

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of DEBARY)	DOCKET NO. 890792-WS
ASSOCIATES, INC. for staff-assisted)	ORDER NO. 22569
rate case in Volusia County)	ISSUED: 2-19-90
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER GRANTING TEMPORARY RATES
IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING INCREASED RATES FOR WATER
AND WASTEWATER SERVICE AND ASSESSING PENALTY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein, except for the granting of temporary rates in the event of a protest by any substantially affected person other than DeBary Associates, Inc., are preliminary in nature but will become final unless a substantially affected person files a petition for a formal hearing in accordance with Rule 25-22.029, Florida Administrative Code.

BACKGROUND

DeBary Associates, Inc. (DeBary or utility) is a real estate developer which sells mobile homes and lots in Meadowlea On The River (Meadowlea), a subdivision in DeBary, Florida. In addition to developing Meadowlea, DeBary also owns and operates a utility which provides water and wastewater service to the approximately 244 customers in Meadowlea.

On June 13, 1989, DeBary applied for a staff-assisted rate case. Its application was approved by letter dated July 10, 1989. The test year for this proceeding is the twelve-month period ending June 30, 1989. During the test year, the utility realized operating revenues of \$29,656 for water and \$29,767 for wastewater and a net operating income of \$(4,590) and \$(7,635) for water and wastewater, respectively.

DOCUMENT NUMBER-DATE
 01586 FEB 19 1990
 FPSC-RECORDS/REPORTING

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In conjunction with this case, the staff of this Commission (Staff) has audited the utility's books and records and inspected the plant facilities and service area.

CUSTOMER MEETING

On November 30, 1989, Staff conducted a customer meeting in the utility's service area. Approximately forty-five customers attended the meeting and thirteen customers provided testimony regarding quality of service. The major complaints included the odor of the water and/or the sprayfield, over-chlorination, water outages without notice, low water pressure, excessive salt in the water, lack of an emergency telephone number and poor maintenance. These concerns are addressed under the discussion of quality of service.

QUALITY OF SERVICE

At the customer meeting, two witnesses testified that there are frequent water outages. In fact, we are informed that the most recent outage occurred during the December, 1989 holiday season. According to our staff engineer, the water outages are generally a result of either power outages or a disruption in the telephone relay which signals the wells located across the St. Johns River. It should be noted that, during the 1989 holiday season, extremely cold weather affected electrical service to the whole area. Apparently, the wells were "knocked out" and the generator at the treatment plant was only able to supply water until the reservoir ran out.

Unfortunately, due to the nature of this system, occasional outages are probably unavoidable. However, it appears that these outages are considerably less frequent than in the past, most probably due to an improved telephone link and the recent installation of a generator at the treatment plant.

A customer also expressed concern about an apparent lack of an after-hours emergency telephone number. However, this does not seem to be a serious problem because the utility's telephone number is printed on the customer bills and this number rings at both the utility office and the utility owner's home. We also note that both the utility owner and one of the maintenance men live in the service area.

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A significant number of customers testified that there is an objectionable taste or odor to the water. Some witnesses testified that they cannot drink the water; others testified that they were concerned about excessive salt content, and that excessive fluctuations in chlorine levels not only make the water unfit to drink, but corrode their fixtures and pipes. According to one witness, who performs home maintenance within the service area, water pipes, fixtures and water heater elements are frequently in need of repair. Further, he estimated that water service cannot be shut off to approximately fifty percent of the homes due to corroded gate valves.

Although the utility seems to be in compliance with most Department of Environmental Regulations (DER) and county health department requirements, it appears that the water is aesthetically displeasing. In addition, although it meets the minimum residual requirements, the utility seems to have problems maintaining a constant level of chlorination. We note that the utility uses liquid chlorine and that, unless it is monitored closely, fluctuations will occur. DeBary has been aware of this problem for quite some time; however, little improvement is evident.

In addition to their complaints about taste and odor, some customers also testified regarding low or intermittent pressure problems. Again, the water pressure appears to meet the DER-required minimum pressure. Nevertheless, the utility informs us that it will attempt to reset the water pressure several pounds higher. Although this may go a long way to alleviate the perceived pressure problems, we believe that much of the problem may be related to restrictions in plumbing caused by accumulations of sediment. The utility has indicated that it will, therefore, implement a quarterly flushing program.

Several witnesses noted that the utility's water tank is rusty and poorly maintained. The utility has obtained a cost quotation to sandblast and repaint the tank. We have reviewed this quotation and it appears reasonable. Accordingly, we find it appropriate to require DeBary to have this work completed within sixty days of the date of this Order.

Witnesses also expressed concerns over the subaqueous main which transports raw water from the wells across the St. Johns River. Although this line has been in service for

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approximately eighteen years, it has, apparently, never been inspected for structural damage. We are informed that the utility intends to perform such an inspection in 1992. Since the line appears to be functioning adequately, we believe that the utility's inspection schedule is satisfactory; however, at the first sign of any problems, DeBary shall inspect the line as necessary.

Witnesses also questioned whether the utility's operating personnel have the proper DER licenses. We have looked into this matter and have not found any such violations.

On the wastewater side, many witnesses complained of noxious odors emanating from the wastewater facilities. We note that there should be some improvement in this area as a result of a recent plant expansion. However, due to the facilities' proximity to the residential area and certain unavoidable operational problems, odor will probably continue to be a problem. Two witnesses also testified regarding a recent raw sewage overflow which reportedly occurred at the clubhouse. Apparently, whenever the main lift station malfunctions, sewage backs up at the lowest point on the system, the clubhouse, and overflows into the St. Johns River. DeBary claims that such backups are rare; the customers indicate that such backups occur regularly. Regardless of the actual frequency of such occurrences, the utility shall monitor the lift station more closely in order to minimize the problem.

Although DeBary is not technically out of compliance with any state or county standards, it does appear to have trouble maintaining consistency in its water or wastewater treatment. In addition, we believe that quality of service involves things other than compliance with technical standards, such as customer satisfaction. Due to the overwhelmingly negative customer response, we find that the quality of service provided by this utility is unsatisfactory. Since we believe the quality of service to be unsatisfactory, we find it appropriate to assess a penalty of \$1,400 against this utility, which penalty shall be held in abeyance and be reviewable six months following the date of this Order. Should the quality of service improve, we may suspend the penalty at that time.

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RATE BASE

Our calculations of rate base are shown on Schedules Nos. 1 and 1-A for water and wastewater, respectively, with our adjustments to rate base depicted on Schedule No. 1-B. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are shown on those schedules without further discussion in the body of this Order. The major adjustments to rate base are discussed below.

Used and Useful

Water System - The capacity of the water treatment plant is 86,400 gallons per day (gpd). The average daily flow for the peak month during the test year was 53,700 gpd and the five peak day average flow during the test year was 72,400 gpd. Using the formula method and including a margin reserve of 4,154 gpd, the water treatment plant is 89 percent used and useful.

Notwithstanding the above, we note that there are only 14 vacant lots left in the service area. Accordingly, we find that the water treatment plant is 100 percent used and useful. In addition, since there are only 14 remaining connections, we also find that the water distribution system is 100 percent used and useful.

Wastewater System - The capacity of the wastewater treatment plant is 50,000 gpd. During the test year, the average daily flow was 28,000 gpd and the maximum daily flow was 41,000 gpd. Using the formula method and a 1,638 gpd margin reserve, the treatment plant is 59 percent used and useful. However, as noted in our discussion of the water system, the service area is almost completely built-out; there are only 14 lots available to connect to the system. In addition, we note that much of the excess plant exists because DER mandated that it be built.

Based upon the discussion above, we find that the wastewater treatment plant is 100 percent used and useful. In addition, since there are only fourteen available connections left, we also find that the wastewater collection system is 100 percent used and useful.

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Land

DeBary owns the land upon which the water and wastewater treatment plants are located. By Order No. 12197, issued July 6, 1983, we established the value of these parcels at \$7,000 apiece. These appear to be properly recorded on the utility's books. Accordingly, no adjustments are necessary.

DeBary does not own the land upon which its south well or sprayfield are located. For the south well, the utility has a twenty-year lease which expires in 2002. For the sprayfield, DeBary has a five-year lease which expires on May 31, 1993, with a one-time renewal option.

Although these leases do not comport with the requirement that the utility own or have a long-term lease for the land upon which its facilities are located, we are informed that the utility is not currently able to obtain a long-term lease. Nevertheless, the utility shall obtain a long-term lease, preferably a 99 year lease, for these sites before it applies for either another rate increase or a transfer.

Working Capital

Our preferred method for calculating working capital is the balance sheet method. In this case, however, the utility operations are commingled with DeBary's non-utility operations. Accordingly, it would be impossible to separate assets and liabilities or allocate any of the balance sheet components.

By Order No. 21202, issued May 8, 1989, in Docket No. 880883-WS, a limited investigation into ratesetting procedures, we recognized that, although the one-eighth of operating and maintenance (O&M) expenses (formula) method of determining working capital lacks the precision of the balance sheet method, it is reliable and significantly less costly.

Since it would be impossible to use the balance sheet method, we find it appropriate, in this case, to use the formula method to calculate working capital. Accordingly, we find that the appropriate amounts of working capital are \$3,343 for water and \$3,361 for wastewater.

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Rate Base

Based upon the information reviewed and the adjustments discussed above, we find that the average test year rate base is \$69,813 for water and \$68,793 for wastewater.

COST OF CAPITAL

Our calculation of DeBary's overall cost of capital is shown on Schedule No. 2. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are depicted on Schedule No. 2 without any further discussion. The major adjustments are discussed below.

In calculating the appropriate cost of capital, we have used the total capital structure, utility-related or not, of DeBary. DeBary's capital structure is comprised of 75.98 percent advances from a related company and 24.02 percent long-term debt. In keeping with Commission practice and the treatment afforded in the utility's last rate case, we have included the advances as common equity. Using the most recent leverage formula, approved by this Commission by Order No. 21775, issued August 23, 1989, the appropriate cost of common equity is 12.22 percent. The utility's long term debt has a cost of 14.13 percent.

Based upon the discussion above, we find that the appropriate overall rate of return is 12.67 percent.

NET OPERATING INCOME (NOI)

Our calculations of NOI are attached hereto as Schedules Nos. 3 for water and 3-A for wastewater, with our adjustments itemized on Schedule No. 3-B. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are depicted on those schedules without further discussion. The major adjustments are discussed below.

Test Year Revenues

The utility reports annual test year revenues of \$29,656 for water and \$29,767 for wastewater. These revenues agree with the test year billing analysis; accordingly, we find that the above revenues are the appropriate test year amounts.

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O & M Expenses

Salaries and Wages - During the test year, DeBary both accrued and paid for its employees' salaries, resulting in a double counting. We have, therefore, reversed one-half of the annual adjustment made on December 31, 1988, which will properly reflect the utility's salaries expense for the first half of the test year. The appropriate adjustment is \$(1,233) for water and \$(1,063) for wastewater.

DeBary's records also show an accrual of \$1,152 for officers' wages and salaries, for both water and wastewater, for 1988. Its records also reflect a monthly expense of \$103 for January through June of 1989, and a prior period expense of \$576. We have annualized the monthly expense and removed the prior period expense for the purposes of this proceeding, for a net adjustment of \$(533).

Sludge Removal - We have increased sludge removal expense by \$180, for an annual total of \$360, in order to reflect a more appropriate annual maintenance expense for a system of this size.

Contractual Services - The utility booked a legal expense, a total of \$3,000, equally between water and wastewater. According to our audit, the expense was incurred due to a suspension of mobile home building permits. Since the expense is not utility-related, we have decreased contractual services by \$1,500 for both water and wastewater. In addition, we note that the lease for the south well site is currently in litigation. We have, therefore, allowed an expense of \$5,000 in legal fees, which we believe should be amortized over a four-year period. Accordingly, we have increased contractual services by \$625 annually for both water and wastewater. The total adjustment to contractual services is, therefore, \$(875).

Rent - The utility also recorded a rental expense of \$975 for the land upon which the well is located. The actual rental charge is actually \$75 per month, for a total annual expense of \$900. We have, accordingly, reduced this expense by \$75.

Regulatory Commission Expense - DeBary booked deferred rate case expense amounts of \$365 for water and \$453 for wastewater. These expenses were not allowed in its last rate case; however, we did allow \$300 in rate case expense. For

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this case, we have added the unamortized portion to current rate case expense, for a total of \$3,342. Amortized over four years, this equates to an annual expense of \$418 for both water and wastewater.

Miscellaneous Expense - DeBary recorded \$806 for repairs to a water tank in the water plant accounts. We have reclassified this amount as an expense and amortized it over three years, for a total annual expense of \$268. We also removed \$123 in interest related to this expense.

Finally, as addressed under our discussion of quality of service, the utility needs to refinish its water tank. DeBary has provided an estimate of \$1,700, which includes sandblasting, priming and painting. This amount appears reasonable. Amortized over three years, this equates to an annual allowance of \$567, for a total adjustment to miscellaneous expense of \$712.

Revenue Requirement

Based upon the utility's books and the calculations and adjustments made herein, we find that the appropriate annual revenue requirements are \$41,912 for water and \$45,019 for wastewater. These revenue requirements represent revenue increases of 41.33 percent for water and 51.24 percent for wastewater on an annual basis.

RATES

We find that the rates set forth below, which are designed to allow DeBary to earn the approved revenue requirement, are just, reasonable, compensatory. These rates are calculated based upon test year bills and gallonage consumption data, using the base facility/gallonage charge rate structure. The present rates and those approved herein are set forth below for the purpose of comparison.

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WATER

Monthly Rates
Residential and General Service

Base Facility Charge

<u>Meter Size</u>	<u>Present</u>	<u>Approved</u>
5/8 inch x 3/4 inch	\$ 4.48	\$ 6.51
1 inch	11.20	16.28
1 1/2 inch	22.40	32.55
2 inch	35.84	52.08

Gallorage Charge

Per 1,000 gallons	\$ 1.33	\$ 1.81
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WASTEWATER

Monthly Rates
Residential Service

Base Facility Charge

<u>Meter Size</u>	<u>Present</u>	<u>Approved</u>
All meter sizes	\$ 4.83	\$ 7.93

Gallorage Charge

Per 1,000 gallons, 10,000 gallon cap	\$ 1.49	\$ 1.98
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WASTEWATER

Monthly Rates
General Service

Base Facility Charge

<u>Meter Size</u>	<u>Present</u>	<u>Approved</u>
5/8 inch x 3/4 inch	\$ 4.83	\$ 7.93
1 inch	12.08	19.83
1 1/2 inch	24.15	39.65
2 inch	36.64	63.44

Gallonage Charge

Per 1,000 gallons	\$ 1.49	\$ 2.38
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Prior to its implementation of the rates approved herein, DeBary shall submit and have approved revised tariff pages and a proposed notice to its customers explaining the rate increase and the reasons therefor.

The approved rates will be effective for meter readings taken on or after thirty days after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that they accurately reflect this Commission's decision and upon Staff's approval of the proposed customer notice.

SERVICE AVAILABILITY

DeBary currently charges a \$300 service availability charge each for water and wastewater. These charges are lower than the minimum charge calculated under Rule 25-30.580, Florida Administrative Code; however, with only 14 potential connections remaining, we believe that it would be inappropriate to increase the charge at this time.

The utility also charges a \$100 meter installation charge for a 5/8 inch x 3/4 inch meter, and actual cost for anything larger. We find no reason to change this charge at this time, either.

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MISCELLANEOUS SERVICE CHARGES

In DeBary's last rate proceeding, we authorized it to collect charges for miscellaneous services. We find no reason to adjust these charges at this time.

TEMPORARY RATES

This Order proposes an increase in DeBary's water and wastewater rates. A timely protest to this Order could delay what may be a justified rate increase, resulting in an unrecoverable loss of revenue to this utility. Accordingly, in the event of a timely protest by any substantially affected person other than this utility, we hereby authorize the collection of the proposed rates on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code. In order to provide security for any potential refund, DeBary shall file either a bond or a letter of credit in the amount of \$61,449, or place the increase over the previously approved rates into a Commission-approved interest-bearing escrow account. The utility shall also file a report, no later than the twentieth day of each month during which the temporary rates are in effect, detailing the amount of revenues collected under the temporary rates and the amount that would have been collected under the previously approved rates. Should a refund be required, the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

The utility would be authorized to implement the temporary rates only after providing the above discussed security and Staff's approval of the revised tariff sheets and customer notice.

This portion of the Order is not issued as proposed agency action.

Upon consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the application by DeBary Associates, Inc. for a staff-assisted rate case is granted, as set forth in the body of this Order. It is further

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ORDERED that, in the event that any substantially affected person other than DeBary Associates, Inc. files a timely protest to this proposed agency action, DeBary Associates, Inc. may implement the rates proposed herein on a temporary basis, subject to the refund conditions set forth in the body of this Order. It is further

ORDERED that, in the event that the rates proposed herein are implemented on a temporary basis, DeBary Associates, Inc. shall provide a bond or a letter of credit in the amount of \$61,449 or place all revenues collected under the temporary rates in excess of those that would have been collected under the previously approved rates into a Commission-approved interest-bearing escrow account. It is further

ORDERED that, in the event that the rates proposed herein are implemented on a temporary basis, DeBary Associates, Inc. shall submit a report no later than the twentieth (20th) day of each month that such rates are in effect detailing the amount of revenues collected under the temporary rates and the amount that would have been collected under the previously approved rates. It is further

ORDERED that the remaining provisions of this Order are issued as proposed agency action and will become final unless an appropriate petition, in the form prescribed by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date specified in the "Notice of Further Proceedings or Judicial Review." It is further

ORDERED that each of the findings contained in the body of this Order is approved in all respects. It is further

ORDERED that all matters contained in the body of this Order or attached hereto, whether in the form of discourse or schedules, are specifically incorporated herein by reference. It is further

ORDERED that DeBary Associates, Inc. shall have its water tank sandblasted and refinished within sixty (60) days of the date of this Order. It is further

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ORDERED that, due to the unsatisfactory nature of this utility's quality of service, a penalty of \$1,400 is hereby assessed against DeBary Associates, Inc. Should the quality of service improve within six months, however, the penalty may be suspended. It is further

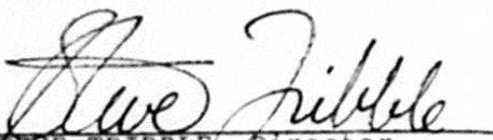
ORDERED that the utility is authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED that, if this Order becomes final, prior to its implementation of the rates approved herein, DeBary Associates, Inc. shall submit and have approved revised tariff pages and a proposed notice to its customers explaining the rate increase and the reasons therefor. It is further

ORDERED that, if this Order becomes final, the rates approved herein will be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that they accurately reflect our decision and upon Staff's approval of the proposed customer notice. It is further

ORDERED that this docket shall remain open, in monitor status, for a period of six months, after which we shall reevaluate the quality of service and whether the \$1,400 penalty should be suspended.

By ORDER of the Florida Public Service Commission
this 19th day of FEBRUARY, 1990.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

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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.

As identified in the body of this order, our actions, except for the setting of temporary rates, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 12, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent 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.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110,

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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.

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

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DEBARY ASSOCIATES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 1
 DOCKET NO.890792-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 160,794 A	\$ (8,223)	152,571
LAND/NON-DEPRECIABLE ASSETS	7,000 B	0	7,000
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	0 C	0	0
C.W.I.P.	0	0	0
C.I.A.C.	(41,920)D	(4,700)	(46,620)
ACCUMULATED DEPRECIATION	(56,111)E	2,430	(53,681)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	6,569 F	631	7,200
WORKING CAPITAL ALLOWANCE	1,544 G	1,799	3,343
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WATER RATE BASE	\$ 77,876	\$ (8,063)	69,813
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DEBARY ASSOCIATES, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 1-A
 DOCKET NO. 890792-WS

	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
	-----	-----	-----
UTILITY PLANT IN SERVICE	\$ 152,625 A	\$ (12,754)	\$ 139,871
LAND/NON-DEPRECIABLE ASSETS	7,000 B	0	7,000
PLANT HELD FOR FUTURE USE	0 C	0	0
ACQUISITION ADJUSTMENT	0	0	0
C.W.I.P.	0	0	0
C.I.A.C.	(31,200)D	(4,350)	(35,550)
ACCUMULATED DEPRECIATION	(51,979)E	2,338	(49,641)
AMORTIZATION OF ACQUISITION ADJUSTMENT	0	0	0
AMORTIZATION OF C.I.A.C.	3,430 F	52	3,482
WORKING CAPITAL ALLOWANCE	1,544 G	2,087	3,631
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SEWER RATE BASE	\$ 81,420	\$ (12,627)	\$ 68,793
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JANUARY 18, 1990

REVISED 2/13/90

DEBARY ASSOCIATES, INC.
SCHEDULE OF ADJUSTMENTS TO RATE BASE
SCHEDULE NO. 1-B

	<u>Water</u>	<u>Sewer</u>
A. UTILITY PLANT IN SERVICE		
1. To remove plant addition already accounted for in prior rate case		\$(1,071)
2. To reflect reclassification of plant	\$(6,516)	6,516
3. To reflect reclassification to operation and maintenance expense	(806)	
4. To reflect test year average adjustment	(901)	\$(18,199)
	<u>\$ (8,223)</u>	<u>\$ (12,754)</u>
D. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)		
1. To reflect staff's adjustment to test year collections through June 30, 1989	\$ (1,900)	\$ (1,200)
2. To reflect CIAC associated with margin reserve	(4,200)	(4,200)
3. To reflect test year average adjustment	1,400	1,050
	<u>\$ (4,700)</u>	<u>\$ (4,350)</u>
E. ACCUMULATED DEPRECIATION		
1. To reflect staff's adjustment to accumulated depreciation through June 30, 1989	\$ 62	\$ (193)
2. To reflect test year average adjustment	2,368	2,531
	<u>\$ 2,430</u>	<u>\$ 2,338</u>
F. AMORTIZATION OF CIAC		
1. To reflect staff's adjustment to amortization of CIAC through June 30, 1989	\$ 1,287	\$ 631
2. To reflect test year average adjustment	(656)	(579)
	<u>\$ 631</u>	<u>\$ 52</u>
G. WORKING CAPITAL ALLOWANCE		
To reflect one-eighth of operation and maintenance expense	\$ 1,799	\$ 2,087

DEBARY ASSOCIATES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO.2
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	PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
	-----	-----	-----	-----	-----	-----
LONG-TERM DEBT	\$ 38,068	\$ (4,775)	\$ 33,293	24.02%	14.13%	3.39%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	120,443	(15,130)	105,313	75.98%	12.22%	9.28%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 158,511	\$ (19,905)	\$ 138,606	100.00%		12.67%
	=====	=====	=====	=====		=====

RANGE OF REASONABLENESS	LOW	HIGH
-----	-----	-----
RETURN ON EQUITY	11.22%	13.22%
OVERALL RATE OF RETURN	11.91%	13.43%

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DEBARY ASSOCIATES, INC.
SCHEDULE OF WATER OPERATING INCOME
TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO.3
DOCKET NO.890792-WS

	TEST YEAR PER UTILITY	COMM. ADJUST TO UTIL. BAL.	COMM. ADJUST TEST YEAR	COMM. ADJUST FOR INCREASE	BALANCE PER COMM.
	-----	-----	-----	-----	-----
OPERATING REVENUES	\$ 29,656 A	\$ 0	\$ 29,656 F	\$ 12,256	\$ 41,912
	-----	-----	-----	-----	-----
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	28,698 B	(1,951)	26,747	0	26,747
DEPRECIATION	3,626 C	(333)	3,293	0	3,293
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	1,922 D	554	2,476 G	551	3,027
INCOME TAXES	0 E	0	0	0	0
	-----	-----	-----	-----	-----
TOTAL OPERATING EXPENSES	\$ 34,246	\$ (1,730)	\$ 32,516	\$ 551	\$ 33,067
	-----	-----	-----	-----	-----
OPERATING INCOME/(LOSS)	\$ (4,590)	\$ 1,730	\$ (2,860)	\$ 11,705	\$ 8,845
	=====	=====	=====	=====	=====
WATER RATE BASE	\$ 77,876	\$	\$ 69,813	\$	\$ 69,813
	=====		=====		=====
RATE OF RETURN	-5.89%		-4.10%		12.67%

DEBARY ASSOCIATES, INC.
 SCHEDULE OF WASTEWATER OPERATING INCOME
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO.3-A
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	TEST YEAR PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	COMM. ADJUST. TEST YEAR	COMM. ADJUST. FOR INCREASE	BALANCE PER COMM.
OPERATING REVENUES	\$ 29,767 A	\$ 0	\$ 29,767 F	\$ 15,252	\$ 45,019
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	31,374 B	(2,326)	29,048	0	29,048
DEPRECIATION	3,747 C	0	3,747	0	3,747
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	2,281 D	541	2,822 G	686	3,508
INCOME TAXES	0 E	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 37,402	\$ (1,785)	\$ 35,617	\$ 686	\$ 36,303
OPERATING INCOME/(LOSS)	\$ (7,635)	\$ 1,785	\$ (5,850)	\$ 14,566	\$ 8,716
SEWER RATE BASE	\$ 81,420		\$ 68,793		\$ 68,793
RATE OF RETURN	-9.38%		-8.50%		12.67%

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DEBARY ASSOCIATES, INC.
SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
SCHEDULE NO. 3-B

	<u>Water</u>	<u>Sewer</u>
B. <u>OPERATION AND MAINTENANCE EXPENSE</u>		
1. To remove prior period salaries	\$ (1,233)	\$ (1,063)
2. To remove prior period management fee	(576)	(576)
3. To adjust sludge removal expense to staff's recommended annual allowance		180
4. To annualize management fee to appropriate level	43	43
5. To remove non-utility legal expense	(1,500)	(1,500)
6. To allow legal expense associated with litigation of land lease (\$5,000 / 4 yrs. / 2 = \$625)	625	625
7. To remove prior period rent expense	(75)	
8. To reflect staff's adjustment to rate case expense	53	(35)
9. To reclassify a repair expense from water plant accounts and reflect staff's recommended allowance	268	
10. To remove interest expense	(123)	
11. To reflect a repair expense for a water tank amortized over three years as determined by staff engineer (\$1,700 / 3)	567	
	<u>\$ (1,951)</u>	<u>\$ (2,326)</u>
C. <u>DEPRECIATION EXPENSE</u>		
To reflect test year depreciation expense net of amortization of CIAC	\$ (333)	

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DEBARY ASSOCIATES, INC
 SCHEDULE OF ADJUSTMENTS TO OPERATING INCOME
 SCHEDULE NO. 3-B

	<u>Water</u>	<u>Sewer</u>
D. <u>TAXES OTHER THAN INCOME</u>		
1. To adjust property taxes to maximum discount amount	\$ (39)	\$ (55)
2. To reflect regulatory fee at 4.5% on test year revenue	593	596
	<u>\$ 554</u>	<u>541</u>
F. <u>OPERATING REVENUES</u>		
To reflect increase in revenues required to cover expenses and allow recommended rate of return on investment	<u>\$12,256</u>	<u>\$15,252</u>
G. <u>TAXES OTHER THAN INCOME</u>		
To reflect regulatory assessment fee on increase in revenue at 4.5%	<u>\$ 551</u>	<u>\$ 686</u>

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SCHEDULE NO.3-C
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DEBARY ASSOCIATES, INC.
 ANALYSIS OF WATER O & M EXPENSES
 TEST YEAR ENDED JUNE 30, 1989

ACCOUNT TITLE	BALANCE PER UTIL.	COMM. ADJUST.	COMM. BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 2,466	\$ (1,233)	\$ 1,233
SALARIES AND WAGES - OFFICERS	1,770	(533)	1,237
PENSIONS AND BENEFITS	0	0	0
PURCHASED WATER	0	0	0
PURCHASED POWER	2,181	0	2,181
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	1,646	0	1,646
MATERIALS AND SUPPLIES	840	0	840
CONTRACTUAL SERVICES	15,424	(875)	14,549
RENTS	975	(75)	900
TRANSPORTATION EXPENSES	181	0	181
INSURANCE EXPENSE	193	0	193
REGULATORY COMMISSION EXPENSES	365	53	418
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	2,657	712	3,369
TOTAL	\$ 28,698	\$ (1,951)	\$ 26,747

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DEBARY ASSOCIATES, INC.
ANALYSIS OF WASTEWATER O & M EXPENSES
TEST YEAR ENDED JUNE 30, 1989

ACCOUNT TITLE	BALANCE PER UTIL.	COMM. ADJUST.	COMM. BALANCE
SALARIES AND WAGES - EMPLOYEES	\$ 2,126	\$ (1,063)	\$ 1,063
SALARIES AND WAGES - OFFICERS	1,770	(533)	1,237
PENSIONS AND BENEFITS	0	0	0
PURCHASED SEWAGE TREATMENT	0	0	0
SLUDGE REMOVAL	180	180	360
PURCHASED POWER	4,651	0	4,651
FUEL FOR POWER PRODUCTION	0	0	0
CHEMICALS	1,097	0	1,097
MATERIALS AND SUPPLIES	1,496	0	1,496
CONTRACTUAL SERVICES	16,530	(875)	15,655
RENTS	2,400	0	2,400
TRANSPORTATION EXPENSE	181	0	181
INSURANCE EXPENSE	193	0	193
REGULATORY COMMISSION EXPENSES	453	(35)	418
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	297	0	297
TOTAL	\$ 31,374	\$ (2,326)	\$ 29,048