

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of PALM COAST)
UTILITY CORPORATION for rate increase)
in Flagler County)

DOCKET NO. 890277-WS
ORDER NO. 21570
ISSUED: 7-18-89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
BETTY EASLEY
GERALD L. GUNTER
JOHN T. HERNDON

ORDER SUSPENDING PROPOSED RATES,
GRANTING INTERIM INCREASE IN WATER
RATES, SUBJECT TO REFUND, AND SETTING
PORTION OF WASTEWATER RATES SUBJECT TO REFUND

BY THE COMMISSION:

CASE BACKGROUND

Palm Coast Utility Corporation (Palm Coast) is a utility which provides water and wastewater service to the public in Flagler County. On May 19, 1989, Palm Coast completed the minimum filing requirements (MFRs) for a proposed rate increase and that date was established as the official date of filing. The approved test year for this proceeding is the twelve-month period ended December 31, 1988.

Palm Coast has proposed rates, for both interim and permanent purposes, designed to generate annual revenues of \$3,308,874 for water and \$1,819,965 for wastewater service. These revenues exceed test year revenues by \$826,625 (33.3 percent) and \$359,531 (24.6 percent) for water and wastewater, respectively. According to Palm Coast, its proposed rates will allow it to recover operating expenses and an 8.86 percent return on its average investment in used and useful plant facilities. Palm Coast contends, however, that its actual cost of capital is 11.02 percent, which would reportedly represent a fair return on investment if Palm Coast had requested compensatory rates in this case.

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SUSPENSION OF PROPOSED RATES

Pursuant to Section 367.081(6), Florida Statutes, Palm Coast's proposed rates shall become effective sixty days after filing unless this Commission issues an order withholding consent to the proposed rates. Further, that section would permit Palm Coast to implement the proposed rates subject to refund, eight months after filing, unless final action has been taken by the Commission.

A main justification for Palm Coast's proposed rate increase is its contention that a larger portion of plant than allowed in its last rate case is currently used and useful. An initial review of Palm Coast's application indicates that it has added approximately 2,300 new customers since 1986, the test year used in its last rate proceeding, which represents an increase of about 45 percent. Such growth may account for Palm Coast's increased used and useful calculations, however, we believe that these calculations require further study. We also believe that the reported increases in plant and contributions-in-aid-of-construction (CIAC), as well as Palm Coast's operating expenses, should be audited.

Considering the amount of additional revenues sought and the supporting data submitted by Palm Coast, we find it appropriate to require further explanation and substantiation of these data. In addition, considering the amount of controversy that has attended each of Palm Coast's previous rate proceedings before this Commission, we believe that a formal hearing on this matter, in Palm Coast's service area, is indicated. Accordingly, we find it appropriate to suspend Palm Coast's proposed rates.

INTERIM RATES

Rate Base

Our calculations of the appropriate rate bases, used solely for the purpose of setting interim rates, are attached as Schedules Nos. 1-A for water and 1-B for wastewater, with our adjustments itemized on Schedule No. 1-C. Those adjustments which are mechanical in nature, or which are essentially self-explanatory, are depicted on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

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Working Capital and Deferred Charges - In accordance with Section 367.082(5)(b), Florida Statutes, the utility's achieved rate of return is to be calculated by applying adjustments consistent with those used in its most recent rate case. In its current application, Palm Coast has included a working capital amount calculated using the formula method, or an amount which equals 12.5 percent of the utility's test year operating and maintenance expenses. In addition, the utility's proposed rate base includes a provision for deferred expenses related to an investigation into its investment in utility assets, which is still being processed under Docket No. 871395-WS. In the utility's last rate case, the working capital amount was examined using the balance sheet approach, whereby current and deferred asset and liability accounts are directly compared, subject to the removal of certain intercompany, certain interest-bearing and certain non-utility accounts. Due to the inherent problems involved in allocating the utility's asset and liability accounts between used and non-used activities, we excluded working capital from rate base in its entirety. In addition, we disallowed from rate base certain deferred charges that would normally be included in the balance sheet approach. The utility's current application does not include a schedule to reflect an average balance sheet measurement of working capital but does include a standard balance sheet, showing beginning and ending asset and liability accounts. However, that schedule does not provide the necessary information to identify all interest bearing accounts or to allocate amounts between used and non-used and useful functions. Accordingly, we have removed both working capital and the proposed deferred investigation costs for interim purposes.

Based upon the utility's application and the adjustments discussed above, we find that the appropriate rate bases, for interim purposes only, are \$11,273,227 for water and \$4,493,186 for wastewater.

Capital Structure

Our calculations of the utility's capital structures, used solely for the purpose of establishing interim rates, are attached as Schedules Nos. 2-A for water and 2-B for wastewater. Those adjustments which are mechanical in nature, or which are essentially self-explanatory, are depicted on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

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Last Authorized Rate of Return on Equity - Under Section 367.082(5), Florida Statutes, we are to determine any revenue deficiency or excess by comparing the utility's achieved rate of return to its required rate of return. The required rate of return is to be calculated as the weighted average cost of capital for the most recent twelve-month period, using the last authorized rate of return on equity.

Palm Coast argues that, in its last rate case, which was processed under Docket No. 870166-WS, by Order No. 18625, issued January 4, 1988, we found the appropriate return on equity to be 12.03 percent. Applying that return on equity to the current capital structure, with the cost of other capital components determined in accordance with Section 367.082(5)(b)2, Florida Statutes, Palm Coast contends that the required rate of return for interim purposes is 10.66 percent. Palm Coast argues that its proposed rates, if implemented on an interim basis, would produce less than the required rate of return and that, under Utilities Operating Co., Inc. v King, 143 So. 2d 854 (Fla. 1962), since the proposed rates would produce less than a fair return, we must approve them on an interim basis. Palm Coast argues that to do otherwise would be arbitrary, discriminatory and would essentially penalize the utility for its prior collection of less than compensatory rates.

We have already considered this very argument in Palm Coast's last rate case. By Order No. 17814, issued July 7, 1987, we rejected the utility's interpretation of Section 367.082(5), Florida Statutes, and found that "[t]he only way to apply the make-whole standard embodied in the interim statute to cases such as this is to put the utility in the same earnings posture based upon its last permanent award without regard to the rate of return specified in the last order as fair and reasonable for surveillance purposes." We find no reason to depart from our interpretation of the interim rate statute and, therefore, find that the "last authorized rate of return on equity," for the purpose of Palm Coast's current interim rate request, means the rate of return on equity embodied in the utility's last permanent rate award. Accordingly, the appropriate rates of return on equity, for interim purposes, are 7.12 percent for water and 4.11 percent for wastewater, as specified in Order No. 18625.

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Debit Deferred Taxes - In Palm Coast's last rate case, the its proposed capital structure included an amount to represent accumulated income taxes which were reportedly incurred due to its collection of CIAC prior to 1987. This prepaid or debit deferred tax amount served to reduce the zero-cost capital components resulting from unamortized Investment Tax Credits and credit deferred tax balances. After considering the evidence in that proceeding, we excluded these pre-1987 CIAC-related debit deferred amounts from the final approved capital structure. The utility filed a petition for reconsideration of this disallowance, which was denied. The utility subsequently filed a motion to be heard on this issue. Prior to the Commission's addressing this motion, a stipulation was reached whereby this issue would be considered in Docket No. 871395-WS. At the April 18, 1989 Agenda Conference, we decided, which decision will be reflected in a subsequently issued order, that the tax liability related to Palm Coast's pre-1987 collection of CIAC was avoidable. We have, therefore, removed the debit deferred tax amounts from the utility's proposed capital structure for interim purposes in this proceeding.

Based upon the utility's application and the above adjustments, we find that the appropriate overall rates of return are 6.21 percent for water and 4.23 percent for wastewater.

Net Operating Income (NOI)

Our calculations of NOI, used solely for the purpose of establishing interim rates, are attached as Schedules Nos. 3-A for water and 3-B for wastewater, with our adjustments itemized on Schedule No. 3-C. Those adjustments which are mechanical in nature, or which are essentially self-explanatory, are depicted on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Deferred Charges - The utility's operating statement includes provisions for the recovery of an estimated \$230,000 in various pro forma deferred charges relating to this case, an estimated pro forma total of \$150,000 for the investigation docket and \$110,380 in unamortized prior rate case expense, for a total of \$490,380. Palm Coast has requested that it be allowed to amortize this amount over a two-year period, for a \$245,190 pro forma adjustment, to be divided equally between

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water and wastewater. Since it is our practice to exclude pro forma adjustments for interim purposes, we have removed the pro forma amounts, however, the interim revenue requirement approved below does include a provision for the recovery of rate case expenses as allowed pursuant to Order No. 18265..

Revenue Requirements

Allowing for Palm Coast's recovery of adjusted test year operating expenses and the applicable approved rates of return on its rate bases, we find that the following revenue requirements are appropriate for interim purposes.

	<u>Revenue Requirement</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Water	\$2,702,249	\$220,493	8.88%
Wastewater	\$1,358,018	(\$102,416)	(7.01%)

Interim Rates

In order to allow Palm Coast the opportunity to earn the revenue requirements approved above, we hereby approve the rates set forth below, for interim purposes only. The following is a comparison of Palm Coast's current rates, its requested rates and the rates approved herein:

MONTHLY WATER RATES

Residential and General Service

<u>Base Facility Charge</u>	<u>Current</u>	<u>Proposed Interim</u>	<u>Approved Interim</u>
Meter Size:			
5/8" x 3/4"	\$ 7.74	\$ 10.45	\$ 8.44
1"	19.35	26.12	21.10
1-1/2"	38.70	N/A	42.20
2"	61.92	83.59	67.53
3"	123.84	167.18	135.06
4"	193.50	261.23	211.03
6"	387.00	522.45	422.06
<u>Gallage Charge,</u> per 1,000 gallons	\$ 2.64	\$ 3.56	\$ 2.88

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Private Fire Protection Service

<u>Base Facility Charge</u>	<u>Current</u>	<u>Proposed Interim</u>	<u>Approved Interim</u>
Line Size:			
4"	\$ 64.49	\$ 87.06	\$ 70.33
6"	128.99	174.14	140.68
8"	206.38	278.61	225.08
10"	296.65	400.48	323.52
12"	554.58	748.68	604.82

Irrigation Service

<u>Base Facility Charge</u>	<u>Current</u>	<u>Proposed Interim</u>	<u>Approved Interim</u>
Meter Size:			
5/8" x 3/4"	\$ 3.87	\$ 5.22	\$ 4.22
1"	19.35	26.12	21.10
1-1/2"	38.70	N/A	42.20
2"	61.92	83.59	67.53
3"	123.84	167.18	135.06
4"	193.50	261.23	211.03
6"	387.00	522.45	422.06
<u>Gallage Charge,</u> per 1,000 gallons	\$ 2.64	\$ 3.56	\$ 2.88

Since there is no increase in the interim wastewater revenue requirement, no change in wastewater rates is appropriate. However, Pursuant to Section 367.082(2), Florida Statutes, the wastewater revenues collected in excess of the approved revenue requirement, as well as the increase over the last authorized water rates, shall be held subject to refund in accordance with Rule 25-30.360, Florida Administrative Code. To guarantee any potential refund, we find it appropriate to require Palm Coast to submit a corporate undertaking in the amount of \$270,000. In addition, pursuant to that rule, Palm Coast shall file a report by the twentieth day of each month indicating the monthly and total revenues collected subject to

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refund. Further, Palm Coast shall submit a proposed customer notice explaining the interim increase and the reasons therefor for prior Commission approval.

The interim increase for water shall be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon staff's verification that they are consistent with the Commission's decision, that the proposed customer notice is adequate, and that the appropriate refund security has been provided.

Based upon the discussion above, it is

ORDERED by the Florida Public Service Commission, that the final rate schedules proposed by Palm Coast Utility Corporation are hereby suspended, pursuant to Section 367.081(6), Florida Statutes. It is further

ORDERED that the request by Palm Coast Utility Corporation for an interim increase in water rates is hereby approved, in part, as set forth in the body of this Order. It is further

ORDERED that the request by Palm Coast Utility Corporation for an interim increase in wastewater rates is hereby denied, as set forth in the body of this Order. It is further

ORDERED that the wastewater revenues collected in excess of the approved revenue requirement and the increase over the last authorized water rates shall be held subject to refund in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that Palm Coast Utility Corporation shall file tariff pages in accordance with the provisions of this Order. It is further

ORDERED that Palm Coast Utility Corporation shall file a proposed notice to its customers detailing the increased rates and the reasons therefor. This notice shall be submitted to this Commission for prior approval. It is further

ORDERED that Palm Coast Utility Corporation shall file a corporate undertaking in the amount of \$270,000, as guarantee for any potential refund. It is further

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ORDERED that the increased water rates approved herein shall be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon staff's verification that they are consistent with the Commission's decision, that the proposed customer notice is adequate, and that the appropriate refund security has been provided.

By ORDER of the Florida Public Service Commission,
this 18th day of July, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme

PALM COAST UTILITY CORPORATION
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED 12/31/88

SCHEDULE NO. 1-A
 DOCKET NO. 890277-WS

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	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY U/U ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1	UTILITY PLANT IN SERVICE	\$ 41,842,357	\$ (151,704)	\$ (20,408,438)	\$ 21,282,215	\$ 21,282,215
2	LAND AND LAND RIGHTS	369,528		369,528		369,528
3	ACCUM DEPRECIATION	(8,758,747)	38,115	4,094,944	(4,625,688)	(4,625,688)
4						
5	PROPERTY HELD FOR FUTURE USE	315,612	151,704	(467,316)	0	0
6	ADVANCED PROPERTY	943,688		(943,688)	0	0
7	ACCUM DEPRECIATION (PHFU)	(33,566)	(38,115)	71,681	0	0
8						
9	CIAC	(6,862,072)		(181,024)	(7,043,096)	(7,043,096)
10	ADVANCES	(1,044,174)		1,044,174	0	0
11	ACCUM AMORTIZATION	971,453		25,796	997,249	997,249
12						
13	PREPAID TAXES	1,265,576	(545,781)	(426,776)	293,019	293,019
14	INVESTIGATION COSTS	56,250		56,250	(56,250)	0
15	WORKING CAPITAL	126,939		126,939	(126,939)	0
16						
17	RATE BASE TOTAL	\$ 29,192,844	\$ (545,781)	\$ (17,190,647)	\$ 11,456,416	\$ (183,189)
	

PALM COAST UTILITY CORPORATION
 SCHEDULE OF SEWER RATE BASE
 TEST YEAR ENDED 12/31/88

SCHEDULE NO. 1-8
 DOCKET NO. 890277-WS

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	COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY U/U ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1	UTILITY PLANT IN SERVICE	\$ 42,709,868	\$	\$ (26,304,680)	\$ 16,405,188	\$	\$ 16,405,188
2	LAND AND LAND RIGHTS	588,895		(147,856)	441,039		441,039
3	ACCUM DEPRECIATION	(9,115,027)		5,439,288	(3,675,739)		(3,675,739)
4							
5	PROPERTY HELD FOR FUTURE USE	0			0		0
6	ADVANCED PROPERTY	28,702		(28,702)	0		0
7	ACCUM DEPRECIATION (PHFU)	0			0		0
8							
9	CIAC	(41,324,532)		30,873,253	(10,451,279)		(10,451,279)
10	CIAC IN TRUST	(4,126,601)		4,126,601	0		0
11	ADVANCES	(41,045)		41,045	0		0
12	ACCUM AMORTIZATION	5,842,412		(4,363,040)	1,479,372		1,479,372
13							
14	PREPAID TAXES	2,164,702	(509,519)	(1,360,578)	294,605		294,605
15	INVESTIGATION COSTS	56,250			56,250	(56,250)	0
16	WORKING CAPITAL	97,992			97,992	(97,992)	0
17							
18	RATE BASE TOTAL	\$ (3,118,384)	\$ (509,519)	\$ 8,275,331	\$ 4,647,428	\$ (154,242)	\$ 4,493,186

PALM COAST UTILITY CORPORATION
RATE BASE ADJUSTMENTS

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SCHEDULE NO. 1-C

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ADJUSTMENTS

WORKING CAPITAL

1. Adjustment to remove deferred charges resulting from the investigation in Docket No. 871395-WS
2. Adjustment to remove requested working capital provision computed using formula approach

WATER -----	SEWER -----
(56,250)	(56,250)
(126,939)	(97,992)
----- (183,189)	----- (154,242)
=====	=====

PALM COAST UTILITY CORPORATION
 CAPITAL STRUCTURE - WATER
 TEST YEAR ENDED 12/31/88

SCHEDULE NO. 2-A
 DOCKET NO. 890277-WS

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DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	ADJUSTMENT FROM PRIOR DOCKET	RECONCILING ADJUSTMENTS	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST
1 LONG TERM DEBT	\$ 5,269,231		\$ (3,420,010)	\$ 1,849,221	16.40%	8.79%	1.44%
2							
3 SHORT TERM DEBT	107,683		(69,892)	37,791	0.34%	9.00%	0.03%
4							
5 CUSTOMER DEPOSITS	254,104		(164,927)	89,177	0.79%	8.00%	0.06%
6							
7 PREFERRED STOCK	0		0	0	0.00%	0.00%	0.00%
8							
9 COMMON EQUITY	21,068,245		(13,674,405)	7,393,840	65.59%	7.12%	4.67%
10							
11 INVESTMENT TAX CREDITS	3,010,162		(1,953,754)	1,056,408	9.37%	0.00%	0.00%
12							
13 CREDIT DEFERRED TAXES	2,412,871		(1,566,081)	846,790	7.51%	0.00%	0.00%
14							
15 DEBIT DEFERRED TAXES	(3,738,550)	3,738,550	0	0	0.00%	0.00%	0.00%
16							
17 TOTAL CAPITAL	\$ 28,383,746	\$ 3,738,550	\$ (20,849,069)	\$ 11,273,227	100.00%		6.21%

PALM COAST UTILITY CORPORATION
CAPITAL STRUCTURE - SEWER
TEST YEAR ENDED 12/31/88

SCHEDULE NO. 2-B
DOCKET NO. 890277-WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	ADJUSTMENT FROM PRIOR DOCKET	RECONCILING ADJUSTMENTS	BALANCE PER STAFF	WEIGHT	COST	WEIGHTED COST
1 LONG TERM DEBT	\$ 5,269,231		(4,532,184)	\$ 737,047	16.40%	8.79%	1.44%
2							
3 SHORT TERM DEBT	107,683		(92,621)	15,062	0.34%	9.00%	0.03%
4							
5 CUSTOMER DEPOSITS	254,104		(218,561)	35,543	0.79%	8.00%	0.06%
6							
7 PREFERRED STOCK	0		0	0	0.00%	0.00%	0.00%
8							
9 COMMON EQUITY	21,068,245		(18,121,272)	2,946,973	65.59%	4.11%	2.70%
10							
11 INVESTMENT TAX CREDITS	3,010,162		(2,589,108)	421,054	9.37%	0.00%	0.00%
12							
13 CREDIT DEFERRED TAXES	2,412,871		(2,075,365)	337,506	7.51%	0.00%	0.00%
14							
15 DEBIT DEFERRED TAXES	(3,738,550)	3,738,550	0	0	0.00%	0.00%	0.00%
16							
17 TOTAL CAPITAL	\$ 28,383,746	\$ 3,738,550	(27,629,110)	\$ 4,493,186	100.00%		4.23%

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PALM COAST UTILITY CORPORATION
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED 12/31/88

SCHEDULE NO. 3-A
DOCKET NO. 890277-WS

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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 2,445,264	\$ 863,610	\$ 3,308,874	\$ (826,625)	\$ 2,482,249	\$ 220,493	\$ 2,702,742
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 1,204,808	\$ (151,798)	\$ 1,053,010	\$ (102,125)	\$ 950,885	\$	\$ 950,885
6							
7 DEPRECIATION	1,003,740	(538,948)	464,792		464,792		464,792
8							
9 AMORTIZATION	0		0		0		0
10							
11 TAXES OTHER THAN INCOME	314,721	(30,736)	283,985	(20,666)	263,319	5,512	268,831
12							
13 INCOME TAXES	(93,097)	585,451	492,354	(247,382)	244,972	73,195	318,167
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 2,430,172	\$ (136,031)	\$ 2,294,141	\$ (370,173)	\$ 1,923,968	\$ 78,707	\$ 2,002,675
17							
18							
19 OPERATING INCOME	\$ 15,092	\$ 999,641	\$ 1,014,733	\$ (456,452)	\$ 558,281	\$ 141,786	\$ 700,067
20							
21							
22 RATE BASE	\$ 29,192,844		\$ 11,456,417		\$ 11,273,227		\$ 11,273,227
23							
24							
25 RATE OF RETURN	0.05%		8.86%		4.95%		6.21%

PALM COAST UTILITY CORPORATION
STATEMENT OF SEWER OPERATIONS
TEST YEAR ENDED 12/31/88

SCHEDULE NO. 3-B
DOCKET NO. 890277-WS

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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 1,448,863	\$ 371,102	\$ 1,819,965	\$ (359,531)	\$ 1,460,434	\$ (102,416)	\$ 1,358,018
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 978,112	\$ (156,674)	\$ 821,438	\$ (102,125)	\$ 719,313	\$	\$ 719,313
6							
7 DEPRECIATION	108,898	104,938	213,836	0	213,836		213,836
8							
9 AMORTIZATION	0	0	0		0		0
10							
11 TAXES OTHER THAN INCOME	222,521	(49,215)	173,306	(8,988)	164,318	(2,560)	161,758
12							
13 INCOME TAXES	(11,313)	210,940	199,627	(81,299)	118,328	(45,279)	73,049
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 1,298,218	\$ 109,989	\$ 1,408,207	\$ (192,412)	\$ 1,215,795	\$ (47,839)	\$ 1,167,956
17							
18							
19 OPERATING INCOME	\$ 150,645	\$ 261,113	\$ 411,758	\$ (167,119)	\$ 244,639	\$ (54,577)	\$ 190,062
20							
21							
22 RATE BASE	\$ (3,118,384)		\$ 4,647,428		\$ 4,493,186		\$ 4,493,186
23							
24							
25 RATE OF RETURN	N/M		8.86%		5.44%		4.23%

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PALM COAST UTILITY CORPORATION
 ADJUSTMENTS TO OPERATING STATEMENT

DOCKET NO. 890277-WS
 SCHEDULE NO. 3-C

ADJUSTMENTS	WATER	SEWER
----- OPERATING REVENUES -----		
Adjustment to remove requested provision for increased revenues	(826,265)	(359,531)
	-----	-----
----- OPERATING EXPENSES -----		
1. Adjustment to remove requested provision for amortization of current and prior rate case costs and amount incurred in Docket No. 871395-WS	(122,595)	(122,595)
2. Provision for amortization of rate case costs per Order No. 18265	20,470	20,470
	-----	-----
	(102,125)	(102,125)
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----- TAXES OTHER THAN INCOME TAXES -----		
Remove gross receipts tax relating to requested revenue increases	(20,666)	(8,988)
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----- INCOME TAXES -----		
Adjustment to reflect income taxes relating to earnings before proposed rate increases	(247,382)	(81,299)
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----- OPERATING REVENUES -----		
Adjustment to reflect staff calculation of interim revenue requirement	220,493	(102,416)
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----- TAXES OTHER THAN INCOME TAXES -----		
Provision to reflect gross receipts tax relating to interim revenues	5,512	(2,560)
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----- INCOME TAXES -----		
Adjustment to reflect income taxes relating to interim rates	73,195	(45,279)
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