can provide enough water for the proposed developments and existing users within the proposed service area in addition to outside needs." The utility is proposing a first phase capacity of 2 million gallons per day (MGD) once an agreement is reached with a bulk customer. The application goes on to state that "as the need for more water is realized, this system will be expanded to supply the necessary quantity." Once the project is completed, the proposed non-potable bulk water facility would serve approximately 28,571 ERCs with capacity of 10 MGD.

Also in the engineering portion of the application, the date that the potable and non-potable water service will begin being provided with compensation will be the date immediately after final approval by this Commission of the water service rates.

Normally, in original certificate applications, we determine rates which will allow the utility to earn a fair rate of return on investment when the treatment plant reaches 80% of capacity. The utility development is projected to serve approximately 216,725 ERCs once the first phase is completed. It is anticipated that the system will reach 80% capacity in the year 2008. From the information supplied by the applicant, we were able to calculate pro forma schedules of rate base, operating income and capital structure to be used in determining initial rates.

Rate Base

The engineering firm provided projected plant costs in the amount of \$180,523 for the potable water system and \$525,401 for the non-potable/agricultural system. The projected plant costs for the bulk raw water system through Phase 1 are \$879,334.

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We have increased the plant costs for the potable water system by \$4,000. The adjustment will reflect the appropriate amount of organizational costs. The organizational costs account balance includes costs associated with accounting, legal and engineering services along with filing fees. The total amount for these services is \$103,000. The utility allocated the total equally between the three types of water services. The allocation shall be \$34,333 for each system. However, for the potable water system only, these costs were recorded in the amount of \$30,333. The only adjustment made is to correct this error.

The potable water system utilizes chlorination for treatment of its water. The other two systems do not treat the water. The Schedule of Rate Base appears on Schedule No. 1 with the adjustment appearing on Schedule No. 1-A, attached to this Order.

Operation and Maintenance Expense

The projected operation and maintenance expenses associated with each of the systems are \$74,237 for the potable water system and \$392,000 for the non-potable system. The projected expenses for the bulk system are in the amount of \$291,800.

When the application was first filed, there was concern regarding the rates. Specifically, the bulk water rate appeared to be quite low and the potable water rates appeared to be somewhat high in comparison to other similarly situated utilities. Upon review of the utility's proposed expenses, it was evident that the flat lease payment was the primary reason for the apparent inequity. The utility was recording a rent expense of \$1,000 per well, which reflected the charge as stated in a lease agreement between the utility and the related party landowner. For the potable system, the utility would lease approximately 30 wells, resulting in an expense of \$30,000. For the bulk system, the utility would lease approximately nine wells, resulting in an expense of \$9,000.

After several discussions with the utility's representatives, the utility agreed to revise the filing to reflect a royalty arrangement between the utility and the related party landowner. A similar arrangement was approved in Order No. PSC-96-0859-FOF-WU, issued July 2, 1996, in Docket No. 951029-WU. The royalty arrangement in that order included a very complicated series of events and comparisons which do not exist in this case. However, we find that the methodology approved in that order is also

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appropriate for the present docket. For both cases, the methodology used to determine the appropriate royalty charge considers the value of the land which would be leased for utility purposes, and divides that amount by the total water capacity of the well sites.

The revised agreement submitted by Town and Country reflected a \$.20 per thousand-gallon royalty rate (or purchased water expense) for the potable water system. With the revised agreement, the expense decreased to \$7,037 based on \$.20/1000 x 96,400 gallons per day (gpd). This arrangement resulted in a decrease to the potable water system's rent expense in the amount of \$22,963. The resulting effect on rates simply lowered the charge for potable water.

While the effect on the bulk water system's rate is the reverse, we find that the resulting rate, even though it has been increased, is a more comparable bulk rate. In addition, we find that the revised lease arrangement will more appropriately compensate the landowner based on the intensity of use of the properties and the effects of those uses on properties outside the area actually utilized in providing the bulk service.

With the revised schedules submitted by the utility on May 17, 1999, there are no adjustments to the operations and maintenance expenses. The Schedule of Operations appears on Schedule No. 3, attached to this Order.

Capital Structure

A pro forma capital structure consisting of 40% equity and 60% debt is hereby approved. We calculated the return on common equity to be 10.11% using the current approved leverage formula, authorized by Order No. PSC-99-1224-PAA-WS, issued June 21, 1999, in Docket No. 990006-WS. The capital structure appears on Schedule No. 2, attached to this Order.

The above schedules are being presented only as a tool to aid in establishing initial rates and are not intended to establish rate base. This is consistent with Commission practice in processing original certificate applications. However, a return on equity of 10.11% is established to be used in future proceedings involving such things as calculation of AFUDC and interim rates.

Rates and Charges

The approved rates, which are calculated using the base facility charge rate structure and based on a revenue requirement of \$97,276, for the potable system and \$450,434 for the non-potable system, are shown below. The revenue requirement for the proposed bulk raw water system is in the amount of \$364,170.

Non-potable Agricultural Service

<u>Flat Monthly Rate</u> <u>Well Size:</u>	<u>Proposed</u> <u>Monthly</u> <u>Rate</u>	<u>Commission</u> <u>Approved</u> <u>Rate</u>
1"	\$ 5.20	\$ 5.14
2"	16.64	16.48
3"	33.28	32.96
4"	52.00	51.50
5"	87.36	86.52
6"	104.00	103.00
7"	145.60	144.20
8"	166.40	164.80
9"	216.32	214.24
10"	239.20	236.90
12"	447.20	442.90

The agricultural water facilities consist of 322 unmetered wells of various sizes, which are spread throughout the Crescent B Ranch. Users supply their own pumps and other equipment needed to extract and distribute raw water for various agricultural purposes. As a result, flat monthly rates were proposed based on the size of the well used. We made no adjustments to the utility's proposed rates. Therefore, the approved rates, set forth below, are the same as the utility's proposed rates.

Potable Water Service

Residential, Commercial and General Service

<u>Meter Size:</u>	<u>Commission Approved</u> <u>Rates</u>
5/8 x 3/4"	\$ 7.98
1"	19.95
1 1/2"	39.90
2"	63.84

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3"	127.68
4"	199.50
6"	399.00
8"	638.40

Gallonage Charge
per 1,000 gallons \$ 2.57

As previously discussed, the original base facility charge proposed by the utility considered a lease payment expense. When this expense was reduced, the resulting rates were reduced also. We agree with and hereby approve the utility's revised rates.

Bulk Raw Water Service

Approved Bulk Raw Water Rate
Per 1,000 gallons \$ 0.50

Miscellaneous Service Charges

Section 367.081, Florida Statutes, provides authority for the fixing and the changing of rates and charges charged by utility companies under our jurisdiction. More specific to this docket, Rule 25-30.345, Florida Administrative Code, addresses service charges for utilities. Pursuant to this rule, a utility may charge a reasonable fee to defray the cost of installing and removing facilities and materials. In addition, the utility may have other customer service charges in accordance with its approved tariff.

Rule 25-30.460, Florida Administrative Code, defines in detail four categories of miscellaneous service charges. Consistent with Commission practice, when both water and wastewater services are provided, a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. In accordance with Rule 25-30.460(2), Florida Administrative Code, a tariff provision for the recovery of overtime costs when the customer requests that the service be performed after normal working hours are appropriate if the additional costs are documented in the supporting cost justification.

In keeping with the four broad categories of miscellaneous service charges as set forth in Rule 25-30.460, Florida Administrative Code, and as set forth in the model tariff, the approved charges are shown below.

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<u>Type of Service</u>	<u>Commission Approved</u>
Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	\$15.00
Premises Visit (in lieu of disconnect)	\$10.00

Service Availability Charges

In its application, the utility requested approval of the following service availability charges:

Plant Capacity Charge:

Plant capacity charge per ERC (350 gpd)	\$ 115.00
Charge per gallon of capacity	\$.033

Rule 25-30.580(1)(a), Florida Administrative Code, states that the maximum amount of contributions-in-aid-of-construction (CIAC), net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. Rule 25-30.580(1)(b), Florida Administrative Code, states that the maximum amount of CIAC should not be less than the water transmission and distribution and wastewater collection systems.

Based on the utility's application and the calculations within the application, we find that the proposed charges allow the utility to remain within the standards prescribed by the above-referenced rule. Therefore, we find that the service availability charges set forth above are appropriate, and they are approved.

The utility filed a sample tariff as part of its application for certificate. However, since the rates and charges approved herein differ from those proposed by the utility, the utility shall file tariff sheets reflecting the approved rates and charges. The utility shall continue to charge the approved rates and charges until authorized to change by the Commission in a subsequent proceeding. The utility shall file these tariff sheets within 30 days of the effective date of this Order. Staff shall be given administrative authority to approve the revised tariff sheets, upon

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verification that the tariffs are consistent with our decision. The rates shall be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the existing customers have received notice and no protest is received.

Upon expiration of the protest period, if no timely protests to the proposed agency action issues are filed, this docket shall be closed upon the issuance of a Consummating Order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the withdrawals of objections to Town and Country Utility Company's application for a certificate to operate a water utility by Charlotte and Lee Counties are hereby acknowledged. It is further

ORDERED that Town and Country Utility Company, 8000 State Road 31, Punta Gorda, Florida 33982, shall be granted a certificate to operate a water utility in the territory described in Attachment A, attached to this Order. It is further

ORDERED that all schedules and attachments attached to this Order are incorporated herein by reference. It is further

ORDERED that Town and Country Utility Company shall be granted a certificate for the provision of potable, non-potable, and bulk water services. It is further

ORDERED that Town and Country Utility Company is authorized to charge the rates and charges as set forth in the body of this Order. It is further

ORDERED that Town and Country Utility Company shall continue to charge the approved rates and charges until authorized to change by the Commission in a subsequent proceeding. It is further

ORDERED that Town and Country Utility Company shall file tariff sheets reflecting the rates and charges approved herein within 30 days of the effective date of this Order. It is further

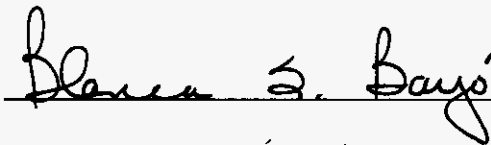
ORDERED that the rates and charges approved herein shall be effective for service rendered on or after the stamped approval date of the tariff sheets, provide the existing customers have received notice and no protest is received. It is further

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ORDERED that the provisions of this Order establishing rates and charges, 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 in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the even this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 8th Day of November, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

SAC

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 actions establishing rates and charges are preliminary in nature. Any

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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 November 29, 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 and final upon the issuance of a Consummating Order.

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.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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Attachment A
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TOWN AND COUNTRY UTILITIES COMPANY

WATER SERVICE AREA

CHARLOTTE AND LEE COUNTIES

All of Sections 1 through 36, Township 41 South, Range 26 East, Charlotte County, Florida. Less road right-of-way for S.R. 31 and C.R. 74.

AND

All of Sections 1 through 36, Township 42 South, Range 26 East, Charlotte County, Florida. Less road right-of-way for S.R. 31.

AND

All of Sections 1 through 19, Township 41 South, Range 27 East, Charlotte County, Florida.

AND

All of Sections 1 through 11, the west ½ of Section 12, and all of Sections 13 through 36, Township 42 South, Range 27 East, Charlotte County, Florida.

AND

All of Sections 1 through 7, the west ½ of Section 9, and all of Section 12, Township 43 South, Range 26 East, Lee County, Florida. Less the road right-of-way for S.R. 31 and C.R. 78.

AND

All of Sections 4 through 8, Township 43 South, Range 27 East, Lee County, Florida.

AND

Section 9, Township 43 South, Range 27 East, Lee County, Florida. Less the South ½ of the Southeast 1/4 of 9-43-27.

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AND

The Northwest 1/4 and the North ½ of the Northeast 1/4 of Section 17, Township 43 South, Range 27 East, Lee County, Florida.

AND

The North ½ of Section 18, Township 43 South, Range 27 East, Lee County, Florida.

TOWN AND COUNTRY UTILITIES COMPANY
 SCHEDULE OF POTABLE WATER RATE BASE

SCHEDULE NO. 1
 DOCKET NO. 981288-WU

	<u>BALANCE PER FILING</u>	<u>COMMISSION ADJUSTMENTS TO FILING</u>	<u>COMMISSION APPROVED BALANCE</u>
UTILITY PLANT IN SERVICE	\$ 1,585,258	\$ 4,000 A	\$ 1,589,258
LAND/NON-DEPRECIABLE ASSETS	0	0	0
ACCUMULATED DEPRECIATION	(458,713)	(100) B	(458,813)
CIAC	(743,600)	0	(743,600)
AMORTIZATION OF CIAC	47,168	0	47,168
WORKING CAPITAL ALLOWANCE	<u>80,500</u>	<u>14,255 C</u>	<u>94,755</u>
POTABLE WATER RATE BASE	\$ 510,613	\$ 18,155	\$ 528,768

TOWN AND COUNTRY UTILITIES COMPANY
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1A
DOCKET NO. 981288-WU

	<u>WATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>	
1. To reflect appropriate organizational costs	\$ 4,000
B. <u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation	\$ (100)
C. <u>WORKING CAPITAL</u>	
1. To reflect 1/8 of O&M	\$ 14,255

TOWN AND COUNTRY UTILITIES COMPANY
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
DOCKET NO. 981288-WU

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	<u>PER UTILITY FILING</u>	<u>COMM. ADJUST. TO UTILITY FILING</u>	<u>ADJUSTED BALANCE PER COMM.</u>	<u>PRO RATA ADJUST. PER COMM.</u>	<u>RECONCIL- IATION TO RATE BASE</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
COMMON EQUITY	\$ 187,561	\$ 0	\$ 187,561	\$ 23,946	211,507	40.00%	10.11%	4.04%
LONG-TERM DEBT	281,342	0	281,342	35,919	317,261	60.00%	10.00%	6.00%
LONG-TERM DEBT	0	0	0	0	0	0.00%	10.00%	0.00%
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>\$ 468,903</u>	<u>\$ 0</u>	<u>468,903</u>	<u>\$ 59,865</u>	<u>528,768</u>	100.00%		<u>10.04%</u>

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	9.11%	11.11%
OVERALL RATE OF RETURN	9.65%	10.44%

TOWN AND COUNTRY UTILITIES COMPANY
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3
 DOCKET NO. 981288-WU

	<u>PER UTILITY FILING</u>	<u>COMM. ADJ. TO UTILITY</u>	<u>COMM. ADJUSTED TEST YEAR</u>	<u>ADJUST. FOR INCREASE</u>	<u>TOTAL PER COMM.</u>
OPERATING REVENUES	\$ 0	\$ 0	\$ 0	\$ 911,880	\$ 911,880
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	\$ 758,037	\$ 0	\$ 758,037	\$ 0	758,037
DEPRECIATION (NET)	50,526	0	50,526	0	50,526
AMORTIZATION (CIAC)	(25,810)	0	(25,810)	0	(25,810)
TAXES OTHER THAN INCOME	22,530	0	22,530	41,035	63,565
INCOME TAXES	12,474	0	12,474	0	12,474
TOTAL OPERATING EXPENSES	\$ 817,757	\$ 0	\$ 817,757	\$ 41,035	\$ 858,792
OPERATING INCOME/(LOSS)	\$ (817,757)		\$ (817,757)		\$ 53,088
WASTEWATER RATE BASE			\$ 528,768		\$ 528,768
RATE OF RETURN			<u>-154.65%</u>		<u>10.04%</u>