

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Sunrise Water Company).

DOCKET NO. 001118-WU  
ORDER NO. PSC-01-1162-PAA-WU  
ISSUED: May 22, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman  
J. TERRY DEASON  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

ORDER GRANTING TEMPORARY RATES SUBJECT TO REFUND  
IN THE EVENT OF A PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING INCREASED WATER  
RATES AND DEPOSITS AND REQUIRING REPORTS

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 protest and the 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

Keen Sales, Rentals and Utilities, Inc. (Keen or utility), is a Class C water utility operating in Polk County. Keen currently owns and operates the following water systems in Polk County: Alturas Water Works; Sunrise Water Company (Sunrise); Lake Region Paradise Island; and Ray Keen, Earlene, and Ellison Park subdivision. These four water systems provide service to approximately 548 customers in the utility's certificated

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territory. This Order addresses the Sunrise Water Company system (Sunrise). Sunrise provides water service to approximately 267 residential customers and 1 general service customer. On August 11, 2000, the utility applied for a staff assisted rate case. The utility's service area is located in the Southwest Florida Water Management District (SWFWMD or District), but is not within a water use caution area.

Our staff audited the utility's records for compliance with our rules and orders and examined all components necessary for rate setting. The staff engineer has also conducted a field investigation, which included a visual inspection of the water facilities along with the service area. The utility's operating expenses, maps, files, and application were also reviewed to determine reasonable maintenance expenses, regulatory compliance, utility plant in service, and quality of service. We have used an historical test year ended March 31, 2000, to determine the appropriate rates and charges.

A customer meeting was conducted on February 12, 2001 at the Auburndale Civic Center in Auburndale, Florida. Approximately thirty customers attended the meeting and nineteen customers addressed concerns about quality of service, the proposed rate increase, and other issues related to the case. The office manager of the utility was present at the meeting. In addition to the comments received by our staff at the meeting, several written statements were mailed to the Commission by customers who did not attend the meeting. Water quality, customer satisfaction, and quality of service were the primary concerns of the customers attending the meeting.

Based on our analysis of the test year, the utility's adjusted revenue for the test year was \$35,353, with adjusted operating expenses of \$79,647. Therefore, the utility experienced an operating loss of \$44,294 for the test year.

By Proposed Agency Action (PAA) Order No. PSC-00-1388-PAA-WU, issued July 31, 2000, in Docket No. 990731-WU, this Commission established rate base for this utility for transfer purposes only and denied the utility a positive acquisition adjustment. That PAA Order was made final and effective by Order No. PSC-00-1566-CO-WU, issued August 31, 2000, and the docket was closed.

However, subsequent to closing the transfer docket, by telephone and letters, the utility expressed its concerns regarding the rate base, positive acquisition adjustment and imputation of contributions-in-aid-of-construction (CIAC). Therefore, Docket No. 990731-WU was reopened to address these concerns.

The utility stated that it first became aware that Order No. PSC-00-1388-PAA-WU was issued from a Commission staff auditor during the processing of the utility's current staff-assisted-rate-case. On September 20, 2000, the utility called the Division of Records and Reporting (RAR) and stated that it had not received the notice of the agenda conference or the previous Orders. RAR indicated that the notice of the time and place of the agenda conference was mailed to Keen on July 31, 2000. Further, our staff stated that it had no records of either item being returned to this Commission as undeliverable.

In a letter dated September 22, 2000, Keen requested an opportunity to respond to the information in the Order and to the audit report. Further, in a letter dated October 10, 2000, the utility submitted its "rebuttal" to Order No. PSC-00-1388-PAA-WU. In this letter, the utility requested recognition of the positive acquisition adjustment and reconsideration of the amount of CIAC.

In Order No. PSC-00-2100-FOF-WU, issued November 6, 2000, in Docket No. 990731-WU, we denied the utility's request to reopen the protest period of Order No. PSC-00-1388-PAA-WU to revisit or address the acquisition adjustment and CIAC issues. In doing so, we directed our staff to address the utility's concerns regarding these issues in this rate proceeding.

We have jurisdiction to consider this application pursuant to Sections 367.0814 and 367.011(2), Florida Statutes.

#### QUALITY OF SERVICE

Rule 25-30.433(1), Florida Administrative Code, states that:

The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility

operations: quality of the utility's product (water and wastewater); operational conditions of the utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and county health departments (HRS) or lack thereof over the preceding 3-year period shall also be considered. DEP and HRS officials' testimony concerning quality of service as well as the testimony of utility's customers shall be considered.

Our analysis below addresses each of these three components.

The utility obtains its raw water from 2 wells, a 6-inch well at 350 feet and a 4-inch well at 150 feet, in the area surrounding the water plant. The water treatment plant includes two hydropneumatic tanks (6,000 gallons and 3,000 gallons), a chlorine injection system and a WinCo generator for emergency power.

As previously noted, the thirty customers attending the customer meeting conducted on February 12, 2001, nineteen customers addressed concerns about quality of service, the proposed rate increase, and other issues related to the case. In addition to the comments received by staff at the meeting, twelve written statements were mailed to this Commission by customers who did not attend the meeting.

#### Quality of Utility's Product

In Polk County, the potable water program is regulated by the Polk County Health Department (PCHD). According to the PCHD, the utility is currently up-to-date with all chemical analysis and all test results have been satisfactory for the past three years. The utility's testing program indicates that it serves water which meets or exceeds all standards for safe drinking water and the water quality is considered satisfactory.

At the customer meeting, customers produced pictures of the utility's plant, and samples of water. The pictures depicted large holes dug in and around the well and treatment plant of the utility. Customers complained about murky water, discoloration of

clothing, sediment, and low pressure. There were also complaints about the water taste and odor. Customers attending the meeting expressed concerns to our staff explicitly in the following areas:

- (1) chlorine spikes
- (2) rust and minerals in the water
- (3) the emergency generator was inoperative
- (4) frequent water outages during peak hours without proper noticing

The staff engineer conducted an investigation of these complaints on the day following the customer meeting, and as a part of this investigation, samples of water from customers' homes were taken. According to our engineer, there was no discoloration in any of the samples. Concerning the chlorine spikes, the utility has contracted with a new company for operation of the plant. This new operating company is responsible for the operation of the chlorine system. The utility requested that the new operating company check the system thoroughly, including the injection level.

Concerning the rust and minerals in the water, the utility has added flushing outlets and flushes the distribution system regularly to minimize rust and other minerals in the lines. The PCHD representative, Mr. Lewis Taylor, indicated the rust and minerals were due to the age and type of pipes used in the distribution system. He also stated that minerals were present in the majority of the area wells. Mr. Taylor advised that the water meets drinking water standards, and that the flushing will improve the aesthetics of the water. Mr. Taylor also indicated that annual flushing of hot water heaters is recommended with water of this type. The utility has indicated that it will give notice of this recommended hot water heater maintenance to the customers. Moreover, our staff engineer has verified that the emergency generator was in working order.

At the customer meeting, seven of the customers made comments about the utility having frequent water outages without any notice from the utility. These customers stated that the water would be shut off for anywhere from four to five hours at a time and that the only way the customers would know would be to either inquire or drive by the water treatment plant and notice a "flag" on a pole and a sign stating that the water was off. Also, customers stated

that it was not out of the ordinary for customers in this utility's certificated territory to be without water for four to six hours on regular intervals. For example, one of the customers stated that her water was off consistently for three days. This customer claimed that her son-in-law finally fixed the water problem after the utility had not responded to her repeated telephone calls. In addition, comments were made that the outages were always during the worst times of the day. The customers claimed that most of these outages occurred between Monday and Friday between 4:00 and 6:00 p.m., when customers were getting home from their jobs to use water for showering, cooking, etc. One of the customers stated that "at least the previous owner would notice the customers when there was going to be a shut-off of the water." Another customer at the afternoon meeting discussed whether it would be possible for the City of Auburndale to interconnect with Sunrise and replace the current utility.

Concerning the water outages, the utility indicated that there had been a number of water outages due to failures in the distribution system. However, many outages occurred when the utility shut down the system to make repairs. Pursuant to Rule 25-30.250, Florida Administrative Code:

- (1) Each utility shall make all reasonable efforts to provide continuous service. Should interruption in service occur, however, each utility shall reestablish service with the shortest delay consistent with the safety of its customers and the general public.
- (2) Each utility shall schedule any necessary interruptions in service at a time anticipated to cause the least inconvenience to its customers. Each utility shall notify its customers prior to scheduled interruptions.

The utility further stated that it was unaware of the notification procedures for water outages. Pursuant to Rule 25-30.251, Florida Administrative Code,

- (1) Each utility shall maintain a record of all interruptions in service which affect ten percent (10%) or more of its customers. The record shall show the

cause of the interruption, its date, time, duration, remedy, and steps taken to prevent recurrence.

(2) The utility shall notify the Commission of any interruptions in service which affect ten percent (10%) or more of its customers. Notification to the Commission shall be made within one work day of notification to the utility that such an interruption has occurred, and within one work week after service has been restored. The utility shall file a complete report of the record to the Commission regarding the interruption.

The utility has apparently not complied with either Rules 25-30.250(1) or (2) or with Rules 25-30.251(1) or (2), Florida Administrative Code. This apparent failure to comply with our rules will be addressed later in this Order. The utility has indicated that Mr. Taylor and this Commission will be notified in the future and that the proper procedures will be followed for all future outages.

#### Operational Conditions of the Utility's Plant and Facilities

The quality of the utility's plant-in-service is generally reflective of the quality of the utility's product. Maintenance of the building which houses the chlorine system at the water treatment plant is satisfactory. The PCHD has had a few minor plant-in-service deficiencies over the last three years, but the utility was responsive and addressed these in a prompt manner. Currently, there are no outstanding violations, citations, or corrective orders. The operational conditions at the water treatment plant are considered satisfactory.

#### Customer Satisfaction

It is apparent from the customer comments made at the customer meeting and from the written comments which were received and placed in the docket file, that a significant portion of this utility's customers are dissatisfied with the overall quality of service. Specifically, numerous customers commented on the following:

- lack of after hours emergency contacts;

- rudeness/non-businesslike manner from the utility's employees;
- improper noticing prior to shutting off the water;
- utility's maintenance personnel needs replacing for various reasons;
- improper billing practices by the utility.

Lack of after hours emergency contacts:

Three customers made comments concerning after hours emergency contact numbers for this utility. Several comments were made concerning the utility response time when customers called the utility's emergency number. For example, one customer complained that a call was made to the utility concerning an emergency, and the utility never returned the call. A second customer stated that she had an emergency and tried to reach the utility and there was no answer. In addition, she tried to reach the utility's owner at his home telephone number; however, his home telephone number was unlisted. Many of the customers commented that no page would be answered or responded to after several hours.

Rudeness/non-businesslike manner from utility employees:

Seven customers added comments about the utility's employees. Comments were made concerning the office personnel, as well as the maintenance man. We will address the concerns about the maintenance man later in this Order. However, customers stated that if any of them had questions or concerns involving this utility and made calls to the utility's office, the office personnel would be rude and obnoxious. Many of these calls were answered by the wife of the utility's president. In many cases, customers would be involved in a discussion with utility personnel about a water related issue, and the utility person would simply hang up the telephone. One customer stated that he called inquiring about the cut off procedure of an unpaid bill and was told to pay the bill by 2:00 p.m. that afternoon. The conversation ended when the customer was hung up on. Another incident regarding a customer's bill involved an overpayment for services. The utility's personnel told the customer to bring a copy of the



returned check from the bank as proof that the bill was overpaid, and the conversation ended with this individual being hung up on. In a related incident, the utility sent the maintenance man out to disconnect water service for non-payment. However, the customer, who was an accountant, retained all records and had a copy of her canceled check. When this customer called the utility, she was called a "liar" and was also hung up on.

Another incident involved the utility's maintenance man. One customer was not satisfied with a response she received from a utility person, so she telephoned the utility's president at home. The president of the utility stated that he had no knowledge of this customer's situation and to call the office the next day. The maintenance man went to the customer's residence and commented that the more she called Mr. Keen (the president), the longer it would take for him to get her water problem fixed. In yet another incident, a customer, whose water was turned off twice with a credit balance on her bill, indicated that when her husband contacted the president of the utility, he was told that he (the president) couldn't discuss the situation with the customer.

Improper noticing prior to disconnection:

Rule 25-30.320(2)(g), Florida Administrative Code, states in pertinent part:

As applicable, the utility may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the customer shall be given written notice and allowed a reasonable time to comply with any rule or remedy any deficiency:

. . .  
(g) For nonpayment of bills, . . . only after there has been a diligent attempt to have the customer comply, including at least 5 working days' written notice to the customers. . . .

At the customer meeting, seven customers provided our staff with comments regarding the utility's improper noticing practices before disconnecting water services. Customers complained that the utility disconnected water services even after the bill was paid in full simply because the utility records were not kept current to

date. Another disconnection incident occurred when a customer's water was shut off when that customer actually had a credit balance which was in excess of the current month's bill. Further, the same customer stated that the next month the water was disconnected again, when she was in the shower. This customer still had a credit balance the second month in excess of the current bill. This is the same customer whose husband tried to discuss the situation with the president, who refused.

The utility provided copies of the utility's bills for all of its service areas. The utility's bills specifically state: "SERVICE DISCONNECTED WITHOUT NOTICE IF BILL IS NOT PAID WITHIN 20 DAYS." This is in violation of our rules; however, the bills have been changed at our staff's request on March 26, 2001. This apparent violation of our rules will be further addressed later in this Order.

Maintenance personnel:

The majority of the customers who attended the meeting had serious comments concerning the utility's maintenance personnel. As stated before, the customers at the meeting commented that the utility's personnel were extremely rude, obnoxious, and unprofessional when dealing with the customers. During the meeting, the most consistent statements and remarks concerned the utility's maintenance man. We will address this individual and the related problems later in this Order. Some of the comments against the maintenance man were as follows:

- he consistently sleeps in the utility's well house;
- the question was asked, "If he sleeps in the well house, where is he using the restroom since the well house has no restroom facilities;"
- he commented to one customer who called the utility's president about a water problem, "the more you call the president, the longer it will take to fix your problem;"
- he used WD-40 lubrication on the well components;
- he used weed killer around the utility's water well;

- several customers indicated that the maintenance man often smells like alcohol;
- several customers commented about his inability to make repairs and making repairs in a slipshod manner.

The customers who made statements at the meeting stated that the maintenance man is rude, obnoxious, and very arrogant. In one incident, the staff engineer observed a verbal exchange between the maintenance man and a customer. Our engineer intervened on behalf of the customer and asked the maintenance man to leave the residence.

Improper billing practices by the utility:

Rule 25-30.335, Florida Administrative Code, provides guidelines for customer billing, and Rule 25-30.335(4) specifically states that "a utility may not consider a customer delinquent in paying his or her bill until the 21st day after the utility has mailed or presented the bill for payment."

Some of the customers expressed concerns that the utility was billing improperly. Customers were receiving bills within 15 days, where others were receiving bills considered to be delinquent, after the 20 days allotted.

Again, it appears from the comments of the customers that this utility is not in compliance with several of our rules. This will be addressed later in this Order.

However, from all the above, we find that this utility's attempt to address customer satisfaction, as prescribed in Rule 25-30.433(1), Florida Administrative Code, is unsatisfactory. Based on this finding, we find that the quality of service is unsatisfactory and, moreover, we find that the utility's procedure in handling customer complaints is unsatisfactory.

We also note that in Docket No. 000580-WU, our staff conducted a customer meeting on November 30, 2000 for another of this utility's four water systems, the Alturas Water Works system (Alturas). At that meeting, the Alturas customers complained of poor response time to calls for maintenance; inconsistent quality

of the water; irregular water outages and air in the lines. After that meeting, our staff advised the utility on how to address and improve its current method of handling the following issues: poor response times, lack of communication by maintenance personnel, and lack of prioritizing calls. Our staff specifically assisted the utility in organizing a more effective system in that docket.

After instructing the utility to implement its new improved system for addressing the concerns in the Alturas docket, our staff suggested that this system would work for the other three existing service areas owned by this utility, including Sunrise. Our staff later determined that, in fact, the utility did implement this procedure for addressing customer satisfaction and complaints, but, apparently, the utility has not followed through on this implementation with regards to the utility's maintenance personnel.

The maintenance man appears to have intentionally ignored the new procedure put into place after the Alturas meeting. The utility confirms that the maintenance man has had problems accepting orders and answering to the new chain of command at the utility. According to the utility, the maintenance man was accustomed to taking orders and answering to the president, Mr. Keen. When the utility implemented the new system, he was scheduled to answer to the office manager, Ms. Chambers. However, the maintenance man apparently deliberately ignores the new procedures on handling calls from irate customers.

Our staff and the utility have addressed the current situation concerning the maintenance man. Although there are definite problems with the maintenance man, we note the difficulty involved in finding independent and reliable employees. Currently, the utility is placing advertisements in the local newspaper for a replacement. Although there appear to be problems with the maintenance man, we find that it is better for the utility to continue to employ the current maintenance man until a replacement can be found. The utility currently serves approximately 548 customers with four different water systems and a great deal of work is required. Therefore, it is better to have the current maintenance man, who can provide some service to the utility's customers, than to risk the possibility of not having any maintenance person who could provide any service at all. Therefore, the utility shall insure that the current maintenance

man is trained in the proper procedures to follow and impress upon him the importance of following those procedures. Also, the utility shall continue to search for a replacement.

In conclusion, based on the customer meetings in both dockets, the above complaints against the maintenance man, along with other confirmed information concerning this individual, and comments about the service provided by the utility and its response to customer complaints, we find that the unsatisfactory quality of service is a direct result of mismanagement. With the information gathered from the Alturas and Sunrise customer meetings, the management practices by this utility concern us and will be further addressed when we address the appropriate amount to include for officer's salaries.

Based on the customer meeting and written comments by customers to this Commission, this utility is in apparent violation of several Commission rules. In addition, a significant portion of the utility's customers are clearly dissatisfied with Sunrise's overall quality of service. Therefore, considering the concerns addressed above, we find that Sunrise's overall quality of service is unsatisfactory.

#### ALLOCATION OF COMMON COSTS

It is our practice to allocate administrative and general expenses based on the number of customers. By Order No. 17043, issued December 31, 1986, in Docket No. 860325-WS, Southern States Utilities, Inc., this Commission ordered the utility's allocation of administrative and general expenses to be based on the number of customers. In this rate proceeding, we have determined that Keen had 548 customers or meters during the 12 months ending March 31, 2000. With the information from the audit, we find it appropriate to allocate each system its common operating costs based on the average number of customers representing that system. Our calculation is set forth below:

<u>Name of System</u>	<u>Average No. Customers</u>	<u>Percentage of Allocation</u>
Alturas	64	11.68%
Sunrise	268	48.90%
Subdivision	129	23.54%
Paradise Island	<u>87</u>	<u>15.88%</u>
Total	<u>548</u>	<u>100.00%</u>

Therefore, in this rate proceeding, the reasonable and prudent common costs shall be allocated to the Sunrise water system based on the allocated portion of 48.90%. We find that this most equitably reflects the distribution of costs among the four water systems. During the audit, our staff informed the representatives of Keen about our practice to allocate the costs to this system based on the number of meters, and the utility's representatives agreed with this methodology.

Further in PAA Order No. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 000580-WU, we approved the above allocations for Keen. That docket was for the Alturas Water Works system. No protests were filed and Order No. PSC-01-0502-CO-WU was issued March 2, 2001, making the PAA order final.

#### RATE BASE

Our calculation of the appropriate rate base for the Sunrise water system is depicted on Schedule No. 1-A. Our adjustments are itemized on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order.

Sunrise was granted grandfather Certificate No. 584-W by Order No. PSC-97-0832-FOF-WU, issued July 11, 1997, in Docket No. 961249-WU. However, by Order No. PSC-00-1388-PAA-WU, issued July 31, 2000, in Docket No. 990731-WU, Sunrise was transferred to Keen, the holder of water Certificate No. 582-W.

As stated earlier, by Order No. PSC-00-1388-PAA-WU, we established rate base for this utility for transfer purposes only, and denied the utility a positive acquisition adjustment. Further, as stated earlier, in a letter dated October 10, 2000, the utility submitted its "rebuttal" to Order No. PSC-00-1388-PAA-WU. By that letter, the utility requested recognition of the positive acquisition adjustment and reconsideration of the amount of CIAC.

In Order No. PSC-00-2100-FOF-WU, issued November 6, 2000, in Docket No. 990731-WU, we denied the utility's request to reopen the protest period of Order No. PSC-00-1388-PAA-WU to revisit or address the issues of rate base, a positive acquisition adjustment, and CIAC. In that Order, we directed our staff to address the utility's concerns regarding those issues in this rate proceeding.

The utility's rate base was last established by Order No. PSC-00-1388-PAA-WU, using a test year ended March 31, 1999 for transfer purposes only. According to the audit for this rate proceeding, Sunrise's Annual Report is commingled with all of the other utility companies owned by Keen. Therefore, for the purposes of this report, the utility's beginning balances for rate base components are \$0. Adjustments have been made to adjust rate base component balances consistent with our prior Order and to update rate base through March 31, 2000. A summary of each component and the adjustments follows:

Utility Plant In Service (UPIS): The utility books reflected a water utility plant in service balance of \$0 at the beginning of the test year. We have made an adjustment of \$84,346 to reconcile the utility's books with Order No. PSC-00-1388-PAA-WU, and have increased UPIS Account No. 341 to reflect \$9,504 for Sunrise's allocated portion of a vehicle purchased since the transfer docket. We have also increased UPIS by \$2,114 to reflect additions that were made to plant during the test year. Moreover, we have made an adjustment of \$750 to reflect organization cost incurred during the transfer docket.

Numerous meters (54%) of this Sunrise system have exceeded their expected life and have been found to be inaccurate. Therefore, replacements are necessary. We find that a pro forma adjustment for continuation of the meter replacement program in the amount of \$17,500 is reasonable and prudent, and UPIS shall be

increased by this amount. This replacement program will result in 145 meters being replaced by the utility. The meter replacements shall be completed within six months after this Order becomes final and effective.

Finally, we have made an adjustment of (\$1,432) for an averaging adjustment. Based on all the above, the water UPIS balance is \$112,782.

Used and Useful Plant:

Unaccounted for Water - Generally, we do not closely scrutinize a utility's unaccounted for water unless it exceeds 10% of finished water. Allowances are also made for flushing, maintenance operations, known leaks that the company identifies and repairs in a timely manner and meters that are suspect due to age.

The utility uses an outside firm for plant operation and recording the plant Monthly Operating Reports. This outside firm did not include flushing, which is done by utility employees. The distribution system had a number of leaks in the test year that could be attributed to the age and condition of the pipes. In addition, 54% of the meters are being replaced due to age. Taking into account these factors, we find that there appears to be no excessive unaccounted for water. Therefore, there shall be no unaccounted for water recognition in our used and useful calculation.

Water Treatment Plant - The water treatment plant draws raw water from two wells at rates of 350 gallons per minute (gpm) and 100 gpm. The wells are equipped with 25 and 7 horsepower pumps. The plant also has two hydropneumatic tanks (6,000 and 3,000 gallons). Well-point draw down and groundwater recovery time limits the well to a reliable extraction time equal to a 12-hour day. Sunrise's firm reliable capacity with the larger well not considered (100 gpm X 60 m/hr X 12 hour day) is 72,000 gpd. Adding 8,100 gpd for the hydropneumatic tanks (9,000 gal less 10% air space), yields a firm reliable capacity of 80,100 gpd.

Section 367.081(2)(a)2.b., Florida Statutes, requires that we consider utility property needed to serve customers five years after the end of the test year used and useful in our final order



on a rate request. This growth rate for equivalent residential connections (ERCs) shall not exceed 5 percent per year. In accordance with Section 367.081(2)(a)2.b., Florida Statutes, we have used this five-year period in calculating the used and useful percentage.

Our normal method of projecting growth is a regression analysis where the historical growth for the past five years is projected into the future to estimate the number of ERCs expected for a given year. For Sunrise, only three years of accurate data was available. The data indicated that the service area is built out. This was confirmed by observations in the service area.

By the formula shown on Attachment A, page 1 of 2, attached to and made a part of this Order, and using an average daily flow derived from the five maximum days of the maximum month, the water treatment plant is calculated to be 100% used and useful.

Water Distribution System - The water distribution system is estimated to have the potential to serve 268 ERCs. Year-end data showed that the utility is serving 268 ERCs. Therefore, we find that the water distribution system is 100% used and useful. This calculation is shown on attachment A, page 2 of 2, attached to and made a part of this Order.

Based on all the above, both the water treatment plant and water distribution system are 100% used and useful.

Acquisition Adjustment:

An acquisition adjustment occurs when the purchase price differs from the original cost. On page seven of Order No. PSC-00-1388-PAA-WU, issued July 31, 2000, in Docket No. 990731-WU, the transfer docket, we stated as follows:

In the absence of extraordinary circumstances, it has been Commission practice that the purchase of a utility system at a premium or discount, shall not affect the rate base calculation. The circumstances in this exchange do not appear to be extraordinary. In addition, Keen has not requested an acquisition adjustment.

Therefore, an acquisition adjustment has not been included in the calculation of rate base.

Based on the auditor's work papers from the transfer docket, our staff was not given CIAC balances. Since CIAC is a component of rate base, we imputed CIAC during the transfer docket. Rule 25-30.570, 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 water transmission and distribution system and the sewage collection system.

Using the data from Order No. PSC-00-1388-PAA-WU, the transfer Order, the net book value of the plant at March 31, 1999 was calculated to be \$41,707. The purchase price of Sunrise was \$100,000. The calculation of the acquisition adjustment is as follows:

Plant in Service at 3/31/99	\$ 84,346
Accum. Depre. at 3/31/99	<u>(36,209)</u>
Net Plant at 3/31/99	<u>\$ 48,137</u>
CIAC at 3/31/99	\$ (12,393)
Amortization of CIAC at 3/31/99	<u>5,410</u>
	<u>\$ 41,154</u>
Land	<u>553</u>
Rate Base at 3/31/99	<u>\$ 41,707</u>
Purchase Price:	(\$100,000)
Positive Acquisition Adjustment:	<u>\$ 58,293</u>

The evaluation of positive acquisition adjustments is based upon several factors. Specifically, in Order No. 23858, issued December 11, 1990, in Docket No. 891353-GU, this Commission

enumerated five potential benefits to customers which should be considered:

- 1) increased quality of service;
- 2) lowered operating costs;
- 3) increased ability to attract capital for improvements;
- 4) a lower overall cost of capital; and
- 5) more professional and experienced managerial, financial, technical and operational resources.

In a letter dated October 10, 2000, Mr. Keen attempted to justify inclusion of a positive acquisition adjustment. In that letter, Mr. Keen stated that he had advised the auditor that Sunrise had been purchased for \$100,000, and the auditor had never given him any indication during the examination of the utility records, nor in the September 8, 1999 Commission report, that this investment would be reduced by \$58,293. Moreover, the utility requested that the lump sum amount paid for the Sunrise Water Company system of \$100,000 be deemed as an extraordinary expenditure due to the following reasons:

1. The owner conveyed his thoughts to the auditor that he expected to earn on the full investment;
2. The transmission and distribution system, which is approximately 25 years old, requires an abnormal and extraordinary amount of care to maintain as evidenced by the time the utility's maintenance operator expends repairing leaks and replacing sections of service lines;
3. The disallowance of the \$58,293 acquisition adjustment would not be in the best interest of the utility nor its customers as Sunrise would not be accorded a depreciation reserve sufficient to offset projected capital expenditures necessary to maintain the system in compliance with FPSC and DEP standards. The absence of the acquisition adjustment for obvious reasons could also uniformly compromise the expeditious disposition of customer related service matters;

4. Allow the utility to earn on the positive acquisition adjustment based on the extraordinary circumstances alluded to in order to insure the preservation of the utility's financial integrity and the customer's high quality of service.

We find that the circumstances in this case do not appear to be extraordinary. Further, we have in the past disallowed positive acquisition adjustments unless the acquisition provides certain benefits for the customers of the utility. By Order No. 22371, issued January 8, 1990, in Docket No. 890045-SU, this Commission found that the utility, BFF Corporation, did not document any financial benefits which would accrue to its customers, nor did it provide any extraordinary circumstances justifying an acquisition adjustment. If the inclusion of a positive acquisition adjustment is directly related to cost reductions, we do not believe that inclusion in rate base is a double recovery of the utility's investment.

A review of Sunrise's 1998 Annual Report, under the previous owners, indicates Operation Expenses of \$23,218. In the current case, the Operation Expense is \$62,887. We note that the unaudited information from the 1998 Annual Report only includes the following categories of operation expense: Purchased Power, Materials and Supplies, Contractual Services, Insurance, Bad Debt, and Miscellaneous Expense. No other expenses were reported.

We find that there has not been an increased ability to attract capital or to lower the overall cost of capital. Further, as discussed elsewhere in this Order under quality of service, officers' salaries, and whether a show cause proceeding should be initiated, Sunrise has not experienced an increase in professional or managerial resources. Moreover, Sunrise has not experienced more financial, technical or operational resources. It appears that the cost of the pro forma improvements to the Sunrise water system will be borne by the existing and future customers through the approval of final rates in this proceeding. Therefore, based upon the above, the utility's request for the approval of a positive acquisition adjustment is denied.

Land:

Pursuant to Order No. PSC-00-1388-PAA-WU, this account was valued at \$553 and no additional land has been acquired since that time. Therefore, we find that land value is \$553.

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

Pursuant to Order No. PSC-00-1388-PAA-WU, CIAC was established at a balance of \$12,393. The utility recorded no CIAC on its books at the end of the test year. In the Order previously mentioned, the audit stated at the time of the transfer docket that CIAC reflected a zero balance, and the work papers from a prior Polk County rate case did not include any CIAC amounts. Our staff later concluded that there had been no additional collections of CIAC documented by the utility since this Commission received jurisdiction in Polk County.

As stated earlier, subsequent to closing the above mentioned docket, by telephone and letters, the utility expressed its concerns regarding imputation of CIAC. In a letter dated October 10, 2000, the utility requested consideration of the following information on its transmission and distribution system:

1. The \$12,393 imputation of CIAC was the balance in the transmission and distribution mains account established by Polk County in the utility's 1993 rate case;
2. The Polk County Board of County Commissioners (PCBCC) maintained jurisdiction of Sunrise at the time of the rate case and up through July 1, 1996;
3. The PCBCC's Rules and Regulations applicable to CIAC are similar if not identical to those of the Florida Public Service Commission (FPSC);
4. The PCBCC established the Sunrise rate base at December 31, 1993. The Florida Public Service Commission accepted the balances in all the rate base component accounts, with the exception of CIAC;

5. The PCBCC's determined the non-existence of contributions at December 31, 1993;
6. The regulating body of Sunrise (PCBCC) determined that there was no CIAC during the same period that the FPSC imputed such; and
7. The utility is of the opinion that PCBCC's determination as to the absence of CIAC should satisfy the "explanation" provision of Rule 25-30.570. Sunrise believes that the Commission's assumption of CIAC collections prior to the jurisdictional date to be valid had the ruling body, of the utility, at the time, not determined otherwise.

In Order No. PSC-00-2100-FOF-WU, we denied the request of the utility to reopen the protest period of Order No. PSC-00-1388-PAA-WU to address the utility's concerns on CIAC. However, by that Order, we directed that the issue of the appropriate amount of CIAC be addressed in this docket.

Our staff proceeded with the transfer docket and we imputed CIAC based on our past practice and pursuant to Rule 25-30.570, Florida Administrative Code. The staff auditor could not establish water CIAC because of inadequate utility records. Rule 25-30.570, 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 water transmission and distribution system and the sewage collection system.

In the transfer rate proceeding, CIAC was imputed in the calculation of rate base on the portions of the cost of the facilities and plant attributable to the water transmission and distribution system (Account No. 331).

In Docket No. 961249-WU, the following information was obtained from Polk County records during the grandfather certificate docket: the grandfather application; annual reports for 1996, 1997, and 1998; and the transfer application. From those records, we determined the following facts:

1. Sunrise was established in 1977;
2. Sunrise requested an increase in rates and charges in 1988 due to a DEP order to develop a backup water system;
3. According to May 24, 1988 Polk County meeting minutes, the utility had 260 residential customers and one commercial customer;
4. At that time (1988), the existing connection fee was \$350, and PCBCC approved increasing the rates and increasing the connection fee to \$450;
5. In June, 1990, Sunrise was sold to Whiting Water Works, Inc.;
6. In February, 1999, Sunrise was sold to Keen.

The utility is of the opinion that PCBCC's determination as to the absence of CIAC should satisfy the "explanation" provision of Rule 25-30.570. Sunrise believes that our assumption of CIAC collections prior to the jurisdictional date, would have been valid had the ruling body of the utility at the time, PCBCC, not determined otherwise.

We do not agree. Based upon the minutes of the PCBCC, the utility had an existing connection charge of \$350, as of 1988. Further, the PCBCC increased this connection charge to \$450 in May, 1988. Therefore, the utility should have been collecting this connection charge from all of its customers when they connected. This amount should have been recorded as CIAC and should have reduced rate base to benefit the general body of ratepayers. Based on the number of connections since Sunrise was established in 1977, multiplied times the connection charges in effect during those times, CIAC would be calculated to be \$101,250. If rate base were

to be reduced by this amount, the resulting rate base would be a negative \$771.

However, we it appropriate to calculate the proper amount of CIAC pursuant to Rule 25-30.570, Florida Administrative Code. Pursuant to this rule, CIAC is calculated to be \$12,393.

Accumulated Depreciation:

We have calculated the appropriate balance for accumulated depreciation based on depreciation rates in conformance with Rule 25-30.140, Florida Administrative Code, through the test year.

Based on the appropriate depreciation rates, we have adjusted accumulated depreciation by (\$36,210) to reflect the proper amount of accumulated depreciation as of March 31, 1999. We have also adjusted accumulated depreciation by \$13,535 to reflect the correct amount in Order No. PSC-00-1388-PAA-WU. To reflect accumulated depreciation through the beginning of the test year and through the test year, we have made adjustments of (\$2,944) and (\$5,090), respectively. Finally, we have made an adjustment of (\$515) to reflect accumulated depreciation on pro forma meters, and an averaging adjustment of \$2,545. Based on the above adjustments, accumulated depreciation is calculated to be (\$28,679) for the test year.

Accumulated Amortization of CIAC:

We have calculated amortization of CIAC consistent with our calculation of accumulated depreciation. The resulting amortization of CIAC at the end of the test year March 31, 2000 is \$3,261. We have also made an averaging adjustment of (\$193). Based on these adjustments, accumulated amortization of CIAC is \$3,068 for the test year.

Working Capital Allowance:

Working Capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the utility. Pursuant to Rule 25-30.433(2), Florida Administrative Code, we have used the one-eighth of operation and maintenance expense formula approach for calculating working



capital allowance. Applying that formula, and based on water operation and maintenance expense of \$62,887, the working capital allowance for water is \$7,861.

Rate Base Summary:

Based on the foregoing, the appropriate rate base balance for rate setting purposes is \$83,192 during the test year.

COST OF CAPITAL

Keen is a certificated utility with several different operating water systems. It is our practice that in cases where a consolidated capital structure exists, we will evaluate and utilize the capital structure of the parent company for all of its water systems. We have determined in the past that the first level that attracts funding from outside sources is the appropriate capital structure even if the utility would probably be able to attract capital. For example, by Order No. 12191, issued July 1, 1983, in Docket No. 820014-WS, Avatar Utilities, Inc., the Barefoot Bay Division, we found that Avatar Utilities, Inc. was the parent company, and that its consolidated capital structure was appropriate in representing the only source of capital funds used by the utility to finance and support its rate base.

Based on the staff audit, the capital structure for this system consists of the following: \$1,000 of common stock, \$18,287 of retained earnings, and \$227,895 of long term debt.

The rate of return on equity, using the most recent leverage formula approved by Order No. PSC-00-1162-PAA-WS, issued June 26, 2000, in Docket No. 000006-WS, is 9.94% with a range of reasonableness of 8.94% - 10.94%, and the overall rate of return is 7.58% with a range of 7.49% to 7.66%. We have made pro rata adjustments to reconcile the capital structure to the rate base.

Our calculation of Keen's cost of capital, to include the return on equity and overall rate of return, is depicted on Schedule No. 2.

NET OPERATING INCOME

Test-Year Revenues:

During the test year the utility provided water services to approximately 267 residential customers and 1 general service customer. The utility reported revenues for the test year ended March 31, 2000 in the amount of \$35,353.

The selected test year for this rate case includes the 12-month period from April 1, 1999 through March 31, 2000. Annualized revenues have been calculated using test-year number of bills and gallons billed times the existing rates, and the amount reported by the utility is correct. Therefore, we have used this amount for test year revenues are shown on Schedule No. 3-A.

Operating Expenses:

The utility's recorded operating expense includes operation and maintenance (O&M) expense, depreciation expense, and taxes other than income.

The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. We have made several adjustments to the utility's operating expenses. A summary of our adjustments to operating expenses is as follows:

Operation and Maintenance Expense:

Salaries and Wages - Employees - The maintenance engineer is a full-time employee. He performs general system repairs, acts as a liaison between the customers and the utility, picks up parts, investigates complaints, and performs regular maintenance checks of the water plant and distribution system. The utility recorded the maintenance engineer's salary and wages to be \$20,800 for the test year, of which \$6,143 was charged to the Sunrise water system. Based on the allocation percentage of 48.90%, we have increased the amount charged to the Sunrise system by \$4,028 for a total amount of \$10,171. (\$20,800 X 48.90%) Although there appear to be problems with this employee, we do not believe it would be

appropriate to reduce the maintenance engineer's salary at this time.

The utility employs an office person to answer phone calls, do the general filing, maintain computer records of all the utility's water systems, attend the Class C workshop held by this Commission, handle complaints, and maintain the complaint log. The utility recorded employee salaries and wages for this employee of \$0 for the test year. Based on the Sunrise allocation amount, we have made an adjustment for this employee's salary and wages in the amount of \$10,712 for the test year. ( $\$21,906 \times 48.90\%$ )

The utility has a part-time employee who reads the meters for all of its systems. This employee received salaries and wages during the test year in the amount of \$1,983, of which \$1,148 was allocated to the Sunrise system. We have reduced the amount charged to the Sunrise system by (\$178) based on the 48.90% of the allocation amount applicable to the Sunrise system for a salaries and wages expense for the part-time employee of \$970. ( $\$1,983 \times 48.90\%$ )

Based on the above adjustments, we have increased the utility's test year recorded amount by \$14,562 to reflect a total employees' salaries and wages expense for the test year of \$21,853.

Salaries and Wages - Officers - According to the audit and the documentation supplied by Keen, the president and vice president would charge the utility weekly salaries of \$600 and \$350, respectively. The amount was conditioned on the profitability of the utility. However, for the test year, the utility recorded officers' salaries and wages of \$0.

Although the utility has requested \$600 per week for the services of the President, we find it appropriate to reduce the salary of Keen's president based upon our concerns about the utility's ability to put forth a good faith effort to provide overall quality of service and the performance of its management in the Sunrise service area. The utility's problems with providing good quality of service and satisfying its customers' concerns and complaints cannot all be blamed on the maintenance man and the utility's personnel. We find that the person ultimately responsible for the conduct of the utility's personnel is the

president, and he shall be held accountable. Based upon documentation provided in Docket No. 000580-WU, the utility indicates that the president's duties consist of: chief maintenance supervisor; ensuring required reports are completed; recording testing statements; ensuring DEP testing certificates are properly made and filed according to the law; securing bids on any needed improvements to the utility; and overseeing any construction projects. We find that the president has not been effective in his duties as chief maintenance supervisor and has failed to ensure that required reports concerning water outages have been filed in accordance with our rules.

Further, in Docket No. 000580-WU, the utility provided our staff with documentation showing that the president works more than 40 hours per week at the utility. In that docket, we allowed the amount of salaries and wages expense requested by the utility based on the Alturas allocated portion of the requested \$600 per month. However, since the conclusion of the Alturas docket, the president's working hours at the utility have been reduced considerably. Due to health reasons, Mr. Keen cannot perform the same duties that were submitted to us in the Alturas rate proceeding.

In past cases, we have found it appropriate to reduce the president's salary based on poor quality of service and the performance by management. Specifically, in Order No. PSC-93-0295-FOF-WS, issued February 24, 1993, in Docket No. 910637-WS, we found that it was appropriate to reduce the salary of Mad Hatter Utility Inc.'s (MHU) president because of the concerns with MHU's overall quality of service and the performance of its management. We found in Order No. PSC-93-0295-FOF-WS that reducing the salary of the utility's president would have a direct and immediate impact equal to or greater than a reduction to the return on equity. We further found that it sends the proper signal to management to make improvements, and that it is management, specifically the president, who is ultimately responsible for the conduct of the corporate entity, and who should be held accountable.

Therefore, we find that the president's salary for this utility shall be reduced by 50% based on the concerns that are addressed throughout this Order. Based on this reduction and taking into account the allocation factor, the president's salaries

and wages expense shall be \$7,629 for the test year. (\$300 per week X 52 weeks X 48.90%)

The duties of the vice president, Mrs. Keen, consist of: maintaining the accounts receivable account, preparing the utility's employee payroll, and reporting the minutes of the utility's monthly meetings. The utility reported that the vice president spends approximately 30 hours per week on utility business. Therefore, the Sunrise allocated portion of the requested \$350 for the vice president's salary appears to be reasonable. Based on this figure, and taking into account the allocation factor, the officers salaries and wages for the vice president shall be \$8,900 for the test year. (\$350 per week X 48.90% X 52 wks) However, the vice president shall be placed on notice that the accounts receivable records shall be maintained properly in the future.

Based on the above, officers salaries and wages expense during the test year are calculated to be \$16,529.

Purchased Power - The utility recorded a test year purchased power expense of \$2,382. However, later in this Order, we approve a repression adjustment of 8% to recognize that consumption levels will decrease once new rates are effective. With a decrease in consumption, there will be a decrease in purchased power expense due to having to pump less water. Based on this repression, we have reduced purchased power expense by \$172, for a total test year purchased power expense of \$2,210.

Chemicals - The utility recorded a test year chemical expense of \$2,604 for the test year. We have made an adjustment of (\$720) to reclassify expense in this account to Account No. 636 for water system maintenance. Also, we have made another adjustment and reclassified (\$538) of expense to testing expense Account No. 635. Moreover, as stated earlier, we have made an 8% repression adjustment. With a decrease in consumption, there will be a decrease in chemical expense due to having to chemically treat less water. Therefore, we have reduced chemical expense by \$114 to reflect the estimated decrease in chemical expense. Finally, we have increased this account by \$370 to bring chemicals to the engineer's recommended amount. Based on the above adjustments, chemical expense is \$1,602 for the test year.

Materials and Supplies - The utility recorded test year materials and supplies expense of \$859. To reflect Sunrise's annual postage expense and the utility's allocated portion of office supplies, we have made an adjustment to this account of \$567 and \$349, respectively. Adding this total adjustment of \$916 to the \$859, results in a materials and supplies expense of \$1,775 for the test year.

Contractual Services - Professional - The utility recorded a test year contractual services-professional expense of \$1,014. However, the utility is now required to follow the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) as outlined in Rule 25-30.115, Florida Administrative Code. Therefore, we find that a reasonable and prudent amount should be allowed for Keen to set up all four systems in conformance with the NARUC USOA in this rate case proceeding for this expense. We estimate that it will take \$6,000 to set up all four systems. Based on the allocation factor and amortizing the expense over five years, we calculate the set-up expense for this system to be \$587 per year. ( $\$6,000 \times 48.90\%$  divided by 5 years) We previously approved this expense in Order No. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 000580-WU.

The utility incurred a non-recurring expense associated with its computer in the amount of \$305. This amount shall be amortized over five years pursuant to Rule 25-30.433(8), Florida Administrative Code. Therefore, we have reduced this expense by \$186. The utility recorded computer test year expense of \$183. We have increased this amount by \$174 to reflect the allocated amount of 48.90% applied to Sunrise for a total amount of \$357. The utility had attorney fees associated with it during the test year in the amount of \$228. Amortizing this expense over five years, we have reduced the amount incurred during the test year by \$182. Based on the above adjustments, we have increased the utility's test year recorded amount by \$393 to allow for the contractual services professional expense.

Contractual Services - Testing - Tri-Florida Water Treatment, Inc., provides testing services for the utility. As stated previously, we have reclassified \$538 from Account No. 618 to this account. The expenses under this account are incurred because

state and local authorities require that several analyses be submitted in accordance with Rule 62-550, Florida Administrative Code. A schedule of the required tests, frequency, and costs are as follows:

WATER

<u>Description</u>	<u>Frequency</u>	<u>Annual Cost</u>
Microbiological	Annually	\$528
Primary Inorganics	36 Months	1,200
Secondary Inorganics	36 Months	
Asbestos	1/ 9 Years	
Nitrate & Nitrite	Annually	34
Pesticides & PCB	36 Months	
Volatile Organics	36 Months	
Lead & Copper	Annually	\$400
Radionuclides	36 Months	
Unregulated Organics	36 Months	
	Total Amount	<u>\$2,162</u>

Based on a total testing expense of \$2,162, and having already made an adjustment of \$538, a further adjustment of \$1,624 to the contractual services-testing is required to allow for the testing expense. Based on the above, the contractual services-testing expense is calculated to be \$2,162 for the test year.

Contractual Services - Other - The utility recorded \$4,665 in this account for the test year. According to Audit Exception No. 6, we have made an adjustment of \$200 to reflect Sunrise's portion of the allocation for telephone expense. To reflect the utility's parts expense for the test year based on the allocated amount of 48.90%, we have made an adjustment of \$444. We have also reclassified (\$758) in this account to UPIS, and made an adjustment of \$105 to reflect labor expense on the allocated portion of 48.90%. Finally, we have reclassified an additional \$808 to UPIS. Per Audit Exception No. 7, we have reclassified \$720 to this account for nine months of system maintenance. Moreover, we have included an additional three months at \$240 for system maintenance to reflect a full year for this expense. Based on all of the above adjustments, Contractual Services - Other is increased by \$143, for a total Contractual Services - Other expense of \$4,808 for the test year.

Rents - The utility did not record any rent expense for the test year. On September 27, 1996, per documentation supplied by Keen, the officers of this utility decided that the utility would be charged \$900 monthly for rent. However, the officers made a determination that the utility would not have to pay this rent until the utility could afford to pay it. On September 21, 2000, our staff received a facsimile from Brokers Realty of Central Florida, Inc., stating the following: "[I]n my professional opinion the property located at 685 Dyson Road, Haines City, Fl, could easily be rented for \$1,000 to \$1,200 due to the size of the building, the large parking lot and the tranquil setting."

Therefore, it appears that the requested \$900 for monthly rental expense is reasonable and is the amount that was previously approved in Order No. PSC-01-0323-PAA-WU. Using the approved allocation factor and multiplying by 12 months, we calculate the test year rental expense to be \$5,281. ( $(\$900 \times 48.90\%) \times 12$  months)

Transportation Expense - The utility recorded \$2,853 of transportation expense for the test year. The utility owns a 1999 Ford Econoline Van that is used to assist the employees in the performance of utility duties. We have made an adjustment to reflect the gasoline expense in this account of \$587. Also, we have removed the automobile payments for the Ford Van that were recorded incorrectly in this account for (\$1,601). Based on these adjustments, the annual transportation expense is calculated to be \$1,839.

Insurance Expense - The utility recorded insurance expense of \$1,930 for the test year. To reflect the allocated portion for Sunrise, we have increased this amount by \$104 to reflect automobile insurance coverage, and by \$596 to reflect commercial and worker's compensation insurance. Based on these allocations, insurance expense is calculated to be \$2,630 for this utility during the test year.

Bad Debt Expense - The utility did not record any bad debt expense for the test year. Audit Exception No. 9 states that the utility had \$134 of bad debt. Therefore, bad debt expense shall be \$134 for this utility during the test year.



Miscellaneous Expense - The utility recorded \$2,678 in this account during the test year. We have made the following adjustments: (\$1,732) to reflect non-utility related expenses; and an adjustment to increase this account by \$461 to correct an entry recorded by the utility in the UPIS account. The utility recorded \$750 of organization cost in this account incurred during the transfer of Sunrise to Keen. We have removed this amount. Purchase costs of utility systems should be charged as acquisition adjustments. See Order No. 25821, issued February 27, 1992. Based on the above adjustments, we find that the appropriate miscellaneous expense is \$657 for the test year.

Operation and Maintenance Expenses (O & M) Summary - We have increased O&M expenses by \$36,611. Based on this increase, we find that the appropriate O&M expenses are \$62,887. Our calculation of O&M expenses is shown on Schedule No. 3-C.

Depreciation Expense (Net of Amortization of CIAC) - We have calculated test year depreciation expense using the rates prescribed in Rule 25-30.140, Florida Administrative Code. Based on these calculations, test year depreciation expense is \$5,081, and we have increased this account by this amount. We have also made adjustments of \$1,029 to include depreciation on pro forma plant. In addition, amortization of CIAC has a negative impact on depreciation expense, and test year amortization of CIAC decreases depreciation expense by \$326. Based on these adjustments, net depreciation expense is \$5,784 for the test year.

Taxes Other Than Income Taxes - The utility recorded an amount of \$3,059 in this account during the test year. We have increased this amount by of \$1,202 to reflect regulatory assessment fees (RAFs) actually paid by the utility, by \$7,494 to reflect payroll taxes on our approved salaries, by \$839 to reflect taxes paid to the Polk County tax collector on property, and by \$389 to include additional RAFs not reported or paid to this Commission during the test year. However, we have reduced this amount by \$1,326 to correct payroll taxes on test year salaries, and by \$681 to correct an error in recording taxes. Based on these adjustments, the expense for taxes other than income taxes is \$10,976 for the test year.

Operating Revenues - Revenues have been increased by \$52,982 to \$88,335 to reflect the increase in revenue required to cover expenses and allow the utility the opportunity to earn the approved rate of return on investment.

Taxes Other Than Income Taxes (for Increase in Revenue Allowed) - This expense has been increased by \$2,384 to reflect the RAF of 4.5% on our approved increase in revenue.

Income Tax - According to its 1999 annual report, Keen is a Subchapter S Corporation. Therefore, the utility pays no income taxes.

Operating Expenses Summary - Based on all of the above, the utility's test year operating expenses are of \$82,031.

Our calculation of operating expenses is shown on Schedule No. 3-A. Our adjustments are shown on Schedule No. 3-B.

REVENUE REQUIREMENT

To allow the utility the opportunity to recover its expenses and earn the approved 7.58% return on its investment, the utility shall be allowed an annual increase in revenue of \$52,982 (149.87%). Our calculation is as follows:

	<u>Water</u>
Adjusted Rate Base	\$ 83,192
Rate of Return	<u>x .0758</u>
Return on Investment	\$ 6,305
Adjusted O & M Expenses	62,887
Depreciation Expense (Net)	5,784
Taxes Other Than Income Taxes	<u>13,360</u>
Revenue Requirement	<u>\$ 88,335</u>
Annual Revenue Increase	\$ 52,982
Percentage Increase/(Decrease)	<u>149.87%</u>

Our calculation of the revenue requirement and resulting annual increase is shown on Schedule No. 3-A.

#### RATE STRUCTURE

The utility's current water system rate structure consists of what is designated as a monthly base facility charge (BFC)/gallorage charge rate structure, in which the BFC of \$8.85 includes an allotment of 5,000 gallons (5 kgal) of water, and all gallons in excess of 5 kgal used are charged \$1.31 per 1 kgal. This rate structure is considered nonusage sensitive because the 5 kgal allotment in the BFC discourages conservation at and below the 5 kgal allotment level. To be consistent with our practice and to promote the overall statewide goal of eliminating conservation-discouraging water rate structures, this allotment of 5 kgal shall be eliminated from the BFC.

Our preferred rate structure has traditionally been the BFC/gallorage charge rate structure with no allotment of a minimum number of gallons. This usage sensitive rate structure allows customers to reduce their total bill by reducing their water consumption. However, in light of the drought conditions and water shortages throughout the state, at the request of the various Water Management Districts (WMDs), this Commission has been implementing, whenever possible, inclining-block rate structures as the rate structure of choice.

The goal of the inclining-block rate structure is to reduce average demand. Under this rate structure, it is anticipated that demand in the higher usage block(s) will be more elastic (responsive to price) than demand in the first block. Water users with low monthly usage will benefit, while water users with higher monthly use will pay increasingly higher rates, thereby creating a greater incentive to conserve. Several factors to consider when designing inclining-block rates include, but are not limited to, the selection of the appropriate conservation adjustment, usage blocks, and usage block rate factors. Consideration of other rate structure issues, such as a target usage established by environmental regulators, elasticity of demand and revenue stability will also have an impact on how each of the components in the inclining-block rate structure should be designed.

Conservation Adjustment:

In this case, absent a conservation adjustment, the elimination of the 5 kgal allotment in the BFC will result in those customers with monthly usage at 5 kgal receiving the greatest percentage price increase. Because a high percentage of consumption at (or below) 5 kgal is considered nondiscretionary, essential consumption, we find that an important rate design goal is to minimize, to the extent possible, the price increase at monthly consumption of 5 kgal or less. We believe another important rate design goal, consistent with the rate structure guidelines established by the SWFWMD, is to recover no more than 40% of the overall revenue requirement through the BFC. To accomplish these goals, different conservation adjustments were used to shift varying portions of cost recovery from the BFC to the gallonage charge. The results of this analysis are shown in the table below.

<b>PRELIMINARY PRICE INCREASES BASED ON UNIFORM GALLONAGE CHARGES AT VARIOUS CONSERVATION ADJUSTMENTS (RATES BEFORE REPRESSION ADJUSTMENT)</b>					
	<b>Conservation Adjustments</b>				
<b>Monthly Consumption</b>	<b>0%</b>	<b>35%</b>	<b>40%</b>	<b>45%</b>	<b>50%</b>
1 kgal	140.6%	70.5%	60.6%	50.5%	40.5%
2 kgal	153.0%	92.7%	84.2%	75.5%	66.8%
3 kgal	165.4%	114.8%	107.8%	100.5%	93.1%
4 kgal	177.9%	136.9%	131.4%	125.4%	119.4%
5 kgal	190.3%	159.1%	155.0%	150.4%	145.8%
10 kgal	102.5%	112.5%	114.4%	115.6%	116.9%
15 kgal	67.2%	93.8%	98.0%	101.6%	105.2%
20 kgal	48.0%	83.6%	89.2%	94.1%	98.9%
30 kgal	27.9%	72.9%	79.9%	86.1%	92.3%
40 kgal	17.3%	67.3%	75.0%	81.9%	88.8%

As shown above, the 50% conservation adjustment (relative to the other adjustments) accomplishes several rate design goals: a) it minimizes the comparable price increases for monthly consumption at 5 kgal or less; b) the preliminary price increase at 5 kgal is approximately equal to the overall revenue requirement percentage increase; c) it maximizes the price increases for monthly usage greater than the system-wide average monthly consumption of 8.2 kgal; and d) it results in a 34% BFC and 66% gallonage charge revenue recovery allocation, which conforms to the rate structure guidelines of the SWFWMD.

Usage Blocks:

It is our practice to consider revenue stability as the primary criteria when designing the first usage block. Based on this practice, the first usage block should capture approximately 50 percent of total gallons sold, thereby mitigating the revenue stability concerns. Based on consumption patterns of other utilities which have been subject to an inclining-block rate structure, this has resulted in the first usage block typically being set at the 10 kgal consumption level. However, due to the severity of the drought in the SWFWMD, the District has asked this Commission to consider designing the first usage block at some level lower than 10 kgal. In fact, the District suggested that if the design of the first usage block were dependent solely on subsistence usage, 5 kgal might be an appropriate first usage block in this case. (67 gallons per day per capita x 2.5 persons x 30 days = 5 kgal)

Based upon our staff's analysis of the consumption patterns of the utility's customers, the overall average residential usage per month is approximately 8.2 kgal. However, approximately 48 percent of customers have bills at monthly usage of 5 kgal or below, representing 52 percent of all gallons sold. Therefore, based on our revenue stability criteria, selecting the first usage block at 5 kgal in this case would not be contrary to our practice. Based on the foregoing, and in light of the extraordinary drought conditions in the SWFWMD, the first usage block shall be capped at 5 kgal per month.

When designing the second and third usage blocks, we considered the following consumption patterns of the utility's customers:

<u>Kgal per Month</u>	<u>% Cum. Bills</u>	<u>% Consol. Factor</u>
10	84%	79%
15	94%	90%
20	97%	95%

Based upon the above, we find it appropriate to cap the second usage block at monthly usage of 10 kgal, or twice the subsistence level. This allows for the maximum percentage of gallons (100% - 79% = 21%) to be subject to the highest inclining-block rate, in hopes of achieving the greatest consumption reductions possible.

Usage Block Rate Factors - Once the conservation adjustment and usage blocks were selected, our staff analyzed possible combinations of usage block rate factors. The results of this analysis are shown below.

PRELIMINARY PRICE INCREASES BASED ON A 50% CONSERVATION ADJUSTMENT AND USAGE BLOCKS OF 0-5 KGAL, 5-10 KGAL AND OVER 10 KGAL (RATES BEFORE REPRESSION ADJUSTMENT)					
Monthly Consumption	Usage Block Rate Factor Combinations				
	1.0/1.0 /1.0	1.0/1.25 /1.5	1.0/1.25 /2.0	1.0/1.5/ 2.25	1.0/1.5/ 3.0
1 kgal	40.5%	36.6%	34.7%	33.0%	31.0%
2 kgal	66.8%	59.1%	55.3%	51.9%	47.8%
3 kgal	93.1%	81.6%	75.8%	70.7%	64.6%
4 kgal	119.4%	104.1%	96.4%	89.6%	81.5%
5 kgal	145.8%	126.6%	116.9%	108.5%	98.3%
8 kgal	124.9%	115.3%	103.8%	103.3%	89.9%
10 kgal	116.9%	111.0%	98.7%	101.3%	86.7%
15 kgal	105.2%	116.2%	122.3%	126.9%	132.8%
20 kgal	98.9%	118.9%	135.1%	140.7%	157.7%
30 kgal	92.3%	121.9%	148.6%	155.3%	184.0%
40 kgal	88.8%	123.4%	155.6%	162.9%	197.7%

As shown above, the usage block rate factor combination of 1.0/1.5/3.0 (relative to the other combinations): a) minimizes the percentage increase for customers at the approximate residential average monthly usage of 8.2 kgal; while b) maximizing the percentage increase to customers with monthly usage at least three times greater than the 5 kgal subsistence level usage established for the first usage block.

Based on the foregoing, we find that a continuation of the utility's current rate structure, which includes a 5,000 gallon per month allotment, is not appropriate in this case. The rate structure shall be changed to a three-tier inclining block rate structure, with usage blocks of 0-5,000 gallons per month, 5,001-10,000 gallons per month, and over 10,000 gallons per month. The approved usage block rate factors are 1.0, 1.5 and 3.0,

respectively, and a 50% conservation adjustment shall also be implemented.

#### REPRESSION ADJUSTMENT

Based on information contained in our database of utilities receiving rate increases and decreases, there were three water utilities that had 5 kgal allotments removed from a BFC/gallonage rate structure. On average, these utilities experienced an approximate 109% price increase while experiencing an approximate 9% reduction (repression) in average monthly consumption. Specifically, the consumption changes were reductions of 18% and 12%, while one utility experienced an increase in consumption of 7%.

The utility that experienced an increase in consumption had a corresponding price increase of 52%. It is anomalous that a price increase would result in an increase in consumption. This is contrary to the first law of demand. Therefore, we do not believe it is appropriate to consider this utility. We have also removed the utility that experienced the 12% reduction from consideration because of an incomparable rate structure (in addition to the elimination of the 5 kgal allotment from its rate structure, the remaining kgals had been subject to a declining block rate structure).

The lone remaining utility in our sample experienced an average price increase of 169%, resulting in an 18% reduction in consumption. We note that this utility had a concomitant wastewater rate increase, which, we believe, often increases the level of water consumption reduction.

To determine an overall repression adjustment, we find that it is appropriate to examine the range of preliminary percentage increases within each usage block. In the usage block of 0-5 kgal, average monthly usage is 3.5 kgal, with preliminary percentage increases in price ranging from 14 percent to 98 percent. We do not believe that there will be significant consumption reductions in this block because its cap is based on subsistence consumption. However, due to the magnitude of the preliminary increases, we believe a 5 percent reduction in this block is warranted.



In usage block of 5-10 kgal, the preliminary percentage increases in price are fairly uniform, ranging from 87 percent to 95 percent. The usage in this block contains a greater percentage of discretionary usage. Therefore, we find that a 7 percent reduction in this block is reasonable. Finally, in the usage block greater than 10 kgal, the preliminary percentage increases in price range from 99 percent to greater than 200%. Due to the significant percentage price increases in this usage block, coupled with the greater degree of discretionary usage, we find that a 15 percent reduction is reasonable.

Therefore, the resulting residential repression adjustment, based on an overall anticipated consumption reduction of 8%, is approximately 1,907 kgal, and the resulting total residential consumption for rate setting is 22,963 kgal. In order to monitor the effects of both the changes in rate structure and the approved revenue increases, the utility shall prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports shall be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

#### RATES

Based on our findings above, approximately 35% of the revenue requirement is recovered through the base facility charge. The fixed costs are recovered through the BFC based on the number of factored ERCs. The remaining 65% of the revenue requirement represents revenues collected through the consumption charge based on the number of gallons. The utility's existing rates and our approved monthly rates for service are as shown below:

Residential Service Water Rates

Base Facility Charge

<u>Meter Size</u>	Minimum Charge for 5,000 gallons Existing <u>Monthly Rate</u>	Commission Approved <u>Monthly Rate*</u>
5/8" x 3/4"	\$ 8.85	\$ 10.10
3/4"	8.85	15.15
1"	8.85	25.25
1-1/2"	8.85	50.50
2"	8.85	80.80
3"	N/A	161.60
4"	N/A	252.50
6"	N/A	505.00

Gallonage Charge

Per 1,000 gallons  
 over 5,000 gallons \$ 1.31

\*No minimum gallons in the Commission approved monthly rate.

Gallonage Charge for Each 1,000 Gallons in Each Block

0 - 5,000	\$ 1.64
5,000 - 10,000	2.46
Over 10,000	4.92

General Service Water Rates

Base Facility Charge

<u>Meter Size</u>	Minimum Charge for 5,000 gallons Existing <u>Monthly Rate</u>	Commission Approved <u>Monthly Rate</u>
5/8" x 3/4"	\$ 8.85	\$ 10.10
3/4"	8.85	15.15
1"	8.85	25.25
1-1/2"	8.85	50.50
2"	8.85	80.80
3"	N/A	161.60
4"	N/A	252.50
6"	N/A	505.00

Gallonage Charge

Per 1,000 gallons \$ 2.51

Based on our approved rates, the following are the estimated average residential water monthly billings for the consumption shown:

MONTHLY BILL

<u>Monthly Consumption</u> <u>(Gallons)</u>	<u>Prior</u> <u>Rates</u>	<u>New</u> <u>Rates</u>
5,000	\$ 8.85	\$18.30
7,500	\$12.12	\$24.45
10,000	\$15.40	\$30.60

The utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates shall not be implemented until our staff has approved the proposed customer notice, and the notice has been received by the customers. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

CUSTOMER DEPOSITS

The utility's existing tariff provides for customer deposits for residential and general service customer for the amount of \$35. Rule 25-30.311, Florida Administrative Code, provides guidelines for collecting, administering and refunding customer deposits. The rule also authorizes customer deposits to be calculated using an average monthly bill for a 2-month period. Using the calculation for an average monthly bill for a 2-month period based on the new rates, customer deposits shall be approved as set forth below:

Water

Residential

<u>Meter Size</u>	<u>Deposits</u>
5/8" x 3/4"	\$52.00

General Service

<u>Meter Size</u>	<u>Deposits</u>
5/8" x 3/4"	\$52.00
All over 5/8" x 3/4"	(2 x average bill)

After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the customer's deposit pursuant to Rule 25-30.311(5), Florida Administrative Code. The utility shall pay interest on customer deposits pursuant to Rule 25-30.311(4), Florida Administrative Code.

The utility shall file revised tariff sheets which are consistent with our decisions set forth above. Our staff shall be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

TEMPORARY RATES SUBJECT TO REFUND

This PAA Order authorizes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a timely protest filed by a party other than the utility, the proposed rates shall be approved as temporary rates. If the utility implements temporary rates, the rates collected by the utility shall be subject to the refund provisions discussed below.

The utility shall be authorized to collect the temporary rates upon our staff's approval of the security for potential refund and

a proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$36,616. 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 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 by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as 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 this Commission's Division of Economic Regulation no later than the 20th of the month. These reports shall indicate the amount of revenue collected under the increased rates.

APPROPRIATENESS OF SHOW CAUSE PROCEEDING

At the customer meeting held on February 12, 2001, in Auburndale, Florida, the customers, among other things, complained

about the following: (1) scheduled interruptions to customers without proper notice to customers (in apparent violation of Rule 25-30.250(2), Florida Administrative Code); (2) bills being considered delinquent by the utility after only 15 days and discontinuing service without providing five working days' written notice after the bills became delinquent (in apparent violation of Rules 25-30.335(4) and 25-30.320(2)(g), Florida Administrative Code); (3) the utility's apparent failure to read meters and render bills to customers at regular intervals (in apparent violation of Rules 25-30.261(1) and 25-30.335(1), Florida Administrative Code); (4) long interruptions to service without maintaining a record of all interruptions in service (in apparent violation of Rule 25-30.251, Florida Administrative Code); (5) the utility's apparent failure to fully and promptly acknowledge and investigate all customer complaints and respond fully and promptly to all customer requests (in apparent violation of Rule 25-30.355(1), Florida Administrative Code). Section 367.161(1), Florida Statutes, authorizes this Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any provision of Chapter 367, Florida Statutes, or any lawful rule or order of this Commission.

Utilities are charged with the knowledge of our rules and statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, entitled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., this Commission, having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failure to promptly respond to customer complaints or the apparent violation of the rules as set forth above, would meet the standard for a "willful violation." We have reviewed the apparent violations using the above-noted criteria and will address each apparent violation in the order listed.

Several customers complained that the utility seemed to always schedule interruptions to service late in the afternoon (and Fridays at that) just when they were getting home. Also, the customers stated that the utility only put up a small sign at the entrance to the subdivision or some sort of flags to warn when there would be a scheduled outage. The sign was reportedly so small that the customers could not read it as they drove into the subdivision. Also, many customers did not know what the flags meant. Our staff discussed with the utility the need for a better means of notice and better timing for the interruptions. We believe that, in the future, the utility will give adequate notice and schedule the interruptions at a more appropriate time.

Some customers complained that the utility was considering bills delinquent after only 15 days and discontinuing service without providing the requisite five working days' written notice. However, our staff has reviewed the utility's bills and determined that the bills state that the bill would be considered delinquent if payment was not made within 20 days, which is still one day short of what is required. (This was corrected on March 26, 2001). Also, the utility provided documentation that it was providing five working days' written notice for at least some of the cut offs. Therefore, the utility has been reminded of the above requirements, and, if there was a problem, the utility now seems to be complying with Rules 25-30.335(4) and 25-30.320(2)(g), Florida Administrative Code.

One customer complained about the utility's failure to read meters and render bills to customers at regular intervals, stating that meters and bills were read and sent sporadically, at anywhere from three to five week intervals. This is in apparent violation of Rules 25-30.261(1) and 25-30.335(1), Florida Administrative Code.

Because this utility uses a minimum gallonage rate structure, this could have a significant impact. For a three-week period between meter readings and/or billings, the utility would receive the minimum charge even though the customer may have used significantly under the minimum allowed in that short of a time period. However, when the utility goes over five weeks between readings, the customer could use significantly over the minimum and be charged for each 1,000 gallons over the minimum. For example,



the minimum charge is \$8.85 and includes the first 5,000 gallons, with a charge of \$1.31 for each one thousand gallons above that. If a customer uses 5,000 gallons a month, then the charge would be only \$8.85 or \$17.70 for two months. However, if the utility read the meter after only three weeks and then waited almost six weeks, the customer may only use three thousand gallons in the first period (be billed \$8.85) and 6,000 gallons or more in the second period and be billed \$8.85 plus \$1.31 for each 1,000 gallons above the 5,000 gallon minimum for the extra gallons used. The customer expressed concern that the utility could manipulate the system if it was not held to a regular meter reading and billing cycle.

Our staff has reminded the utility of the above-noted requirements and it appears that the utility now has a regularly scheduled time to read meters and to send out bills. Therefore, this problem also seems to have been resolved.

Several customers complained of long interruptions to service that apparently affected the whole service area or a large part of it. However, there was no clear record of these long interruptions to service. Rule 25-30.251, Florida Administrative Code, requires the utility to maintain a record of all interruptions in service. That rule specifically states that "[t]he record shall show the cause of the interruption, its date, time, duration, remedy, and steps taken to prevent recurrence." That rule also states that the utility shall notify the Commission of such interruptions. Apparently, the utility was not complying with this rule. Our staff has advised the utility of the requirements of this rule, and the need for the utility to comply with all rules of this Commission.

Finally, several customers complained that the utility failed to fully and promptly acknowledge and investigate their complaints and respond fully and promptly to their requests. Moreover, many customers complained that utility personnel were rude in their dealings with the customers. The utility has been made aware of the requirements of Rule 25-30.355(1), Florida Administrative Code, and has been reminded by our staff about the need to comply with this rule and to improve their customer relations.

In reviewing all the above, we find that the utility's acts, or failure to act, were "willful" in the sense intended by Section

367.161, Florida Statutes. Although there appear to be multiple violations, we note that Mr. Keen, the President, has been in poor health and that this appears to have affected his ability to manage the utility. Also, we note that we have reduced the president's salary by 50% (\$7,629) to reflect this lack of management. A part of the problem appears to be the change over from Polk County regulation to Commission regulation and the relative lack of experience that Mr. Keen has in managing a utility. We believe that the utility is now aware of its responsibilities and the applicable rules, and is either in compliance with or will comply in the future with all of the noted rules. Moreover, with the reduction of 50% of the president's salary, we note that we have approved a revenue requirement of \$88,335. Thus, the reduction is approximately 8.41% of our total approved revenue requirement. Therefore, we do not believe any further action in the form of a show cause proceeding is warranted.

However, we are concerned about the utility's response to customer complaints and its customer relations. Therefore, the utility shall provide training to its staff on how to respond to customer complaints and the importance of good customer relations. Moreover, the utility is admonished about its apparent failure to comply with all Commission rules, and, more specifically, the rules noted above. However, we find that the utility's apparent rule violations do not rise to the level of warranting the initiation of show cause proceedings at this time.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Keen Sales, Rentals and Utilities, Inc., Sunrise Water Company's petition for a staff assisted rate case to implement increased water rates and deposits is granted as set forth in the body of this Order. It is further

ORDERED that, prior to implementing the rates approved herein, Keen Sales, Rentals and Utilities, Inc., shall submit revised tariff pages reflecting the rates and deposits approved herein. It is further

ORDERED that, prior to implementing the rates approved herein, Keen Sales, Rentals and Utilities, Inc., shall submit for approval

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by our staff a proposed notice to its customers of the rates approved herein. It is further

ORDERED that the revised tariff pages for deposits shall be approved upon our staff's verification that they are consistent with our decision herein. It is further

ORDERED that the revised tariff pages for rates shall be approved upon our staff's verification that they are consistent with our decision herein and that the proposed customer notice is adequate. It is further

ORDERED that Keen Sales, Rentals and Utilities, Inc., shall submit written proof that notice was given to its customers no later than ten days after the date of the notice. It is further

ORDERED that, in accordance with Rule 25-30.475, Florida Administrative Code, the rates approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages, provided the customers have received notice. It is further

ORDERED that Keen Sales, Rentals and Utilities, Inc., shall prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports shall be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect. It is further

ORDERED that after a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, Keen Sales, Rentals and Utilities, Inc., shall refund the customer's deposit pursuant to Rule 25-30.311(5), Florida Administrative Code. It is further

ORDERED that Keen Sales, Rentals and Utilities, Inc., shall pay interest on customer deposits pursuant to Rule 25-30.311(4), Florida Administrative Code. It is further

ORDERED that all matters contained in the body of this Order and in the schedules and attachments hereto are by reference incorporated herein. It is further

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ORDERED that Keen Sales, Rentals and Utilities, Inc., shall insure that the current maintenance man is trained in the proper procedures to follow and impress upon him the importance of following those procedures. Also, the utility shall continue to search for a replacement maintenance employee. It is further

ORDERED that the vice president of Keen Sales, Rentals and Utilities, Inc., shall be placed on notice that the accounts receivable records shall be maintained properly in the future. It is further

ORDERED that a pro forma adjustment for continuation of the meter replacement program in the amount of \$17,500 shall be allowed, and the meter replacements shall be completed within six months after this Order is made final and effective. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order 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" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a timely request for a Section 120.57, Florida Statutes, hearing within the twenty-one day protest period, this docket shall remain open for an additional six months from the effective date of the Order to enable our staff to verify that the pro forma plant allowed in this Order has been completed. Once our staff has verified that this work is completed, the docket shall be closed administratively. It is further

ORDERED that, pursuant to Rule 25-30.360, Florida Administrative Code, in the event of a protest by any substantially affected person other than the utility, Keen Sales, Rentals and Utilities, Inc., is authorized to collect the approved rates on a temporary basis, subject to refund, provided that the utility has furnished satisfactory security for any refund and a proposed customer notice. It is further

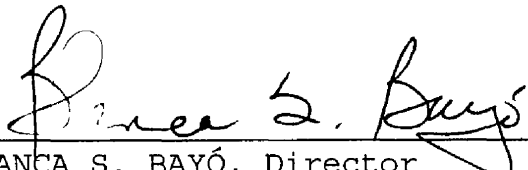
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ORDERED that if Keen Sales, Rentals and Utilities, Inc., implements temporary rates, the utility shall maintain an account of all monies received as result of the rate increase. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code. It is further

ORDERED that if Keen Sales, Rentals and Utilities, Inc., implements temporary rates, 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 temporary rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with this Commission's Division of Economic Regulation no later than the 20th of the month. These reports shall indicate the amount of revenue collected under the increased temporary rates. It is further

ORDERED that Keen Sales, Rentals and Utilities, Inc., shall provide training to its staff on how to respond to customer complaints and the importance of good customer relations. Moreover, the utility is admonished about its apparent failure to comply with all Commission rules, and, more specifically, with the rules noted in the body of this Order.

By ORDER of the Florida Public Service Commission this 22nd day of May, 2001.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

RRJ

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 discussed above, except for our granting of temporary rates, subject to refund, in the event of protest and our decision not to initiate a show cause proceeding, are preliminary in nature. Any person whose substantial interests are affected by the actions 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 June 12, 2001. 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 actions 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

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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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KEEN SALES, RENTALS AND UTILITIES, INC. TEST YEAR ENDING MARCH 31, 2000 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 001118-WU	
DESCRIPTION	BALANCE PER UTILITY	COMM ADJUST. TO UTIL. BAL.	BALANCE PER COMM
1. UTILITY PLANT IN SERVICE	\$0	\$112,782	\$112,782
2. LAND & LAND RIGHTS	0	\$553	\$553
3. NON-USED AND USEFUL COMPONENTS	0	\$0	\$0
4. CIAC	0	(\$12,393)	(\$12,393)
5. ACCUMULATED DEPRECIATION	0	(\$28,679)	(\$28,679)
6. AMORTIZATION OF CIAC	0	\$3,068	\$3,068
7. WORKING CAPITAL ALLOWANCE	\$0	\$7,861	\$7,861
8. WATER RATE BASE	\$0	\$83,192	\$83,192



KEEN SALES, RENTALS AND UTILITIES, INC. TEST YEAR ENDING MARCH 31, 2000 ADJUSTMENTS TO RATE BASE	SCHEDULE NO. 1-B DOCKET NO. 001118-WU PAGE 1 OF 1
	<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>	
1. To record plant per Order PSC-00-1388-PAA-WU.	84,346
2. To reflect Sunrise's portion purchase of a vehicle.	9,504
3. To record test year additions to plant.	2,114
4. To reflect organization cost incurred during the transfer.	750
5. To reflect the pro forma meters.	17,500
6. To reflect the averaging adjustment.	(1,432)
Total	<u>\$112,782</u>
<u>LAND</u>	
1. To reflect original cost of land.	<u>\$553</u>
<u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>	
1. To record CIAC pursuant to Rule 25-30.570 (1), F.A.C.	<u>(\$12,393)</u>
<u>ACCUMULATED DEPRECIATION</u>	
1. To reflect accumulated depreciation at March 31, 1999.	(36,210)
2. To correct Order No. PSC-00-1388-PAA-WU 3/31/99 Acc. Depr.	13,535
3. To reflect Acc. Depr. per Rule 25-30.140, F.A.C., through the beginning of the test year.	(2,944)
4. To record Acc. Depr. through the test year.	(5,090)
5. To reflect accumulated depreciation on proforma meters.	(515)
6. To reflect averaging adjustment.	2,545
Total	<u>(\$28,679)</u>
<u>AMORTIZATION OF CIAC</u>	
1. To reflect accumulated amortization at March 31, 2000.	\$3,261
2. To reflect averaging adjustment.	(\$193)
Total	<u>\$3,068</u>
<u>WORKING CAPITAL ALLOWANCE</u>	
1. To reflect 1/8 of test year O & M expenses.	<u>\$7,861</u>

KEEN SALES, RENTALS AND UTILITIES, INC.				SCHEDULE NO. 2				
TEST YEAR ENDING MARCH 31, 2000				DOCKET NO. 001118-WU				
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BAL. BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER COMMN	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$1,000	\$0	\$1,000					
2. RETAINED EARNINGS	18,287	0	18,287					
3. PAID IN CAPITAL	0	0	0					
4. OTHER COMMON EQUITY	0	0	0					
5. TOTAL COMMON EQUITY	<u>\$19,287</u>	<u>\$0</u>	<u>19,287</u>	<u>(12,246)</u>	<u>7,041</u>	<u>8.46%</u>	<u>9.94%</u>	<u>0.84%</u>
6. LONG TERM DEBT-Whiting	40,791	0	40,791	(25,900)	14,891	17.90%	8.00%	1.43%
LONG TERM DEBT-Keen	26,682	0	26,682	(16,942)	9,740	11.71%	8.00%	0.94%
LONG TERM DEBT-Roberts	12,136	0	12,136	(7,706)	4,430	5.33%	10.00%	0.53%
LONG TERM DEBT-Hoff	4,855	0	4,855	(3,083)	1,772	2.13%	10.00%	0.21%
LONG TERM DEBT-Keen	75,002	0	75,002	(47,623)	27,379	32.91%	5.50%	1.81%
LONG TERM DEBT-Roberts	6,471	0	6,471	(4,109)	2,362	2.84%	11.00%	0.31%
LONG TERM DEBT-Hoff	2,039	0	2,039	(1,295)	744	0.89%	10.00%	0.09%
LONG TERM DEBT-Keen	12,000	0	12,000	(7,619)	4,381	5.27%	11.00%	0.58%
LONG TERM DEBT-Ford	13,662	0	13,662	(8,675)	4,987	5.99%	2.90%	0.17%
LONG TERM DEBT-Keen	13,700	0	13,700	(8,699)	5,001	6.01%	10.00%	0.60%
LONG TERM DEBT-Keen	1,270	0	1,270	(806)	464	0.56%	10.00%	0.06%
7. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	6.00%	0.00%
8. TOTAL	<u>\$227,895</u>	<u>\$0</u>	<u>\$227,895</u>	<u>(\$144,703)</u>	<u>\$83,192</u>	<u>100.00%</u>		<u>7.58%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>8.94%</u>	<u>10.94%</u>	
OVERALL RATE OF RETURN						<u>7.49%</u>	<u>7.66%</u>	

KEEN SALES, RENTALS AND UTILITIES, INC.			SCHEDULE NO. 3-A		
TEST YEAR ENDING MARCH 31, 2000			DOCKET NO. 001118-WU		
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	COMMN ADJUST.	COMMN ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$35,353</u>	<u>\$0</u>	<u>\$35,353</u>	<u>\$52,982</u>	<u>\$88,335</u>
				149.87%	
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	26,276	36,611	62,887	0	62,887
3. DEPRECIATION (NET)	0	5,784	5,784	0	5,784
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,059	7,917	10,976	2,384	13,360
6. INCOME TAXES	0	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$29,335</u>	<u>\$50,312</u>	<u>\$79,647</u>	<u>\$2,384</u>	<u>\$82,031</u>
8. OPERATING INCOME/(LOSS)	<u>\$6,018</u>		<u>(\$44,294)</u>		<u>\$6,304</u>
9. WATER RATE BASE	<u>\$0</u>		<u>\$83,192</u>		<u>\$83,192</u>
10. RATE OF RETURN	<u>0.00%</u>		<u>-53.24%</u>		<u>7.58%</u>

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 3-B
TEST YEAR ENDING MARCH 31, 2000		DOCKET NO. 001118-WU
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 2
OPERATING REVENUES		WATER
To adjust utility revenues to audited test year amount.		<u>\$0</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages - Employees		
a.	To reflect Sunrise allocated of salaries for maint. engineer.	\$4,028
b.	To reflect the Office Manager's salary per Sunrise allocated portion. (Disclosure No. 3)	\$10,712
c.	To reflect Sunrise allocated of salaries for the office person.	<u>(\$178)</u>
	Subtotal	<u>\$14,562</u>
2. Salaries and Wages - Officers		
a.	To reflect the officers' salary amount per Sunrise allocated portion.	<u>\$16,529</u>
3. Purchased Power		
a.	To reflect repression adjustment.	<u>(\$172)</u>
4. Chemicals		
a.	To reclassify water system maintenance expense to Account No. 636.	(720)
b.	To reclassify chemical expense to Account No. 635.	(538)
c.	To reflect repression adjustment.	(114)
d.	To bring chemical expense to staff's recommended amount.	370
	Subtotal	<u>(\$1,002)</u>
5. Materials and Supplies		
a.	To allow annual postage expense.	\$567
b.	To reflect the annual allocated amount for office supplies.	<u>\$349</u>
	Subtotal	<u>\$916</u>
6. Contractual Services - Professional		
a.	To reflect Sunrise allocation for set-up cost amortize over 5-years.	\$587
b.	To account for non-recurring computer expense amortize over 5-years.	(\$186)
c.	To reflect Sunrise's share of the allocation adjustment for this expense.	\$174
d.	To amortize attorney fees associated with purchase of utility.	<u>(\$182)</u>
	Subtotal	<u>\$393</u>
7. Contractual Services - Testing		
a.	To reflect reclassified expense from Account No. 618.	538
b.	To reflect annual testing expense.	<u>\$1,624</u>
	Subtotal	<u>\$2,162</u>
8. Contractual Services - Other		
a.	To reflect allocation of telephone expense.	\$200
b.	To reflect utility's parts expense for the test year.	\$444
c.	To remove from expense and reclassify as UPIS.	(\$758)
d.	To reflect allocation of labor expense.	\$105
e.	To remove from expense and reclassify as UPIS.	(\$808)
f.	To reflect the reclassification system maint. in Account No. 618.	\$720
g.	To reflect three months of system maint. not recorded by the utility.	<u>\$240</u>
	Subtotal	<u>\$143</u>
9. Rents		
	To reflect Sunrise allocated portion of office expense.	<u>\$5,281</u>

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 3-B
TEST YEAR ENDING MARCH 31, 2000		DOCKET NO. 001118-WU
ADJUSTMENTS TO OPERATING INCOME		PAGE 2 OF 2
		<u>WATER</u>
<b>10. Transportation Expense</b>		
a.	To reflect utility related transportation expenses.	\$587
b.	To remove annual auto payments incorrectly recorded.	(\$1,601)
	Subtotal	<u>(\$1,014)</u>
<b>11. Insurance Expenses</b>		
a.	To reflect auto insurance coverage.	\$104
b.	To reflect commercial and worker's compensation insurance.	\$596
	Subtotal	<u>\$700</u>
<b>12. Bad Debt Expense.</b>		
a.	To reflect the uncollectible revenues occurred during the test year.	<u>\$134</u>
<b>13. Miscellaneous Expense</b>		
a.	To remove non-utility related expenses.	(1,732)
b.	To reflect expense that was recorded in UPIS Account.	461
c.	To disallow purchase cost of system.	(750)
	Subtotal	<u>(\$2,021)</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>		<u>\$36,611</u>
<b>DEPRECIATION EXPENSE</b>		
1.	To reflect test year depreciation expense calculated per 25-30.140 F.A.C.	5,081
2.	To reflect depreciation expense on pro forma plant.	1,029
3.	To reflect amortization of CIAC during the test year.	(326)
	Total	<u>\$5,784</u>
<b>TAXES OTHER THAN INCOME</b>		
1.	To include regulatory assessment fees paid.	\$1,202
2.	To reflect payroll taxes for approved salaries.	7,494
3.	To adjust payroll tax on salaries during the test year.	(1,326)
4.	To correct error in withholding taxes during the test year.	(681)
5.	To reflect taxes paid to the Polk County tax collector.	839
6.	To include additional RAF not paid or reported during the test year.	389
	Total	<u>\$7,917</u>
<b>OPERATING REVENUES</b>		
1.	To reflect approvtaff's recommended increase in revenue.	<u>\$52,982</u>
<b>TAXES OTHER THAN INCOME</b>		
	To reflect additional regulatory assessment fee associated with recommended revenue requirement.	<u>\$2,384</u>

KEEN SALES, RENTALS AND UTILITIES, INC.		SCHEDULE NO. 3-C		
TEST YEAR ENDING MARCH 31, 2000		DOCKET NO. 001118-WU		
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE				
	TOTAL PER UTILITY	COMM PER ADJUST.		TOTAL PER PER COMM
(601) SALARIES AND WAGES - EMPLOYEES	7,291	14,562	[1]	21,853
(603) SALARIES AND WAGES - OFFICERS	0	16,529	[2]	16,529
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	2,382	(172)	[3]	2,210
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	2,604	(1,002)	[4]	1,602
(620) MATERIALS AND SUPPLIES	859	916	[5]	1,775
(630) CONTRACTUAL SERVICES - BILLING	0	0		0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	1,014	393	[6]	1,407
(635) CONTRACTUAL SERVICES - TESTING	0	2,162	[7]	2,162
(636) CONTRACTUAL SERVICES - OTHER	4,665	143	[8]	4,808
(640) RENTS	0	5,281	[9]	5,281
(650) TRANSPORTATION EXPENSE	2,853	(1,014)	[10]	1,839
(655) INSURANCE EXPENSE	1,930	700	[11]	2,630
(655) REGULATORY COMMISSION EXPENSE	0	0		0
(670) BAD DEBT EXPENSE	0	134	[12]	134
(675) MISCELLANEOUS EXPENSES	<u>2,678</u>	<u>(2,021)</u>	[13]	<u>657</u>
	26,276	36,611		62,887

WATER TREATMENT PLANT - USED AND USEFUL DATA

Docket No. 001118-WU - Sunrise Water Company

1)	Firm Reliable Capacity of Plant	80,100	gpd
2)	Average Day Flow (5 Max. Days of Max. Month)	129,171	gpd
3)	Average Daily Flow	73,372	gpd
4)	Fire Flow Capacity	0	gpd
5)	Growth            0 ERCs	0	gpd
6)	Excessive Unaccounted for Water	0	gpd

USED AND USEFUL FORMULA

$$[(2)+(4)+(5)-(6)]/(1) = 100\% \text{ Used and Useful}$$

WATER DISTRIBUTION SYSTEM - USED AND USEFUL DATA

Docket No. 001118-WU - Sunrise Water Company

1)	Capacity of System (Number of Potential ERCs)	268	ERCs
2)	Test year connections		
	a) Beginning of Test Year	268	ERCs
	b) End of Test Year	268	ERCs
	c) Average Test Year	268	ERCs
3)	Growth	0	ERCs
	a) customer growth in ERCs	0	ERCs
	b) Statutory Growth Period	5	Years
	(a)x(b) = 0 ERCs allowed for growth		

USED AND USEFUL FORMULA

$$[(2b+(3))]/(1) = 100\% \text{ Used and Useful}$$