

FLORIDA PUBLIC SERVICE COMMISSION

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101 East Gaines Street  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

January 3, 1990

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF WATER AND SEWER [VANDIVER, LANDIS] *ON*  
DIVISION OF LEGAL SERVICES [PALMER] *made for TP* *GP*

RE : UTILITY: SHADY OAKS MOBILE-MODULAR ESTATES, INC.

DOCKET NO. 900025-WS

COUNTY: PASCO

CASE: STAFF-ASSISTED RATE CASE

AGENDA: JANUARY 15, 1990 - CONTROVERSIAL - PROPOSED AGENCY ACTION  
EXCEPT FOR ISSUE NO. 28 - PARTIES MAY PARTICIPATE

PANEL: FULL COMMISSION

CRITICAL DATES: NONE

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DOCUMENT NUMBER-DATE

00054 JAN-3 1991

FPSC-RECORDS/REPORTING

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**CASE BACKGROUND**

Shady Oaks Mobile-Modular Estates, Inc. (Shady Oaks or utility) is a Class C water and wastewater utility located in Pasco County. It is a 242 lot mobile-modular home park developed in 1971. Its service area is approximately 1-1/2 miles south of the City of Zephyrhills.

On July 11, 1972, the provisions of Chapter 367, Florida Statutes, became effective for Pasco County, Florida. Those utilities not qualifying for exemption from regulation became subject to the Commission's jurisdiction. Order No. 14540, issued July 8, 1985, found Shady Oaks subject to the jurisdiction of this Commission. By Order No. 15633, issued February 6, 1986, the Commission issued Water Certificate No. 451-W and Sewer Certificate No. 382-S.

Commission Order No. 14540 also took note of the decision of the Circuit Court of the Sixth Judicial Circuit upholding restrictive covenants included in the deeds of existing lot holders receiving service from Shady Oaks. A covenant in each deed requires the developer, Shady Oaks, to provide certain services at a fixed annual cost. These services include water and wastewater as well as other provisions. Based upon the data presented at that time, the Commission stated that the utility should continue billing its customers based upon the existing deed restrictions. Moreover, the Commission had not received a request to establish new rates.

On January 10, 1990, Shady Oaks applied for this staff-assisted rate case and has submitted the correct filing fee. Staff auditors have reviewed the utility's books and records to determine those components necessary for rate-setting. The staff engineer conducted an engineering investigation which included an in-house evaluation of the application and a field inspection of the utility and its service area. The test period for setting rate base is the average twelve-month period ended June 30, 1990.

A customer meeting was held on November 28, 1990 in the service area. The concerns raised by the customers have been incorporated in this recommendation.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the utility be required to file a name change?

**RECOMMENDATION:** Yes, the utility should be required to file a request for acknowledgement of a corporate restructure and a name change within sixty days from the order in this case. (VANDIVER)

**STAFF ANALYSIS:** During the test year, the land and all the utility facilities were owned and operated by Shady Oaks Mobile-Modular Estates, Inc. However, in August, 1990, the owner of Shady Oaks transferred the title of the land to himself and his wife. Mr. Sims has indicated that his intention is to transfer the entire utility, the land, buildings and related supplies, from the mobile home park to a separate entity. This will assist in accounting for the utility separately as well as protecting the property from any liens due to future unpaid property taxes on the remaining mobile home property.

Staff recognizes that the transfer was made without Commission approval. The utility is a small unsophisticated utility and was not aware of the provisions requiring prior Commission approval. The utility has been working with staff in attempting to correct the problem. Staff does not believe that the utility should be penalized for the unauthorized transfer. However, the utility should be put on notice that no future transfers of utility land or property should be made without prior Commission approval.

While staff supports the goal of the transfer, we believe that it needs to be modified so that it is clear that the entire utility property is transferred. We also have suggested to the utility that the utility property either be separately incorporated or that it be held as joint tenants, d/b/a the utility. In either instance, the utility will also need to file for a name change and acknowledgement of a restructure with the Commission. Staff has spoken with Mr. Sims who has indicated that he is willing to correct the problems. Staff has received a letter from the utility's accountant that the transfer is progressing.

Staff believed that the transfer should be complete by this time. However, the utility has not hired an attorney and is attempting to complete this action on its own. Therefore, staff recognizes that it may take a little longer to make sure everything has been done correctly. Because the utility is merely spinning off the utility portion of the mobile home park and there will be no change in control of the utility, staff does not believe that this sort of restructure rises to the level of a transfer encompassed in Section 367.071, Florida Statutes. The utility is still owned by the same persons in the same percentages.

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Therefore, staff recommends that the utility be required to file a request for acknowledgement of a restructure and a name change within sixty days from the order in this case.

### QUALITY OF SERVICE

**ISSUE 2:** Is the quality of service satisfactory?

**RECOMMENDATION:** The quality of service is unsatisfactory. Accordingly, the utility should be penalized 1% on the return on equity. That penalty should be suspended for nine months. After six months, staff should review the quality of service. If found to be satisfactory, the penalty should then be removed. (LANDIS)

**STAFF ANALYSIS:** As part of the quality of service investigation, the staff engineer contacted the Department of Environmental Regulation (DER) and the Consumer Affairs and Water and Wastewater Divisions of the Public Service Commission (PSC). That contact was to determine if the utility had active complaints or violations against it. The PSC had no active complaints. However, DER had numerous complaints and violations on file. To settle the issues, DER and the utility entered into an agreement under a Consent Order whereby the utility would make specific repairs and improvements to its system by March 1991.

During the customer meeting held on November 28, 1990, the customers complained of:

1. Low Pressure,
2. Water shut-offs,
3. Line breaks,
4. Bad taste (chlorine) in the water,
5. Leaks left unrepaired, and
6. Excessive vegetation around the wastewater plant.

The utility acknowledged these problems but added that it has responded as diligently as possible considering the financial resources available.

The legal issues that prevented the utility from adjusting its water and wastewater rates have been substantially the cause for the utility's service problems with its customers and DER. The utility has expressed its willingness to correct the deficiencies. The utility has entered into a consent order with the DER to correct outstanding deficiencies by March 31, 1991. However, the

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utility notes that the necessary funds to make these improvements can only be acquired with adequate water and wastewater rates.

In any event, the quality of service, regardless of fault, is unsatisfactory. Florida Statutes, Section 367.111(2), provides that the Commission may reduce the utility's return on equity until such time as standards are met. However, in this case the utility contends that cash flow has been a significant ingredient in the deterioration of the quality of service. Rather, the staff recommends that a 1% reduction of return on equity be levied and suspended for a period of nine months. This will provide the utility six months to demonstrate its willingness to comply with the DER consent order and complete the repairs. A 1% return on equity reduction would amount to \$1,795, annually.

To bring the utility's quality of service to a satisfactory level, the utility should comply with DER's consent order within the prescribed deadline. Specifically, it should construct a new effluent disposal system, obtain the necessary permits to operate, and operate the wastewater facilities within DER Standards. In addition, as discussed in Issue 16, the utility should submit a written schedule showing what monthly maintenance will be adopted and what steps will be taken to insure fewer service interruptions and consistent water quality. After six months, the staff engineer should reinspect the plant and assess the performance of the utility to determine the quality of service. If found to be satisfactory, the reduction to return on equity would be recommended to be removed.

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**RATE BASE**

**ISSUE 3:** What percent of plant in service is used and useful?

**RECOMMENDATION:** The water and wastewater treatment facilities and the water distribution and wastewater collection systems are 100% used and useful. (LANDIS)

**STAFF ANALYSIS:**

**Water Treatment Facilities**

The two wells in the system have a rated capacity of 125 GPM each. Since the plant has no storage capacity, they are required to meet maximum hour demand. Maximum hour demand is calculated by multiplying the average daily flow by 450%. Consumption, based on water pumped averaged 198 GPD/ERC. Thus, the minimum domestic capacity needed to serve today's customers is approximately 115 GPM. Hence, since one well is considered a backup, the plant is 100% used and useful.

**Wastewater Treatment Facilities**

This utility does not have a flow meter. The flows reported to DER are estimated based on elapsed time. If we use a designed capacity for mobile homes of 150 GPD/ERC, the total capacity necessary to serve 185 ERC's would be approximately 27,750 GPD. Estimated flows reported to DER average about 17,641 GPD. If we use the average of these two estimates, then daily flows are about 22,695 GPD. Consequently, since the wastewater plant has a capacity of 20,000 GPD, it is considered more than 100% used and useful.

**Collection and Distribution System**

The collection and distribution systems provide service to 242 platted lots in the service area. Considering the distribution of the current 185 connections, the collection and distribution systems are considered 100% used and useful.

WATER TREATMENT PLANT

USED AND USEFUL DATA

Bucket No. 900025WS Utility Shady Oaks Mobile Modular Date 9-20-90  
Homes

- 1) Capacity of Plant 125 gallons per day/minute
- 2) Maximum Daily Flow 115 GPM gallons per day/
- 3) Average Daily Flow 26 GPD/ERC gallons per day
- 4) Fire Flow Capacity None gallons per day
  - a) Needed Fire Flow \_\_\_\_\_ gallons per day
- 5) Margin Reserve \_\_\_\_\_ gallons per day

\*Not to exceed 20% of present customers

a) Test Year Customers in ERC's - Begin \_\_\_\_\_ End \_\_\_\_\_ Av. 173

b) Average Yearly Customer Growth in ERC's For Most Recent 5 Years Including Test Year \_\_\_\_\_ ERC's

c) Construction Time for Additional Capacity \_\_\_\_\_ Years

(b) x (c) x  $\left[ \frac{2}{(a)} \right]$  = None gallons per Day Margin Reserve

6) Excessive Unaccounted for Water Unknown gallons per day

- a) Total Amount \_\_\_\_\_ gallons per day \_\_\_\_\_ % of Av. Daily Flow
- b) Reasonable Amount \_\_\_\_\_ gallons per day \_\_\_\_\_ % of Av. Daily Flow
- c) Excessive Amount \_\_\_\_\_ gallons per day \_\_\_\_\_ % of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$\left[ (2 + 5) + 4a - 6 \right] = > 100$  % Used and Useful

Engineer



WATER DISTRIBUTION SYSTEM

USED AND USEFUL DATA

Docket No. 900025WS Utility Shady Oaks Mobile Modular Homes Date 9-20-90

1) Capacity 242 ERC's (Number of potential customers without expansion)

2) Number of Test Year Connections 185 ERC's

a) Begin Test Year \_\_\_\_\_ ERC's

b) End Test Year \_\_\_\_\_ ERC's

c) Average Test Year 185 ERC's

3) Margin Reserve \_\_\_\_\_ ERC's  
\*Not to exceed 20% of present customers

a) Average Yearly Customer Growth in ERC's for Most Recent 5 years Including Test Year \_\_\_\_\_ ERC'S

b) Construction Time for Additional Capacity \_\_\_\_\_ Years

(a) x (b) = \_\_\_\_\_ ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{2 + 3}{1} = \frac{100^*}{1} \% \text{ Used and Useful}$$

\*Based on the even distribution of the current population, the system is considered 100% used and useful.



Engineer

SEWER TREATMENT PLANT

USED AND USEFUL DATA

Docket No. 900025WS Utility Shady Oaks Mobile Modular Date 9-20-90  
Homes

- 1) Capacity of Plant 20,000 gallons per day
- 2) Maximum Daily Flow 27,750 gallons per day
- 3) Average Daily Flow 17,641 gallons per day
- 4) Fire Flow Requirements NOT APPLICABLE gallons per day
- 5) Margin Reserve --- gallons per day  
\*Not to exceed 20% of present customers

a) Test Year Customers in ERC's - Begin \_\_\_\_\_ End \_\_\_\_\_ Av. \_\_\_\_\_

b) Average Yearly Customers Growth in ERC's for Most Recent 5 Years Including Test Year \_\_\_\_\_ ERC's

c) Construction Time for Additional Capacity \_\_\_\_\_ Years

$$(b) \times (c) \times \left[ \frac{3}{(a)} \right] = \text{_____ gallons per day}$$

6) Excessive Infiltration \_\_\_\_\_ gallons per day

a) Total Amount \_\_\_\_\_ gallons per day \_\_\_\_\_ % of Av. Daily Flow

b) Reasonable Amount \_\_\_\_\_ gallons per day \_\_\_\_\_ % of Av. Daily Flow

c) Excessive Amount \_\_\_\_\_ gallons per day \_\_\_\_\_ % of Av. Daily Flow

PERCENT USED AND USEFUL FOPMULA

$$\frac{(3) + (5)}{6} = \text{_____} *100 \text{ \% Used and Useful}$$

\*An evaluation of power usage indicates that flows into the plant maybe at or above capacity (See Eng. Report Section 7.0).

SEWAGE COLLECTION SYSTEM

USED AND USEFUL DATA

Docket No. 900025-WS Utility Shady Oaks Mobile Modular Date 9-20-90  
Homes

- 1) Capacity 242 ERC's (Number of potential customers without expansion)
  - 2) Number of Test Year Connections 185 ERC's
    - a) Begin Test Year \_\_\_\_\_ ERC's
    - b) End Test Year \_\_\_\_\_ ERC's
    - c) Average Test Year 185 ERC's
  - 3) Margin Reserve \_\_\_\_\_ ERC's  
 \*Not to exceed 20% of present customers
    - a) Average Yearly Customer Growth in ERC's for Most Recent 5 years Including Test Year \_\_\_\_\_ ERC'S
    - b) Construction Time for Additional Capacity \_\_\_\_\_ Years
- (a) x (b) = \_\_\_\_\_ ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{2 + 3}{1} = * 100 \quad \% \text{ Used and Useful}$$

\*Based on the even distribution of the current population, the system is considered 100% used and useful.

  
\_\_\_\_\_  
Engineer

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**ISSUE 4:** What is the test year average depreciable plant in service?

**RECOMMENDATION:** The average test year plant for the water system is \$37,872 and for the wastewater system is \$103,546. (VANDIVER)

**STAFF ANALYSIS:** The utility's application reflects water utility plant of \$13,888 and wastewater utility plant of 45,632. However, the utility does not have the original cost documentation for its utility plant in service. Staff reviewed the tax returns, several cost estimates and the plant components. The 1972 tax return indicates a water plant cost of \$11,588 and a wastewater plant cost of \$45,632. The staff engineer reviewed these amounts and recommends that these are reasonable estimates of the original cost. The utility also provided invoices to support two additional items of plant: a master meter in 1984-1985 and a replacement pump in 1989-1990. The master meter was invoiced at \$1,300 and the pump replacement was a net reduction to plant in the amount of \$151. Staff recommends that the estimates be used to establish utility plant in service and that this balance should be increased for the two additional items supported by invoices.

In fiscal year 1980/1981, the utility added the second stage of its transmission/distribution and collection lines. The utility submitted an estimate of these costs. The estimate indicates that the water transmission and distribution lines were \$25,060 and the wastewater collection lines were \$47,129. The staff engineer agrees that these estimated costs are reasonable.

Based on our review of the data provided, staff recommends that the utility plant balance at June 30, 1990 is \$37,797 for the water system and \$103,546 for the wastewater system. Because one item of the water plant was replaced during the test year, the year-end balance of plant should be adjusted to reflect the test year retirement and addition. Incorporating the averaging adjustment results in a test year average balance of water plant of \$37,872.

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**ISSUE 5:** Should the cost of the projected plant improvements be included in utility plant in service?

**RECOMMENDATION:** Yes, even though the utility has not acquired contracts, the \$145,765 in projected plant improvements should be included in utility plant in service. In addition, the \$94,738 cost of the additional land should be included in rate base and the old percolation pond site should be retired at a gain of \$31,435. Staff further recommends that the docket be kept open. Six months from the date of the order, the utility should submit copies of the invoices for staff to verify the cost to complete the construction. Staff also recommends that the revenue increase associated with the pro forma plant be escrowed until staff has verified the actual costs. (VANDIVER, LANDIS)

**STAFF ANALYSIS:** On March 7, 1989, Shady Oaks signed a Consent Final Judgement with the Department of Environmental Regulation (DER). As part of this agreement, the utility agreed to construct an additional effluent disposal system which will eliminate the discharge from the plant. The construction permit which the utility acquired includes a March 31, 1991 deadline for this construction. The utility does not have a signed contract for this work. However, the owner has received several estimates for the work which needs to be done. The latest estimate was for \$199,725. Staff has reviewed the estimates and discussed the project with the utility owner. Staff believes that the work will most likely be completed for a total cost of \$125,000. This cost includes the relocation of the existing pond from the west corner of the park to the east corner, the installation of a pump station, a main from the wastewater treatment plant to the new pond site, additional engineering work, materials and construction of the pond and improvements to the wastewater treatment plant. Staff believes that this is a reasonable estimate and the cost should be included in rate base.

During the test year, the utility spent \$2,265 on engineering costs that were related to the development of the plans for the new percolation pond. Staff recommends that these costs be moved from expenses and capitalized in addition to the estimated cost of the pro forma plant.

The Shady Oaks area has a high water table. The current percolation pond is not percolating and the effluent in the pond has run over the berms on many occasions. The utility's engineer has decided that the best place to put the new percolation pond is in an area on the other side of the park where the water table is a little lower and the pond will have a better chance to percolate. Mr. Sims also owns this property. Because this piece of property has not been previously dedicated to public use, Mr. Sims believes

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that the value to be placed in rate base is the current market value. Mr. Sims provided staff with a copy of a contract for the sale of 4.65 acres in 1985. The cost per acre in this sale was \$68,817. Several customers at the customer meeting pointed out that this sale was never consummated. The same property is currently for sale through a local real estate agency. Staff talked with the broker in charge of the sale. The current asking price for the property is \$125,000 for 3.8 acres. This results in a cost per acre of \$32,895. Staff believes that the better estimate of the current value of the land is the current sales price and not the previous one which was never consummated.

One of the customers provided information regarding the valuation of the land. The land is appraised by the property appraiser at approximately \$12,000 an acre. The customer also pointed out that while the asking price is \$125,000 for the 3.8 acres, the land has not come close to selling at that price. Staff has considered these factors and we do not believe that the tax appraisal of the land is an appropriate value for the land. Staff concedes that the \$125,000 may be higher than the land will sell for, however, we believe that it is a reasonable estimate at this time.

Staff believes that there are several other methods which should be considered when determining the cost of the additional land to be included in rate base. The first method would allow the actual price which Mr. Sims paid for the land in the early 1970's. As discussed in the next issue, Mr. Sims paid \$92,000 for 63 acres, or \$1,460 an acre. Staff believes that this is the "original cost" of the land to the owner. Using this cost would include in rate base the "actual" cash investment that the owner has in the property.

However, Commission policy has been to consider the value of the property at the time it is first dedicated to public use. Mr. Sims developed his system in the early 1970's and set aside the land required for the utility. Due to the fact that the current percolation pond is no longer operating properly, Mr. Sims now finds himself in the position of acquiring additional land or setting aside some of his other property for utility use. Staff does not believe that the retirement of the old pond is through any negligence on the part of the owner, nor that he used poor judgement in choosing the initial site. Through no fault of the owner, the utility requires additional land. Therefore, staff believes that the value of the land when it is first dedicated to public use is the current value. However, if the full value is included in rate base, it will have a serious impact on this small system. The 3.8 acres, valued at \$32,895 an acre, has an impact on

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rate base of \$131,580, or approximately an additional \$7 in monthly rates, per customer.

Staff has considered as another option, the possibility of indexing forward the original cost of the land. For instance, using the CPI as an index, the original cost of \$1,460 an acre would be increased to approximately \$4,400 an acre. Order No. 22166, issued November 9, 1989 (Poinciana Utilities, Inc.), discussed this issue of the valuation of land. Staff believes that this order clearly states the preference of the Commission to use the value of the land at the time the property was dedicated to public use. Further, the Commission discussed the methodology of using an index and stated that the methodology resulted in an unreasonably low and unrealistic per acre cost. Therefore, in that case, the Commission chose an independent appraisal as the basis for the determination of the land cost.

Staff believes that the philosophy discussed in the Poinciana order should be applied in this case and that the recent sales price is a comparable measure to the appraisal. However, because this is a related party transaction and not a "sale" of land, in the tax sense, Mr. Sims will not recognize a gain on this transfer for tax purposes. However, he will be acquiring the "benefits" of the sale in that he will be earning a return on the higher value of the property included in rate base. Therefore, staff believes that it is appropriate to reduce the price per acre by the "tax savings" that Mr. Sims receives from the increased value. Staff calculated this "tax savings" by multiplying the increase in value (\$32,895 - \$1,460) by the tax rate of 28%. This results in a reduction of \$36,842 for a net value of the 3.8 acres of \$94,738. Staff recommends that this is a reasonable estimate of the value of the land to be included in rate base.

Staff further recommends that the site of the old pond should be retired from rate base and a gain recognized. In the following issue, staff states that the wastewater system occupies approximately 2.1 acres. The engineer believes that the current percolation pond occupies approximately one acre. Because this land may be reclaimed after the new percolation pond is built, staff believes that this land may also be sold or used for some other purpose. Therefore, staff recommends that the revenue requirement should be adjusted to reflect the retirement in order to match this event with the purchase of the additional four acres.

As discussed above, the current value of the land is \$31,435 more than the original purchase price. Staff recommends that this gain should be recognized in the revenue requirement. The land has been owned by the utility and included as part of rate base. Therefore, any benefits from the sale of the land should accrue to

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the ratepayers. Commission policy is to amortize any extraordinary gain or loss over a period of time. In prior cases, the Commission has chosen the amortization period by allowing the amortization expense to equal the depreciation and return on investment in rate base of the retired item. This method results in an amortization period of 7 years and a yearly amortization of \$4,491. Staff recommends that the gain be amortized over seven years and included in the revenue requirement.

In Issue 24, staff recommends that the utility convert to a base facility/gallorage charge rate structure. Because the utility is currently charging a flat rate and the water is unmetered, this recommendation would require that the utility install water meters at each customer's location. Staff recommends that the cost of the meters should also be included in rate base. Staff believes that \$100/meter is a reasonable estimate of this cost. Therefore, staff recommends that \$18,500 be included in rate base. Several customers noted that some residences do not have cut-off valves and that these should be installed when the meters are installed. Staff agrees and the \$100/meter includes not only the meter, meter box and labor but all valves and other appurtenances.

Commission policy is that when pro forma plant is included in rate base, accumulated depreciation should be increased by one year's depreciation on that plant. Therefore, staff recommends that accumulated depreciation be increased by \$1,092 for the water system and by \$4,709 for the wastewater system.

Staff further recommends that the docket be kept open. Because the utility has not acquired contracts for the construction, staff recommends that the rate increase related to the pro forma plant and land be escrowed. Six months from the issuance of the Commission order, the utility should submit copies of the invoices for staff to verify the cost to complete the construction. Staff will make a recommendation regarding the escrowed funds after reviewing the invoices and the completed construction. Staff expects this to be approximately eight or nine months from the issuance of the Commission order.



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**ISSUE 6:** Who owns the land and what is the appropriate value of land to include in rate base?

**RECOMMENDATION:** Shady Oaks Mobile-Modular Estates, Inc. owned the land during the test year at a value of \$730 for the water system and \$3,066 for the wastewater system. (VANDIVER)

**STAFF ANALYSIS:** During the test year, the land and all the utility facilities were owned and operated by Shady Oaks Mobile-Modular Estates, Inc. As discussed in Issue 1, the owner of Shady Oaks transferred the title of the land to himself and his wife in August 1990. Mr. Sims has indicated that his intention is to transfer the entire utility from the mobile home park to a separate entity. This will assist in accounting for the utility separately as well as protecting the property from any liens due to unpaid property taxes on the remaining property. In Issue 1, staff recommended that what the utility is attempting to accomplish is a name change and corporate restructure. Staff recommended that the utility be ordered to file a request for acknowledgment within sixty days. While the name on the utility's certificate does not currently match the name of the land title, staff recommends that the land and plant be included in rate base. The utility is working to correct the situation. When the utility submits its request, staff will return to the agenda for Commission review of the restructure.

In 1971, Shady Oaks Mobile-Modular Estates, Inc. purchased 63 acres for \$92,000, or \$1,460 per acre. The water system is located on approximately .5 acres and the wastewater system currently occupies approximately 2.1 acres. Staff recommends that the original cost of \$1,460 per acre be applied to the utility acreage for a land cost of \$730 in the water system and \$3,066 in the wastewater system.

**ISSUE 7:** What is the average test year balance of accumulated depreciation?

**RECOMMENDATION:** The average test year balance of accumulated depreciation for the water system is \$8,936 and for the wastewater system is \$35,992. (VANDIVER)

**STAFF ANALYSIS:** Staff calculated an accumulated depreciation balance using the estimated plant costs and the estimated construction dates. Staff believes that a forty-year life (or, a 2.5% depreciation rate) is an appropriate estimate for calculating the accumulated depreciation. Using these facts and including the

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retirement of two minor plant items, staff calculated a year end test year balance of accumulated depreciation of \$9,408 for the water system and \$37,286 for the wastewater system. Averaging the test year changes results in an average test year balance of \$8,936 for the water system and \$35,992 for the wastewater system.

**ISSUE 8:** What is the average test year balance of contributions in aid of construction (CIAC)?

**RECOMMENDATION:** The average test year balance of CIAC is \$26,103 for the water system and \$58,956 for the wastewater system. (VANDIVER)

**STAFF ANALYSIS:** As discussed in Issue 4, the utility was unable to provide original cost documentation for the utility plant in service. While staff did not perform an original cost study, we did review certain engineering estimates and the tax returns provided by the utility. This review was done in lieu of an original cost study.

Commission Rule 25-30.570, Florida Administrative Code states that "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 . . ." The Commission has generally applied this portion of the rule to original cost studies by imputing as CIAC the difference between the estimated plant costs and the plant costs reflected on the federal income tax return.

In this case, the utility's tax returns for the years 1971 - 1983 show a water plant balance of \$11,588 and a wastewater plant balance of \$45,632. Staff recommends that the difference between the tax returns and the original cost estimates for plant additions prior to 1985 be imputed as CIAC. This results in a 1983 balance of \$25,060 for the water system and \$57,914 for the wastewater system.

In addition, the federal tax return for the fiscal year ended July 31, 1989 includes an impact fee collected in the amount of \$2,085. Mr. Sims stated that this is the only monies that the utility has collected as impact fees. Staff recommends that this amount be included in the test year balance of CIAC and be split evenly between the water and wastewater systems. This increases

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the year-end balance of CIAC for the water system to \$26,103 and for the wastewater system to \$58,956. The utility did not change its CIAC balance during the test year; therefore, staff recommends that no averaging adjustment is needed.

**ISSUE 9:** What is the average test year balance of accumulated amortization of CIAC?

**RECOMMENDATION:** The average test year balance of accumulated amortization of CIAC is \$5,665 for the water system and \$15,483 for the wastewater system. (VANDIVER)

**STAFF ANALYSIS:** Using the same methodology recommended to calculate the accumulated depreciation balance, staff has calculated a year-end balance for accumulated amortization of CIAC of \$5,991 for the water system and \$16,220 for the wastewater system. Staff recommends that this balance be adjusted to an average for the test year and that the resulting balance of \$5,665 for the water system and \$15,483 for the wastewater system be included in rate base.

**ISSUE 10:** What is the appropriate method of calculating working capital allowance and what is the appropriate level for setting rates?

**RECOMMENDATION:** The appropriate method of calculating working capital allowance is the one-eighth of operation and maintenance expenses method. The appropriate amount to include in rate base is \$3,176 for the water system and \$3,613 for the wastewater system. (VANDIVER)

**STAFF ANALYSIS:** Commission Rule 25-30.443, Florida Administrative Code incorporates by reference Form PSC/WAS 18, "Financial, Rate and Engineering Minimum Filing Requirements - Class C Utilities." These minimum filing requirements require the use of the formula method (one-eighth of operation and maintenance expenses) to calculate the working capital allowance. Staff recommends that this method should be used in this case to establish the estimated working capital requirements for this utility.

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As will be discussed in Issue 16, the appropriate amount of operation and maintenance expenses is \$25,408 for the water system and \$28,905 for the wastewater system. Therefore, the appropriate amount of working capital to include in rate base is \$3,176 ( $\$25,408 / 8$ ) for the water system and \$3,613 ( $\$28,905 / 8$ ) for the wastewater system.

**ISSUE 11:** What is the appropriate average rate base?

**RECOMMENDATION:** Rate base is \$29,812 for the water system and \$246,594 for the wastewater system. (VANDIVER)

**STAFF ANALYSIS:** Incorporating staff's recommended adjustments in the previous issues, we recommend that the average test year rate base is \$29,812 for the water system and \$246,594 for the wastewater system. The schedules of water and wastewater rate base are attached as Schedule Nos. 1-A and 1-B. The schedule of adjustments to rate base is attached as Schedule No. 1-C.

### **CAPITAL STRUCTURE**

**ISSUE 12:** What is the appropriate amount and cost rate for long-term and short-term debt?

**RECOMMENDATION:** The average test year short-term debt is \$1,121 at an average rate of 16.8%. The average test year long-term debt is \$171,157 at an average interest rate of 11.55%. (VANDIVER)

**STAFF ANALYSIS:** During the test year, the utility had three issues of short-term debt. The first issue was from the 1st National Bank of Pasco, for \$2,492, and was issued on June 25, 1990 for 24 months. The second issue was from Mark Sims, for \$2,000, and was issued on December 22, 1989 for 12 months. The third issue was also from the 1st National Bank of Pasco, for \$975, and was issued on November 21, 1988 for 24 months. Staff believes that these issues should be classified as short-term debt. The average balance of these three debt issues for the test year is \$1,121. Staff recommends that the average balance be included in the capital structure at the average interest rate paid during the test year of 16.80%.

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At the end of the test year, the utility had a balance of long-term debt outstanding of \$172,542. In December, 1989, \$3,000 was added to the earlier balance. Staff recommends that this amount be averaged to determine the average test year balance. The entire balance of the long-term debt is to the owners, Richard D. and Caroline Sue Sims. The utility has not paid interest or principal on any of these notes. This debt is a total of approximately 90 promissory notes made in varying amounts since 1973. Each note has an individual interest rate stated on its face. Staff compared the rates to the prime rate throughout the years and there does not appear to be a direct correlation between the prime and the stated rates. The average rate for this debt, based on the stated rates, is 17.254%. Staff recalculated the average rate by substituting prime + 3% for each of the stated rates. Based on this analysis, the average rate is 13.4%.

However, in 1988, Shady Oaks Mobile-Modular Estates, Inc. went through a reorganization under Chapter 11 of the Bankruptcy Code and a final decree was signed on August 2, 1988. This decree listed the debts of the company and stated the debts would bear interest at the rate of 11.5%. Staff believes that the interest rate on all the debts incurred before the final decree should be adjusted to the rate included in the decree. A small portion of the debt was incurred after the decree. This brings the total average rate to 11.55%. Therefore, staff recommends that the average long-term debt for the test year should be \$171,157 at an average interest rate of \$11.55%.

**ISSUE 13:** What is the appropriate balance and return on equity?

**RECOMMENDATION:** Pro forma equity should be included at a return of 12.49% with a range from 11.49% to 13.49%. The 1% penalty should be escrowed until a final determination is made regarding the quality of service. (VANDIVER)

**STAFF ANALYSIS:** At the end of the test year, the utility/mobile home park had a \$5,000 balance in common stock, a \$1,785 balance in paid-in capital and a negative retained earnings of \$290,577. While the entire balance of negative retained earnings does not belong to the utility, staff ascertained that the utility's share is significantly higher than its investment through common stock and paid-in capital. Commission policy is to include a zero equity balance when a negative balance of retained earnings is larger than the investment through stock. Therefore, staff recommends that a zero equity balance be established for the test year.

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However, staff has recommended that a substantial amount of plant be included as a pro forma item. There will have to be some sort of financing for the utility to be able to pay for this plant. The utility has not yet acquired its financing for this plant. Because of the utility's recent reorganization through the Bankruptcy Court, it may be difficult for the utility to acquire the money. Staff believes that the most likely source of funding is through equity or personal loans. Therefore, staff believes that the best measure of the cost of this financing is to include the pro forma item as equity and use the leverage graph as the cost of the financing. The leverage graph was last adjusted in Docket No. 900006-WS, Order No. 23318 on August 7, 1990. Following is the calculation of the return on equity, using the latest leverage graph.

$$\begin{aligned} \text{Return on equity} &= 10.16 + 1.34 / \text{Equity Ratio} \\ &= 10.16 + 1.34 / (\text{common equity} / \text{common} \\ &\quad \text{equity} + \text{preferred equity} = \text{debt}) \\ &= 10.16 + 1.34 / 57.52\% \\ &= 10.16 + 2.33 \\ &= \underline{12.49\%} \end{aligned}$$

Therefore, staff recommends that the pro forma equity be included in the capital structure at a cost of 12.49% with a range of 11.49% to 13.49%. In a previous issue, staff recommended that the utility be penalized 1% on the return on equity. Staff further recommended that the penalty be suspended pending further review of the quality of service. However, staff recommends that the revenues associated with the 1% penalty be escrowed pending a final determination of the quality of service. If after six months, the utility submits adequate documentation and the Commission determines that the quality of service is satisfactory, the funds may be released. However, if the quality of service is determined to be unsatisfactory, then the funds may be returned to the customers.

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**ISSUE 14:** What is the overall rate of return?

**RECOMMENDATION:** The overall cost of capital should be 12.10%.  
(VANDIVER)

**STAFF ANALYSIS:** Based on the adjustments recommended in the previous issues, staff recommends that the appropriate overall cost of capital should be determined by using the utility's capital structure with each item reconciled to rate base on a pro rata basis. This results in an overall cost of capital of 12.10%. The schedule of capital structure is shown on Schedule No. 2-A.

#### **NET OPERATING INCOME**

**ISSUE 15:** What are annualized revenues prior to adjustment for increased rates?

**RECOMMENDATION:** The annualized revenues for the water system should be \$27,750 and for the wastewater system should be \$27,750.  
(VANDIVER)

**STAFF ANALYSIS:** The utility's tariff does not specify a stated rate for water and wastewater service. As discussed in the Case Background, the utility has certain deed restrictions which require the developer, Shady Oaks, to provide certain services at a fixed annual cost. These services include water and wastewater as well as other provisions. Based upon the data presented in the original certificate case, the Commission stated that the utility should continue billing its customers based upon the existing deed restrictions. Therefore, the tariff reflects that the water rate is some part of a monthly \$25 charge. The same language is included in the wastewater tariff.

In addition, while some customers are paying the basic \$25 rate for water and wastewater, some customers are paying a \$35 rate for water, wastewater and garbage and other customers are paying a \$40 rate for water, wastewater, garbage and streetlights. It appears to staff that the \$25 rate is all that is charged to cover the water and wastewater. Therefore we have calculated annualized revenues using the \$25, multiplied by the number of test year customers. In addition, the staff auditor found six customers that are paying nothing. Two are model homes, two are paying-customers with an additional, empty lot and two are customers who have an agreement with Mr. Sims not to pay. Staff recommends that revenues be imputed for these six. All customers should bear an equal

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burden of the cost. If some customers are not required to pay, it is a discriminatory practice and the utility shareholders should be made to absorb the cost, not the customers. This practice should also be stopped and all customers billed for their appropriate connections.

Using the \$25 rate for all 185 customers results in an annualized revenue of \$55,500. As there is no breakdown in the tariff, staff recommends that this revenue be split equally between water and wastewater. This results in annualized revenue for water of \$27,750 and for wastewater of \$27,750.

**ISSUE 16:** What is the appropriate level of operating expenses?

**RECOMMENDATION:** The appropriate test year expenses for water are \$25,408 and for wastewater are \$28,905. In order to verify that the utility will need the \$1,700 per month for preventative maintenance, the utility shall submit a record of its maintenance expenditures, six months after the rates are put into effect. If the utility has not begun to spend an amount approximating the allowance, the utility should submit a statement as to the reasons and future plans to regularly maintain the system. (VANDIVER, LANDIS)

**STAFF ANALYSIS:** Operation and maintenance expense amounts per the utility's records were traced to invoices and test year canceled checks for adequate verification of the proper account, amount and reasonableness. Adjustments have been made to allow increases and decreases as recommended by staff. A summary of each account follows. Schedule No. 4 includes a summary of each account and the recommended balance.

The test period, July 1, 1989 through June 30, 1990 was used as the basis for recommending the appropriate expense levels which follow. Staff audited the transactions recorded within this time period and made reclassification adjustments as appropriate. The audited totals and detailed components of each expense account were then examined for reasonableness, taking into consideration both average test period customers and year-end customers. Annualizing adjustments, adjustments for appropriate levels and known changes were then made to arrive at staff's recommended expense allowances. The results of our analysis are detailed below.

**Salaries and Wages - Employees** - The company states that it pays Mrs. Caroline Sue Sims, Secretary, for office expense incurred



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relating to delinquent customer billing, record keeping and various other duties. The rate of pay is \$250 a month for an average of 10 hours a week. Staff believes that this amount is reasonable. However, because staff is recommending that the utility switch from a flat rate to a base facility/gallongage charge rate structure, staff recommends that the salary expense be increased. Staff estimates that a reasonable increase would allow eight hours a month to calculate and prepare the 185 bills. This would result in a \$50/month increase, for a total annual expense of \$3,600.

Salaries and Wages - Officers - The company states that it pays its President, Mr. Sims, for the day-to-day operation of the utility system. This includes answering emergency calls, resolving customer complaints, conferring with public officials, decision-making for policies and procedures and dealing with regulatory officials (DER, PSC and EPA). The rate of pay is \$1,500 a month for an average of 30 hours a week. Staff believes that the number of hours appears high. Mr. Sims may be spending close to 30 hours a week at the current time because of the DER Consent Order, however, staff believes that the normal course of business only requires 10 hours a week of Mr. Sims' time. Because the utility has a contract operator to handle the plant operations, Mr. Sims should not be spending time on this function. He should not have more than a couple of complaints a week, at the most. If there are more complaints, staff believes that they may be a result of poor maintenance of the system. Later in this issue, staff recommends increasing the maintenance expense to allow more preventative maintenance. This increased expense should reduce any excess customer complaints. Therefore, staff recommends that the president's salary be reduced to 10 hours a week, or \$6,000 per year.

In a later issue, staff is recommending that the utility switch to the base facility/gallongage charge rate structure. Therefore, Mr. Sims will spend additional hours a month reading meters. Staff believes that a \$100 a month charge for this function is reasonable. These adjustments result in a reduction of \$2,400 for a total of \$600 a month, or a total annual expense of \$7,200.

Employee Pensions and Benefits - During the test year, the utility spent \$4,205.40 for employee benefits. This included \$3,528 for hospitalization insurance for Mr. and Mrs. Sims and \$677 for other medical expenses. However, the insurance company notified the utility that, effective February 10, 1991, the insurance premium would be increased to \$670 a month.

Several customers did not agree that the rates should include a provision for hospitalization insurance for "part-time"

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employees. These two employees are the officers of the mobile home park and a portion of their hours are spent on the utility. Therefore, staff believes that it is reasonable for the company officers to receive hospitalization insurance but that the utility should not shoulder the entire benefits expense for the owners. The number of hours spent on utility work would indicate that a majority of their time is spent on other duties. Therefore, staff recommends that these expenses be reduced to reflect the 20 hours a week recommended above. This results in a 75% reduction. Staff recommends that the expected insurance premium of \$670 a month plus the other miscellaneous expenses be allowed, however, only 25% of these amounts should be allocated to the utility. This would result in a decrease to test year expenses of \$796 for both the water and wastewater systems.

Purchased Power - The staff engineer reviewed the purchased power expense. As stated in his report, the electric meter which serves the water treatment plant also meters the power usage at the recreation center. Based on his analysis, the engineer recommends that the purchased power expense for the water system be reduced by \$3,302, to \$730 per year. The test year wastewater expense is \$2,457. Staff recommends that this is reasonable and no adjustment is necessary.

Materials and Supplies - The utility recorded a materials and supplies expense for the test year of \$1,040 for the water system and \$286 for the wastewater system. The staff audit found that these amounts included a hardware bill paid during the test year which was for the prior period and two instances where the supplies were received during the test year but not paid for until after the test year. Staff recommends that the expense be adjusted to properly accrue for these items. This results in an increase of the water expense to \$1,045 and an increase of the wastewater expense to \$346.

In addition, the staff engineer recommends that the utility increase its preventative maintenance and that the expenses be increased to \$1,700 a month to allow for the increased level of maintenance. The test year expenses include certain amounts for materials and supplies and labor for the maintenance performed during the test year. This totalled \$1,242 for the water system and \$1,700 for the wastewater system. Staff recommends that the expenses be increased by \$8,958 in the water system and \$8,500 in the wastewater system for an annual total of \$20,400.

Several customers were concerned that the rates included the \$1,700 for preventative maintenance and nothing would be done by the utility. The customers described several responsibilities around the mobile home park that the customers have had to assume

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because the owner never carried out his responsibility. While the Commission is not responsible for these areas and the complaints have not been investigated, staff agrees that the \$1,700 per month is a substantial sum.

Staff considered placing the \$1,700 monthly expense in escrow to be released only when the amounts were spent. However, staff believes that this would be administratively burdensome to the utility as well as the Commission. While the customers and other agencies may have had disagreements with Mr. Sims, the Commission has not had any previous experiences with Mr. Sims ignoring or flagrantly violating a Commission order. Therefore, staff believes that an escrow of the funds may not be necessary. However, because staff recommended earlier that this docket be held open to verify the completion of the construction, staff recommends that at the end of the six months, the utility should also provide a record of its maintenance expenditures. Staff will then review these records to determine if the funds are being used. If the utility has not begun to spend a substantial amount of the allowance, the utility should submit a statement as to the reasons and future plans to regularly maintain the system. Staff would consider a substantial amount to be about 85%.

Some staff also considered that a reduction in the rates would be appropriate if the funds were not spent during the six month period. However, staff believes that a rate reduction would be inappropriate. The \$1,700 is what staff believes is necessary to maintain the system. Staff believes that if the maintenance is not performed, staff could initiate a show cause proceeding why the utility should not be fined for not performing as ordered. Staff believes that reducing the amount allowed to perform the necessary maintenance would be counterproductive.

Contractual Services - During the test year the utility paid \$11,737 for contractual services, \$4,347 in the water system and \$7,391 in the wastewater system. Staff believes that the expense should be adjusted to \$3,217 in the water system and \$7,488 in the wastewater system. Staff review of the support for the expense found that numerous items should be adjusted. These adjustments are to add an invoice not paid until after the test year and to remove out-of-period items, costs of settling the bankruptcy filing and items properly classified in other accounts.

The first item was found in accounts payable (\$114.76) for accounting services during the test year that should be included in expenses. Staff recommends that the contractual services account be increased for this amount and that the invoice be split evenly between water and wastewater.

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Four invoices for a total of \$500 were paid during the test year for services received in the prior period. Staff recommends that these invoices be removed from test year expense. This results in a reduction of \$225 to water expense and a \$275 reduction to wastewater expense.

Further, the test year expense included \$2,000 in attorneys' fees for settlement in a bankruptcy proceeding. Staff believes that this is an extraordinary, non-recurring item. If the utility was losing money due to non-compensatory rates, it was the utility's responsibility to request a rate increase from the Commission. Therefore, staff recommends that water and wastewater expense each be reduced by \$1,000 to remove these costs.

The contractual services expense also included \$2,755 for items which should more appropriately be included in other accounts - telephone bills (\$44.06), gasoline charges (\$9.75), repayment of principal and interest (\$436.49) and engineering costs related to the development of the plans for the new percolation pond (\$2,265.00). Staff recommends that the telephone and gasoline charges should be reclassified to the appropriate expense account. Further, the debt and interest charges should be removed completely from the expenses and will be recovered as discussed in the capital structure issues. The expense related to the development of the percolation pond should be removed from contractual services and should be reclassified to the wastewater system and considered as a part of the pro forma plant addition.

The largest part of the contractual services account is paid to Mathis Water and Wastewater, Inc. for operation of the facilities. Staff reviewed the invoices and the items included on them. During the test year, the utility was charged \$350 per month for the contract service, \$126 for chemical samples, \$306 for chlorine and \$907 for miscellaneous items. The utility states that the contract fee is increasing from \$350 per month to \$450 per month. The staff engineer believes that this is reasonable and recommends the increased expense be included in expenses. Staff has also reviewed the chlorine cost and believes that it is reasonable, but that it should be reclassified to Chemical expense. The miscellaneous charges include \$320 for sludge hauling. Staff recommends that this item be reclassified to the sludge removal expense. The company's books do not appear to reflect the total expense for the test year on an accrual basis. Staff recommends that the expense be adjusted to reflect the increased contractual services fee and the same test year related expense - samples, and miscellaneous charges. This results in an increase to the expense of \$767 for the water system and \$1,042 for the wastewater system.

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Rents - In 1985 the utility signed a lease to rent office space. The lease is for \$250 a month. Staff believes that the rent expense should be allocated partially to the mobile home park. The utility allocates 35% of transportation expense to the mobile home park. Staff believes that this is a reasonable allocation to use for the office space. This would result in a rent expense of \$975 for both the water and wastewater systems.

Transportation - The utility records indicate a transportation expense of \$2,042 (plus \$10 reclassified from another account) for the water system and \$2,040 for the wastewater system. This expense includes expenditures for gasoline, auto insurance and auto repairs. Several customers were also concerned that this expense was included in rates. The concern was primarily the same as for the employee benefits expense. However, staff believes that the same argument applies to the transportation expense. While the two "Employees" are not full-time, they are the officers of the mobile home park and split their time between various functions. Staff believes that the transportation expense is a reasonable expense for the officers, as long as it is allocated among the various activities.

The gas expense included all payments the utility had made during the year, with 35% allocated to the mobile home park. Staff reviewed the amounts and the expense appears reasonable. The utility paid \$924 for auto repairs during the year. Staff does not believe that a portion of the gas repairs was allocated to the mobile home park. Therefore, staff recommends that \$155 in the water system and \$168 in the wastewater system be removed from utility expenses. Staff further recommends that the insurance expense of \$1,262 be reclassified to the insurance expense account. These adjustments result in a balance for the transportation expense of \$1,266 in the water system and \$1,241 for the wastewater system.

Insurance - The utility paid \$1,262 for automobile insurance during the test year. However, staff review of the insurance notice indicates that this amount may cover two automobiles. Mr. Sims' car is the one that is used primarily for utility business. The utility also provided evidence that this car is used approximately 65% of the time for utility business. Therefore, staff recommends allowing only the insurance expense relating to Mr. Sims' car and allocating 35% of that amount to the mobile home park. To arrive at the amount relating to Mr. Sims' car, staff reviewed a notice which indicated the premium for each automobile. This was used as an indication of what percentage of the subsequent bill was related to the same automobile. This resulted in a yearly total of \$571 for Mr. Sims' car. After allocating 35% to the mobile home park, the utility should be allowed to expense the remaining \$370.

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The utility also requested that liability insurance be included in the revenue requirement. The utility provided a policy for the period 7/16/85 to 7/16/86. This policy indicated a total cost of \$4,168 for the utility premises, the recreation building and the office. The utility requests that this policy be used as an estimate of the liability expense. Staff believes that the utility should acquire the liability insurance and that this is a reasonable estimate of the expense. Staff recommends allocating the expense based on the limits of liability shown in the policy for each of the structures. Further, staff recommends that the coverage for the office be allocated based on the same ratios. These adjustments result in an expense for liability insurance of \$144 for the water system and \$198 for the wastewater system.

Regulatory Commission Expense - The utility's records show a test year expense of \$1,920 for the water system and the same amount for the wastewater system. The majority of this expense was for expenses in the prior period which were not related to this rate case. The only item related to this case was the filing fee of \$300. Staff recommends that this amount be amortized over four years, consistent with Section 367.0816, Florida Statutes. This results in a reduction to the expense of \$1,882 for both systems.

Other Regulatory Expense - The utility's books reflected \$1,800 in other regulatory expenses. This entire amount was paid to the DER Pollution Recovery Fund for fines assessed by DER. Commission policy is to disallow any fines incurred by a utility. Therefore, staff recommends that this expense be reduced to zero.

Miscellaneous Expense - The utility records indicate a miscellaneous expense of \$151 for the water system and \$199 for the wastewater system. These amounts appear reasonable. Therefore, staff recommends that no adjustment be made.

Office Supplies and Expense - The utility recorded office supplies and expense for the test year in the amount of \$683 (plus \$44 reclassified from another account) for the water system and \$727 for the wastewater system. Staff review indicates that the expense includes certain charges for the prior period. Staff recommends that the water expense be reduced by \$35 and the wastewater expense be reduced by \$36.

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**ISSUE 17:** What is the appropriate depreciation expense?

**RECOMMENDATION:** The appropriate depreciation expense is \$1,533 for the water system and \$6,233 for the wastewater system. (VANDIVER)

**STAFF ANALYSIS:** Using the rates prescribed by Chapter 25-30.140, Florida Administrative Code, staff calculated depreciation on test year plant in the amount of \$1,232 for the water system and \$3,705 for the wastewater system. Using the same rates, the amortization of CIAC totalled \$791 for the water system and \$2,181 for the wastewater system. Staff recommends that the same rates be applied to the proforma plant for an additional \$1,092 in the water system and \$4,709 in the wastewater system. Based on these calculations, staff recommends that the appropriate depreciation expense to include in the revenue requirement is \$1,533 for the water system and \$6,233 for the wastewater system.

**ISSUE 18:** What is the appropriate amortization expense to include in the revenue requirement?

**RECOMMENDATION:** The wastewater revenue requirement should include a negative amortization expense of \$4,491. (VANDIVER)

**STAFF ANALYSIS:** Staff recommended in a previous issue that the gain on the retirement of a portion of the wastewater land should be amortized over seven years. The gain totalled \$31,435. Amortizing that amount over seven years results in an annual amortization amount of \$4,491. Staff recommends that this amortization be used to offset a portion of the wastewater revenue requirement by including it as a negative amortization expense.

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**ISSUE 19:** What is the appropriate level of taxes other than income taxes?

**RECOMMENDATION:** The appropriate level of test year taxes other than income is \$1,870 for the water system and \$3,742 for the wastewater system. (VANDIVER)

**STAFF ANALYSIS:** The utility's records do not reflect any taxes other than income. However, in a previous issue, staff recommended that certain salary expense for the president and secretary be allowed. Staff recommends that the related payroll taxes should also be allowed. These taxes - FUTA (.8%), SUTA (.1%) and FICA (7.65%) - result in a payroll expense of \$923.

In the past, the utility has been delinquent in paying its tangible and real property taxes. However, staff recommends that this expense be included in rates to eliminate a risk that any utility property could be lost to the tax collector. Staff reviewed the tangible tax bill and recommends that the expenses include \$347 for tangible property taxes. The real estate tax bill that the utility submitted showed a .019 tax rate. Therefore, staff recommends that the land cost be multiplied by the .019 rate for a total test year real estate tax of \$14 for the water system and \$58 for the wastewater system. Staff also recommended that a pro forma increase be included for the additional land for the new percolation pond. Applying the .019 rate to the pro forma land results in a pro forma real estate tax of \$1,772.

The utility has also been delinquent in paying its regulatory assessment fees. These fees were paid when the utility requested assistance with this rate case. As with the property taxes, staff recommends that these fees be included in rates as they are due every year and the utility is required, by law, to make the payments. The regulatory assessment fees, at 4.5% of the test year revenues, are \$2,498.

Based on these three components of taxes other than income, staff recommends that the test year taxes other than income should be \$1,870 for the water system and \$3,742 for the wastewater system.



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**ISSUE 20:** What is the appropriate amount of income tax expense for the test year?

**RECOMMENDATION:** The utility is a Subchapter S corporation and no income tax expense should be allowed. (VANDIVER)

**STAFF ANALYSIS:** Shady Oaks is a Subchapter S corporation. Commission policy is that no income tax expense should be included in the rates of a Subchapter S corporation as the corporation does not pay taxes, only the shareholders. Therefore, staff recommends that the income tax expense for this utility should be zero.

**ISSUE 21:** What is the annualized test year operating income (loss) before any revenue increase?

**RECOMMENDATION:** The test year operating loss for the water system is \$1,061 and the test year operating income for the wastewater system is \$6,639. (VANDIVER)

**STAFF ANALYSIS:** Based on the previous adjustments, staff recommends that the test year operating loss is \$1,061 for the water system and the test year operating income is \$6,639 for the wastewater system. The operating statements are attached as Schedule Nos. 3-A and 3-B and the schedule of adjustments is attached as Schedule No. 3-C.

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**ISSUE 22:** What is the utility's revenue requirement and increase?

**RECOMMENDATION:** The following annual revenue requirement and increase should be approved: (VANDIVER)

	<u>Total</u>	<u>Increase</u>	<u>%</u>
Water	\$32,639	\$4,889	17.6%
Wastewater	\$65,953	\$38,203	137.7%

**STAFF ANALYSIS:** The annual revenues required as a result of staff's recommendations are \$32,639 for the water system and \$65,953 for the wastewater system. This will allow the utility the opportunity to recover its expenses and earn a 12.10% return on its investment in rate base.

#### **RATES AND CHARGES**

**ISSUE 23:** Does the Commission have the authority to increase the water and wastewater rates and charges?

**RECOMMENDATION:** Yes. (PALMER, VANDIVER)

**STAFF ANALYSIS:** Shady Oaks entered into contracts for the sale of land which contain certain provisions regarding utility service. The charge for utility service is not specifically fixed, instead it is included in an overall annual fee of \$300 for a variety of services.

Commission Order No. 14540, issued July 8, 1985, found that Shady Oaks is subject to the jurisdiction of this Commission. By Order No. 15633, issued February 6, 1986, the Commission issued Water Certificate No. 451-W and Sewer Certificate No. 382-S. Order No. 15633, issued March 7, 1986 stated that the utility should file tariff pages consistent with its current rates. The specific language in the tariff states that "the customers pay an annual fee of \$300 (\$25/month) that is fixed by deed restriction. An undetermined portion of this amount applies to water service."

The courts recognized the Commission's exclusive jurisdiction to establish rates for utility service in Storey v. Mayo, 217 So.2d 304 (Fla. 1968). All private contracts with a utility are regarded as entered into subject to the reserved authority of the State acting through the Public Service Commission under the police power

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to modify the contract in the interest of public welfare, State ex rel. Ellis v. Tampa Waterworks Co., 48 So. 639 (Fla. 1908); State ex rel. Triay v. Burr, 84 So. 61 (Fla. 1920); Miami Bridge Co. v. Railroad Comm., 20 So.2d 356 (Fla. 1945); and Midland Realty Co. v. Kansas City Power & Light Co., 300 U.S. 687 (1937). In the Midland case, the court opined that rates which were approved subsequent to the contract were proper, although they were higher than an existing contract rate between the parties. The Court stated:

"A state has the power to . . . prohibit service at rates too low to yield the cost rightly attributable to it." Midland, supra.

In Cohee v. Crestridge Utilities Corp. 324 So.2d 155 (Fla 2 DCA 1975), the Court held that the Public Service Commission has authority to raise, as well as lower, rates established by a pre-existing contract when deemed necessary in the public interest. The Commission's power to establish rates supersedes preexisting agreements that establish such rates. See Hampton Utilities Co. v. Hampton Homeowners Ass'n, 252 So.2d 286 (Fla 4th DCA 1971) and H. Miller & Sons, Inc. v. Hawkins, 373 So.2d 913 (Fla 1979). While a state may exercise its power to modify or abrogate private rate contracts, it is under no obligation to do so merely to relieve a contracting party from the burden of an improvident undertaking; rather, the power to fix rates . . . in contravention of a contract must be exercised solely for the public welfare. Arkansas Natural Gas Co., v. Arkansas R. Comm., 261 U.S. 67 (1936). In staff's opinion, adequate service cannot be provided to customers through the year 2000 at a rate of \$300 annually. Staff believes that the system is already approaching a critical need for additional funds to not only maintain the system but maintain a satisfactory quality of service. Therefore, staff believes that this Commission has the authority to establish rates, irrespective of the pre-existing contract, and must do so in order to maintain a satisfactory quality of service to the customers.

Staff does not come to this recommendation without concern for the ratepayers, but staff believes this recommendation is required under the mandates of Section 367.081(2), Florida Statutes, which requires rates that are just, fair, compensatory and not unfairly discriminatory. The fact that there exists a Circuit Court judgement styled Emerson French and Louisa Ann French v. Shady Oaks Mobile-Modular Estates, Incorporated issued on October 7, 1983, in Case No. 83-430 in the Circuit Court of the sixth judicial circuit in Pasco county does not alter staff's recommendation. The judgement does not address these issues and the Commission was not a party to that lawsuit. There is no indication the Trial Judge was aware of the Commission's primary jurisdiction over the subject

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matter of these rates. This recommendation is in accord with Commission policy as expressed in Order No. 21680, issued in Docket No. 881178-WS on August 4, 1989 (Continental Country Club rate case.)

For purposes of this case and determining the test year revenues, staff assumed the entire \$300 yearly payment was for utility services. This may or may not be the case. The rates recommended in the next issue are the total rates necessary to give the utility the opportunity to recover its expenses and a reasonable rate of return on its investment in rate base. The Commission has no authority as to what portion of the \$300 yearly payment which the customers may or may not still owe to the mobile home park. This question must be discussed between the customers and Mr. Sims and, if not resolved, it would be a matter for the circuit court. The utility is reminded that pursuant to Rule 25-30.320, Florida Administrative Code, service cannot be discontinued if the customers pay their utility bills and comply with the utility's rules and regulations which are set forth in its tariff.

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**ISSUE 24:** What is the appropriate rate structure and what are the recommended rates?

**RECOMMENDATION:** Rates should be set to allow the utility the opportunity to recover its expenses of \$28,811 in the water system and \$34,389 in the wastewater system and earn a 12.10% return on its investment. The utility should maintain a copy of the tariff and Chapter 25-30, Florida Administrative Code at its office for review by the customers. Staff recommends that the utility should employ the base facility/gallongage charge rate structure. However, until the utility completes the installation of all the meters, the utility may employ a flat rate of \$14.70 for the water system and \$29.71 for the wastewater system. These rates must be charged to all customers who receive service. The amount related to the pro forma increase and the proposed penalty, which should be escrowed, is \$.18 of the water gallongage charge, or \$1.07 of the water flat rate. The wastewater amount which should be escrowed is \$2.16 of the gallongage charge, or \$12.98 of the flat rate.  
(VANDIVER)

**STAFF ANALYSIS:** The recommended rates have been designed to allow the utility the opportunity to recover its expenses and earn a 12.10% return on its investment. The utility's current rate structure is a flat rate. Staff believes that flat rates and unmetered service are not conducive to conservation. Staff recommends that the utility employ the base facility/ gallongage charge rate structure. This rate structure has been used by the Commission for many years and establishes a fixed charge for each customer which recovers a proportionate share of fixed operating costs and a variable gallongage charge which recovers the variable costs of providing the treated water or wastewater treatment.

Staff used an average of 6,000 gallons per month per customer and the average test year number of customers to compile a billing analysis for the test year and calculate rates for a base facility/gallongage charge rate structure. Many customers expressed concern regarding the estimated customer consumption used to set rates. Because the customer usage has not been previously metered, there is no adequate historical data for this system to determine customer consumption. Therefore, staff used an estimate based on average usage in other mobile home parks in Florida. While not every customer resides in Shady Oaks for twelve months, and not every household has two persons who use 100 gallons per day each, staff believes that the estimated 6,000 gallons per month is a satisfactory average. Staff also agrees that the swimming pool, laundry and office are not typical household users of water. However, staff believes that the total of 6,000 gallons per month per customer is a good estimate of all water used by all sources.

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Schedules of the staff's recommended rates and rate structure are as follows:

Water

Monthly Rates

Residential

<u>Base Facility Charge</u>	<u>Recommended</u>
5/8" x 3/4"	\$6.34
3/4"	9.51
1"	14.84
1-1/2"	29.01
2"	46.02
3"	91.36
4"	142.36
6"	284.05
<u>Gallonge Charge</u>	
Per 1,000 gallons	\$1.39

General Service

<u>Base Facility Charge</u>	<u>Recommended</u>
<u>Meter Size</u>	
5/8" x 3/4"	\$6.34
3/4"	9.51
1"	14.84
1-1/2"	29.01
2"	46.02
3"	91.36
4"	142.36
6"	284.05
<u>Gallonge Charge</u>	
Per 1,000 gallons	\$1.39

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Wastewater

Monthly Rates

Residential

<u>Base Facility Charge</u>	<u>Recommended</u>
All Meter Sizes	\$12.51
<u>Gallage Charge</u>	
Per 1,000 gallons (6,000 gal. maximum)	\$2.87

General Service

<u>Base Facility Charge</u>	<u>Recommended</u>
<u>Meter Size</u>	
5/8" x 3/4"	\$12.51
3/4"	18.75
1"	31.08
1-1/2"	62.02
2"	99.15
3"	198.16
4"	309.55
6"	618.96
<u>Gallage Charge</u>	
Per 1,000 gallons (No maximum)	\$3.44

The utility has requested that it be allowed to implement the rate increase prior to the installation of the water meters. The utility states that its financial position is such that it will be difficult to find financing to buy the meters and install them unless the utility has higher rates. Staff agrees that the implementation of the rate increase prior to the installation of the meters is a reasonable solution. Staff recommends that a flat rate be approved until the water meters are installed. Staff recommends that the flat rate should be:

Monthly Water Flat Rate	\$14.70
Monthly Wastewater Flat Rate	\$29.71

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However, the utility should make haste to install all the water meters as quickly as possible. Staff has recommended that this docket remain open to monitor the completion of the new percolation pond. Staff also recommends that at the end of the six months, staff should verify that the meters have been installed. Staff believes that six months is more than adequate time to install 185 water meters.

Staff believes that all customers should be charged using the same rate structure. Therefore, only after all the water meters are installed should the utility submit tariff sheets to implement the base facility charge rate structure. A base facility/gallongage charge rate structure for this utility will require some extra cost to the customers since the utility has not previously billed its customers. Staff discussed these extra costs in previous issues. In general, the additional costs will be the installation of the meters and the expense to read the meters and calculate and mail monthly bills.

For comparison, staff's recommended revenue requirement as used to calculate the base facility/gallongage charge as listed in this issue is \$32,639 for the water system and \$65,953 for the wastewater system. Staff's calculated revenue requirement and flat rate excluding customer billing expense for the water system is  $\$29,160 / 185 \text{ (customers)} = \$176.43 / 12 \text{ months} = \$13.14$  (monthly flat rate). There would be no change in the wastewater rate. Staff believes the additional cost is minimal and the base facility/gallongage charge should be implemented. Therefore, staff recommends the base facility/gallongage charge rate structure.

Several customers questioned whether the utility had a policy and procedures manual. Staff is unaware of any manual maintained by the utility. However, the tariff includes the rates, charges and various operating rules required by the Commission. Rule 25-9.003(1), Florida Administrative Code, states that

"each utility shall maintain for public inspection . . . schedules showing all rates and charges made or enforced, all standard forms of contract or agreement, and all rules, regulations and classifications relating to rates, charges or service used or available for use. . . [these] shall be readily accessible to the public at all times during office hours, and on demand by any person during such office hours shall be produced for examination.

Rule 25-30.135(3), Florida Administrative Code, also requires that the utility maintain for customer inspection, a copy of Chapter 25-30, Florida Administrative Code, and a copy of the utility's tariffs, rules, regulations and schedules. Staff



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believes that the tariff and Chapter 25-30, Florida Administrative Code, would satisfy most of the concerns of the customers regarding the operating requirements for the utility. Therefore, staff recommends that the utility maintain a copy of its approved tariff and Chapter 25-30, Florida Administrative Code, at the utility office in the service area and make them readily accessible to the customers.

The staff audit indicated that there are a couple of lots which are not being charged the same as the other lots. Rule 25-30.135(2), Florida Administrative Code states that no utility may modify or revise its rates until the utility files and receives approval from the Commission for any such modification or revision. Staff recommends that all customers should be charged equally and that the utility should not be discriminatory in who it charges rates. Therefore, staff recommends that the recommended rates be applied to all customers.

In an earlier issue, staff recommended that the portion of the increase related to the pro forma plant and the penalty on the return on equity be placed in escrow until the construction is complete and the final review of the quality of service is complete. The portion of rates which relates to the pro forma plant is \$.17 for the water gallonage charge or \$.99 of the water flat rate. The wastewater portion related to the pro forma plant is \$2.05 of the gallonage charge, or \$12.32 of the flat rate. The portion of the rates which relates to the proposed penalty is \$.01 for the water gallonage charge and \$.08 for the water flat rate. The wastewater portion related to the proposed penalty is \$.11 for the wastewater gallonage charge and \$.66 for the wastewater flat rate. Therefore, staff recommends that a total of \$.18 of the water gallonage charge, or \$1.07 of the water flat rate be escrowed and a total of \$2.16 of the wastewater gallonage charge, or \$12.98 of the wastewater flat rate be escrowed.

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RECOMMENDATIONS FOR AGENDA CONFERENCE  
 RATE CASE DATA SUMMARY

-----  
 Docket No. 900025-WS County Pasco Water X Sewer \_\_\_\_\_  
 Utility Name: Shady Oaks Mobile Modular Estates, Inc.  
 General Area Served Shady Oaks - Zephyrhills  
 -----  
 Proposed     OR As Directed in Order No.        Staff Assisted X Regular      
 -----

DATE: Official Filing 07/06/90 Last Hearing     15-Month Deadline 10/04/91  
 Commission Agenda 01/15/91 Prior Case Rate Increase    N/A     
 -----

	<u>Utility</u>	<u>Staff</u>
Rate Base	\$ <u>2,289</u>	\$ <u>29,812</u>
Operating Income	\$ <u>10,482</u>	\$ <u>3,608</u>
Rate of Return	<u>457.93%</u>	<u>12.10%</u>

	<u>Original</u>	<u>Interim</u>	<u>Requested</u>	<u>Staff</u>	<u>Increase %</u>
Gross Annual Revenue	\$ <u>27,750</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>32,639</u>	<u>17.62%</u>
Increased Revenues		<u>N/A</u>	<u>N/A</u>	<u>4,889</u>	
Average Monthly Bill:					
Residential	\$ <u>12.50</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>14.70</u>	<u>17.60%</u>
Gen. Service	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>14.70</u>	<u>N/A</u>

RESIDENTIAL

Typical Bills

5/8" x 3/4"					
3 M	\$ <u>12.50</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>10.51</u>	<u>(15.9%)</u>
5 M	<u>12.50</u>	<u>N/A</u>	<u>N/A</u>	<u>13.29</u>	<u>6.3%</u>
10 M	<u>12.50</u>	<u>N/A</u>	<u>N/A</u>	<u>20.24</u>	<u>61.9%</u>

Rate Structure

BFC 5/8" x 3/4"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>6.34</u>	(See Staff Recommendation for Full Rate Details)
3/4"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>14.84</u>	
1"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>29.01</u>	
1-1/2"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>46.02</u>	
Gal. Charge	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.39</u>	

Number of Residents: Residential 185 General Service 0

Remarks: Staff considered half the monthly fee as the existing rate.  
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 \_\_\_\_\_

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RECOMMENDATIONS FOR AGENDA CONFERENCE  
 RATE CASE DATA SUMMARY

-----  
 Docket No. 900025-WS County Pasco Water \_\_\_\_\_ Sewer X  
 Utility Name: Shady Oaks Mobile Modular Estates, Inc.  
 General Area Served Shady Oaks - Zephyrhills  
 -----  
 Proposed     OR As Directed in Order No. \_\_\_\_\_ Staff Assisted X Regular      
 -----

DATE: Official Filing 07/06/90 Last Hearing     15-Month Deadline 10/04/91  
 Commission Agenda 01/15/91 Prior Case Rate Increase N/A  
 -----

	<u>Utility</u>	<u>Staff</u>
Rate Base	\$ <u>13,357</u>	\$ <u>246,594</u>
Operating Income	<u>9,728</u>	<u>29,845</u>
Rate of Return	<u>72.83%</u>	<u>12.10%</u>

	<u>Original</u>	<u>Interim</u>	<u>Requested</u>	<u>Staff</u>	<u>Decrease %</u>
Gross Annual Revenue	\$ <u>27,750</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>65,953</u>	<u>137.67%</u>
Increased Revenues		<u>N/A</u>	<u>N/A</u>	<u>38,203</u>	
Average Monthly Bill:					
Residential	\$ <u>12.50</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>29.71</u>	<u>137.68%</u>
Gen. Service	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>29.71</u>	<u>N/A</u>

RESIDENTIAL

Typical Bills

5/8" x 3/4"					
3 M	\$ <u>12.50</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>21.12</u>	<u>68.96%</u>
5 M	<u>12.50</u>	<u>N/A</u>	<u>N/A</u>	<u>26.86</u>	<u>114.88%</u>
10 M	<u>12.50</u>	<u>N/A</u>	<u>N/A</u>	<u>41.21</u>	<u>229.68%</u>

Rate Structure

BFC 5/8" x 3/4"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	\$ <u>12.51</u>	(See Staff Recommendation for Full Rate Details)
3/4"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>12.51</u>	
1"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>12.51</u>	
1-1/2"	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>12.51</u>	
Gal. Charge	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>2.87</u>	

Number of Residents: Residential 185 General Service 0

Remarks: Staff considered half the monthly fee as the existing rate. The recommended rate is a base facility charge rate structure.  
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 \_\_\_\_\_  
 \_\_\_\_\_

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**ISSUE 25:** What is the appropriate recovery period for rate case expenses, and what is the appropriate annual rate reduction at the end of that period for each system?

**RECOMMENDATION:** The appropriate recovery period for rate case expenses is four years. Based on existing circumstances the appropriate rate reduction at the end of that period is a \$.01 reduction in the utility's water base facility charge and a \$.01 reduction in the wastewater gallonage charge. (VANDIVER)

**STAFF ANALYSIS:** Section 367.0816, Florida Statutes entitled "Recovery of Rate Case Expenses" speaks to this issue:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The only rate case expense incurred by the utility for this case was a \$300 filing fee. Based on the above mentioned Statute, the appropriate recovery period for this fee is four years which allows the utility to recover approximately \$37 per year per system through its rates. This revenue recovery grossed up to account for regulatory assessment fees results in an annual revenue of \$39 (\$37 x 1.045) per system. Therefore, at the end of four years the utility's rates for water and wastewater should be reduced by \$39 annually for water and wastewater each. Based on the existing circumstances, the effect of this rate reduction is a \$.01 reduction in the utility's water base facility charge and a \$.01 reduction in the utility's wastewater gallonage charge. The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer letter setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

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**ISSUE 26:** Should miscellaneous service charges be authorized, and if so, what should the charges be?

**RECOMMENDATION:** Yes, miscellaneous service charges should be authorized. The charges should be set as follows: (VANDIVER)

	<u>WATER</u>	<u>WASTEWATER</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

**STAFF ANALYSIS:** Currently, the utility's tariff has no provision for miscellaneous service charges.

Second Revised Staff Advisory Bulletin (SAB) No. 13, issued on January 11, 1988, addresses miscellaneous service charges. It discusses guidelines for applicable charges when actual costs are not provided. These charges are designed to provide revenues to a utility for services other than the direct provision of potable water and wastewater collection and treatment. The four types of miscellaneous service charges are as follows:

(1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.

(2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

(3) Violation Reconnection: This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment. (Actual cost is limited to direct labor and equipment rental.)

(4) Premises Visit Charge (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

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Staff recommends that the utility's tariff be revised to reflect the charges discussed in Second Revised SAB No. 13. They are as follows:

	<u>WATER</u>	<u>WASTEWATER</u>
Initial Connection:	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

The fees outlined above are designed to more accurately defray the costs associated with each service and place the responsibility for the cost on the persons creating it rather than the ratepaying body as a whole. When both water and wastewater services are provided, staff believes that only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions.

**ISSUE 27:** Should the utility's service availability charges (SAC) be revised?

**RECOMMENDATION:** Yes, the utility should be authorized to charge a water system capacity charge of \$200 and a wastewater system capacity charge of \$1,200. (VANDIVER)

**STAFF ANALYSIS:** The utility's current tariff does not include any service availability charges. However, as stated in Issue 8, in 1989 the utility collected an impact fee of \$2,085. While this was an authorized charge, staff believes that it is beneficial to the contribution level of the utility and should not be refunded. However, staff recommends that the utility be admonished to collect only those charges approved in the tariff.

Rule 25-30.580, Florida Administrative Code states that:

(1) A utility's service availability policy shall be designed in accordance with the following guidelines:

(a) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities

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and plant when the facilities and plant are at their designed capacity; and

(b) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

Staff estimates 57 additional customers and 11 years to build-out. Considered along with the current depreciation rate of 3.26% for the water system, staff believes the guidelines in the rule would require a water charge within the range of \$28 to \$210. Because the maximum is a relatively low charge, staff recommends that it be approved as the water service availability charge.

Considering the same facts and a composite depreciation rate of 3.70% for the wastewater system, staff believes the rule would require a wastewater charge within the range of \$677 to \$2,854. This range is so high because of the high cost of the pro forma plant and land that the utility is required to add. If the maximum charge was approved, it would in effect be making all new customers pay 75% of not only their share of the new construction but 75% of the current customers' share of the new construction. Staff does not believe that this is a reasonable determination for the service availability charges for the new customers. Staff believes that it is more appropriate for the future customers to pay their share of the construction and the current customers will pay on their share through rates.

The utility owner mentioned that he would like a total service availability charge of approximately \$4,400. It appears that the owner would agree with putting the entire construction on the future customers. Staff does not agree. Staff believes that the previous customers have paid a service availability charge, per se, and to require high charges from the future customers would be unconscionable. Based on charges for similar utilities, staff believes that a charge of \$1,200 for wastewater would be appropriate. This would place the utility at a 30% contribution level at build-out. Staff believes that this is a reasonable charge and should be approved.

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**ISSUE 28:** Should the rates be approved for the utility in the case of a protest by a party other than the utility?

**RECOMMENDATION:** Yes, the utility should be authorized to collect the recommended rates subject to refund should a protest be filed by anyone other than the utility. (VANDIVER)

**STAFF ANALYSIS:** This recommendation proposes an increase in water and wastewater rates. A timely protest could delay what may be a justified rate increase, pending a formal hearing and final order in this case, resulting in an unrecoverable loss of revenue to the utility.

Accordingly, in the event a timely protest is filed by anyone other than the utility, we recommend authorizing the utility to collect the rates proposed herein, subject to refund, provided that it furnishes security for such a potential refund. The security should be in the form of a bond or letter of credit in the amount of \$40,000.

Alternatively, the utility may establish an escrow account with an independent financial institution pursuant to a written agreement. If this alternative is chosen, all revenue collected under the rate increase will be subject to escrow. Any withdrawals of funds from this escrow account shall be subject to the written approval of the Commission through the Director of Records and Reporting. Should any refund ultimately be required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

In addition, Shady Oaks should file reports with the Division of Records and Reporting no later than the twentieth day following the monthly billings, after the increased rates are in effect, indicating the amount of revenue collected under the implemented rates. Shady Oaks must also keep an account of all monies received by reason of the increase authorized herein, specifying by whom and in whose behalf such monies were paid.



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**MISCELLANEOUS**

**ISSUE 29:** What is the effective date of the increased rates and charges?

**RECOMMENDATION:** The flat rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The base facility charge rates shall be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff sheets. The service availability charges will be effective for connections on or after the stamped approval date on the revised tariff sheets. Miscellaneous service charges will be effective for service rendered on or after the stamped approval date. The tariff sheets will not be approved until the customer notice is approved and the security has been received. (VANDIVER)

**STAFF ANALYSIS:** The approved flat rates shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The base facility charge rates shall be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff sheets. The service availability charges will be effective for connections on or after the stamped approval date on the revised tariff sheets. Miscellaneous service charges will be effective for service rendered on or after the stamped approval date. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision, that the proposed customer notice is adequate, and that the required security has been provided.

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JANUARY 3, 1990

**ISSUE 30:** Should the docket be closed?

**RECOMMENDATION:** No. The docket should be held open until the construction of the percolation pond is completed and the escrow is released, the transfer is filed with the Commission and staff has verified the preventative maintenance schedule. (VANDIVER)

**STAFF ANALYSIS:** Staff has recommended that the docket be held open in order to monitor several activities. The primary job that the utility must do is the construction of the new percolation pond. Staff has recommended that the increase related to this construction be placed in escrow until staff has verified the completion of the construction. Staff also recommends that at the same time, staff review the preventative maintenance plan submitted by the utility and the documentation surrounding the transfer of all properties (land and related utility plant). These items must be resolved before the docket may be closed.

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 SCHEDULE OF WATER RATE BASE  
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1-A  
 DOCKET NO. 900025-WS

COMPONENT	(A) AVERAGE TEST YEAR PER UTILITY	(B) ADJUSTMENTS TO THE TEST YEAR	(C) ADJUSTED TEST YEAR	(D) PRO FORMA ADJUSTMENTS	(C) PRO FORMA TEST YEAR
1					
2					
3 UTILITY PLANT IN SERVICE	\$ 13,888	\$ 23,984	\$ 37,872	\$ 18,500	\$ 56,372
4 LAND	0	730	730		730
5 C.W.I.P.	0	0	0		0
6 NON-USED AND USEFUL COMPONENTS	0	0	0		0
7 C.I.A.C.	0	(26,103)	(26,103)		(26,103)
8 ACCUMULATED DEPRECIATION	(11,599)	2,663	(8,936)	(1,092)	(10,028)
9 AMORTIZATION OF C.I.A.C.	0	5,665	5,665		5,665
10 ADVANCES FOR CONSTRUCTION	0	0	0		0
11 WORKING CAPITAL ALLOWANCE	0	3,176	3,176		3,176
12					
13 RATE BASE	\$ 2,289	\$ 10,115	\$ 12,404	\$ 17,408	\$ 29,812
14					
15					

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 SCHEDULE OF SEWER RATE BASE  
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1-B  
 DOCKET NO. 900025-WS

COMPONENT	(A) AVERAGE TEST YEAR PER UTILITY	(B) ADJUSTMENTS TO THE TEST YEAR	(C) ADJUSTED TEST YEAR	(D) PRO FORMA ADJUSTMENTS	(C) PRO FORMA TEST YEAR
1					
2					
3 UTILITY PLANT IN SERVICE	\$ 45,632	\$ 57,914	\$ 103,546	\$ 127,265	\$ 230,811
4 LAND	0	3,066	3,066	93,278	96,344
5 C.W.I.P.	0	0	0		0
6 NON-USED AND USEFUL COMPONENTS	0	0	0		0
7 C.I.A.C.	0	(58,956)	(58,956)		(58,956)
8 ACCUMULATED DEPRECIATION	(32,275)	(3,717)	(35,992)	(4,709)	(40,701)
9 AMORTIZATION OF C.I.A.C.	0	15,483	15,483		15,483
10 ADVANCES FOR CONSTRUCTION	0	0	0		0
11 WORKING CAPITAL ALLOWANCE	0	3,613	3,613		3,613
12					
13 RATE BASE	\$ 13,357	\$ 17,403	\$ 30,760	\$ 215,834	\$ 246,594
14					

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 EXPLANATION OF THE ADJUSTMENTS TO  
 RATE BASE SCHEDULES NO. 1-A AND 1-B

DOCKET NO. 900025-WS  
 SCHEDULE 1-C  
 PAGE 1 OF 2

ADJUSTMENT -----	WATER -----	SEWER -----
1 UTILITY PLANT IN SERVICE		
2 -----		
3 1. To adjust the utility's balance to the		
4 original cost estimate.	\$ (2,300)	\$ 10,785
5		
6 2. To include Phase 2 line additions.	25,060	47,129
7		
8 3. To record installation of master meter.	1,300	
9		
10 4. To reflect replacement of pump in 1989.	(151)	0
11		
12 5. To reflect the average test year balance.	75	
13	-----	-----
14 TOTAL ADJUSTMENTS TO UTILITY PLANT	\$ 23,984	\$ 57,914
15	=====	=====
16		
17 LAND		
18 ----		
19 1. To include land based on the original		
20 purchase price.	\$ 730	\$ 3,066
21	=====	=====
22		
23 CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION		
24 -----		
25 1. To reflect cash contribution shown on the		
26 tax return.	\$ (1,043)	\$ (1,042)
27		
28 2. To reflect lines imputed based on tax		
29 return plant balance (1971-1972).	0	(10,785)
30		
31 3. To include Phase 2 lines not reflected		
32 on tax return.	(25,060)	(47,129)
33	-----	-----
34 TOTAL ADJUSTMENTS TO CIAC	\$ (26,103)	\$ (58,956)
35	=====	=====
36		
37 ACCUMULATED DEPRECIATION		
38 -----		
39 1. To adjust accumulated depreciation to		
40 staff's calculated balance of U.P.I.S.		
41 using a 2.5% composite depreciation rate.	\$ 2,191	\$ (5,011)
42		
43 2. To reflect the average test year balance.	472	1,294
44	-----	-----
45 TOTAL ADJUSTMENTS TO ACCUMULATED DEPRECIATION	\$ 2,663	\$ (3,717)
46	=====	=====

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 EXPLANATION OF THE ADJUSTMENTS TO  
 RATE BASE SCHEDULES NO. 1-A AND 1-B

DOCKET NO. 900025-WS  
 SCHEDULE 1-C  
 PAGE 2 OF 2

ADJUSTMENT -----	WATER -----	SEWER -----
1 AMORTIZATION OF C.I.A.C.		
2 -----		
3 1. To reflect accumulated amortization on		
4 staff's calculated balance of CIAC		
5 using a 2.5% composite depreciation rate.	\$ 5,991	\$ 16,220
6		
7 2. To reflect the average test year balance.	(326)	(737)
8	-----	-----
9 TOTAL ADJUSTMENTS TO AMORTIZATION OF CIAC	\$ 5,665	\$ 15,483
10	=====	=====
11		
12 WORKING CAPITAL ALLOWANCE		
13 -----		
14 1. To record the working capital allowance		
15 using the formula method.	\$ 3,176	\$ 3,613
16	=====	=====
17		
18 PRO FORMA PLANT		
19 -----		
20 1. To include projected cost of percolation pond.	\$ 0	\$ 125,000
21		
22 2. To include estimated cost of meters.	18,500	0
23		
24 3. To include the engineering costs spent		
25 for the perc pond design.	0	2,265
26	-----	-----
27 TOTAL ADJUSTMENTS TO PRO FORMA PLANT	\$ 18,500	\$ 127,265
28	=====	=====
29		
30 PRO FORMA LAND		
31 -----		
32 1. To include the current cost of the		
33 land required for the new percolation pond.	\$ 0	\$ 94,738
34		
35 2. To retire the original cost of the land for the		
36 old percolation pond.	0	(1,460)
37	-----	-----
38 TOTAL ADJUSTMENTS TO PRO FORMA LAND	\$ 0	93,278
39	=====	=====
40		
41 PRO FORMA ACCUMULATED DEPRECIATION		
42 -----		
43 1. To include one year's depreciation on		
44 pro forma plant.	\$ (1,092)	\$ (4,709)
45	=====	=====

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 SCHEDULE OF CAPITAL STRUCTURE  
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 2-A  
 DOCKET NO. 900025-WS

COMPONENT	AVERAGE TEST YEAR	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	PRO RATA ADJUSTMENTS	ADJUSTED BALANCE	WEIGHT	COST	WEIGHTED COST
1								
2								
3 LONG-TERM DEBT	171,157		171,157	(54,495)	116,662	42.21%	11.55%	4.87%
4 SHORT-TERM DEBT	1,121		1,121	(357)	764	0.28%	16.80%	0.05%
5 CUSTOMER DEPOSITS	0		0	0	0	0.00%	0.00%	0.00%
6 COMMON EQUITY	0	233,242	233,242	(74,262)	158,980	57.52%	12.49%	7.18%
7 ITC'S	0		0	0	0	0.00%	0.00%	0.00%
8 DEFERRED INCOME TAXES	0		0	0	0	0.00%	0.00%	0.00%
9 OTHER CAPITAL	0		0	0	0	0.00%	0.00%	0.00%
10								
11								
12 TOTAL	172,278	233,242	405,520	(129,114)	276,406	100.00%		12.10%
13								
14								
15								
16								
17								
18								
19								
20								

  

	RANGE OF REASONABLENESS:	HIGH	LOW
EQUITY		13.49%	11.49%
OVERALL RATE OF RETURN		12.68%	11.53%

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 STATEMENT OF WATER OPERATIONS  
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 3-A  
 DOCKET NO. 900025-WS

DESCRIPTION	(A) AVERAGE TEST YEAR PER UTILITY	(B) ADJUSTMENTS TO THE TEST YEAR	(C) ADJUSTED TEST YEAR	(D) CONSTRUCTED ADJUSTMENTS	(E) CONSTRUCTED TEST YEAR
1					
2					
3 OPERATING REVENUES	\$ 27,750	\$	\$ 27,750	\$ 4,889	\$ 32,639
4 OPERATING EXPENSES:					
5 OPERATION & MAINTENANCE	\$ 17,268	\$ 8,140	\$ 25,408	\$	\$ 25,408
6 DEPRECIATION	0	1,533	1,533		1,533
7 AMORTIZATION	0	0	0		0
8 TAXES OTHER THAN INCOME	0	1,870	1,870	220	2,090
9 INCOME TAXES	0	0	0	0	0
10					
11 TOTAL OPERATING EXPENSES	\$ 17,268	\$ 11,543	\$ 28,811	\$ 220	\$ 29,031
12					
13 OPERATING INCOME	\$ 10,482	\$ (11,543)	\$ (1,061)	\$ 4,669	\$ 3,608
14					
15 RATE OF RETURN	457.93%		-8.55%		12.10%
16					
17					

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 STATEMENT OF SEWER OPERATIONS  
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 3-B  
 DOCKET NO. 900025-WS

DESCRIPTION	(A) AVERAGE TEST YEAR PER UTILITY	(B) ADJUSTMENTS TO THE TEST YEAR	(C) ADJUSTED TEST YEAR	(D) CONSTRUCTED ADJUSTMENTS	(E) CONSTRUCTED TEST YEAR
1					
2					
3 OPERATING REVENUES	\$ 27,750	\$	\$ 27,750	\$ 38,203	\$ 65,953
4 OPERATING EXPENSES:					
5 OPERATION & MAINTENANCE	\$ 18,022	\$ 10,883	\$ 28,905	\$	\$ 28,905
6 DEPRECIATION	0	6,233	6,233		6,233
7 AMORTIZATION	0	(4,491)	(4,491)		(4,491)
8 TAXES OTHER THAN INCOME	0	3,742	3,742	1,719	5,461
9 INCOME TAXES	0	0	0	0	0
10					
11 TOTAL OPERATING EXPENSES	\$ 18,022	\$ 16,367	\$ 34,389	\$ 1,719	\$ 36,108
12					
13 OPERATING INCOME	\$ 9,728	\$ (16,367)	\$ (6,639)	\$ 36,484	\$ 29,845
14					
15 RATE OF RETURN	0.00%		-21.58%		12.10%
16					

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 EXPLANATION OF THE ADJUSTMENTS TO  
 OPERATING STATEMENTS NO. 3-A AND 3-B

DOCKET NO. 900025-WS  
 SCHEDULE 3-C  
 PAGE 1 OF 3

ADJUSTMENT	WATER	SEWER
-----	-----	-----
1 OPERATION AND MAINTENANCE		
2 -----		
3 1. To estimate the salary for the secretary.	\$ 1,800	\$ 1,800
4		
5 2. To estimate the salary for the president.	3,000	3,000
6		
7 3. To allow additional expense for meter reading.	1,200	
8		
9 4. To recognize the increased cost of		
10 hospitalization insurance.	2,254	2,254
11		
12 5. To remove 75% of medical costs		
13 to match benefits to utility work-hours.	(3,050)	(3,050)
14		
15 6. To reduce the purchased power expense		
16 to the staff engineer's estimate.	(3,302)	0
17		
18 7. To adjust materials and supplies expense		
19 to properly accrue expenses.	5	60
20		
21 8. To accrue an accounting services invoice.	57	57
22		
23 9. To remove four invoices for services		
24 in a prior period.	(225)	(275)
25		
26 10. To remove costs to settle bankruptcy.	(1,000)	(1,000)
27		
28 11. To remove non-expense items - perc pond		
29 engineering costs and debt/interest payments.	(530)	(2,171)
30		
31 12. To recognize the projected increase in the contrac-		
32 tual services rate and accrue the yearly expense	767	1,042
33		
34 13. To accrue rental expense for the office.	975	975
35		
36 14. To allocate a portion of the auto repairs		
37 to the mobile home park.	(155)	(168)
38		
39 15. To adjust automobile insurance.	(446)	(446)
40		
41 16. To include liability insurance.	144	198
42		
43 17. To remove out of period reg. comm. exp.	(1,770)	(1,770)
44		
45		
46		
47		
48		
49		



SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 EXPLANATION OF THE ADJUSTMENTS TO  
 OPERATING STATEMENTS NO. 3-A AND 3-B

DOCKET NO. 900025-WS  
 SCHEDULE 3-C  
 PAGE 2 OF 3

ADJUSTMENT	WATER	SEWER
-----	-----	-----
1 OPERATION AND MAINTENANCE (CONT'D)		
2 -----		
3 18. To amortize the filing fee over four years.	(112)	(112)
4		
5 19. To remove fines and penalties.	(950)	(900)
6		
7 20. To increase expenses to allow additional		
8 amounts for preventative maintenance.	8,958	8,500
9		
10 21. To allow mowing costs for the percolation pond.		2,925
11		
12 22. To remove telephone expense		
13 related to prior period.	(35)	(36)
14		
15 23. To allow postage for mailing bills.	555	
16	-----	-----
17 TOTAL ADJUSTMENTS TO OPERATION		
18 AND MAINTENANCE	\$ 8,140	\$ 10,883
19	-----	-----
20		
21 DEPRECIATION		
22 -----		
23 1. To reflect depreciation expense		
24 on test year plant.	\$ 1,232	\$ 3,705
25		
26 2. To reflect amortization		
27 on test year CIAC.	(791)	(2,181)
28		
29 3. To include depreciation expense		
30 on pro forma plant.	1,092	4,709
31	-----	-----
32 TOTAL ADJUSTMENTS TO DEPRECIATION	\$ 1,533	\$ 6,233
33	-----	-----
34		
35 AMORTIZATION		
36 -----		
37 1. To amortize the gain on the retiremnet		
38 of the old percolation pond land.	\$ 0	\$ (4,491)
39	-----	-----

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 EXPLANATION OF THE ADJUSTMENTS TO  
 OPERATING STATEMENTS NO. 3-A AND 3-B

DOCKET NO. 900025-WS  
 SCHEDULE 3-C  
 PAGE 3 OF 3

ADJUSTMENT -----	WATER -----	SEWER -----
1 TAXES OTHER THAN INCOME		
2 -----		
3 1. To reflect regulatory assessment		
4 fees on test year revenues.	\$ 1,249	\$ 1,249
5		
6 2. To include tangible property tax.	94	253
7		
8 3. To include real estate taxes		
9 on utility plant sites.	14	58
10		
11 4. To include real estate taxes on the		
12 pro forma land.	0	1,772
13		
14 5. To include federal and state unemployment taxes		
15 on salaries.	54	43
16		
17 6. To include FICA taxes on salaries.	459	367
18	-----	-----
19 TOTAL ADJUSTMENTS TO TAXES OTHER THAN INCOME	\$ 1,870	\$ 3,742
20	-----	-----
21		
22 OPERATING REVENUES		
23 -----		
24 To reflect recommended increase (decrease)		
25 to allow a fair rate of return.	\$ 4,889	\$ 38,203
26	-----	-----
27		
28 TAXES OTHER THAN INCOME		
29 -----		
30 To reflect regulatory assessment		
31 fees on revenue change.	\$ 220	\$ 1,719
32	-----	-----

SHADY OAKS MOBILE-MODULAR ESTATES, INC.  
 WATER OPERATION & MAINTENANCE EXPENSES  
 TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 4  
 DOCKET NO. 900025-WS

ACCT NO.	ACCOUNT TITLE	(A) UTILITY BALANCE PER BOOKS	(B) ADJUSTMENTS TO THE TEST YEAR	(C) ADJUSTED TEST YEAR	(D) PRO FORMA ADJUSTMENTS	(E) PRO FORMA TEST YEAR
1	601 SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 1,800	\$ 1,800	\$ 0	\$ 1,800
2	603 SALARIES AND WAGES - OFFICERS	0	4,200	4,200	0	4,200
3	604 EMPLOYEE PENSIONS & BENEFITS	2,103	(796)	1,307	0	1,307
4	615 PURCHASED POWER	4,032	(3,302)	730	0	730
5	618 CHEMICALS	0	145	145	0	145
6	620 MATERIALS AND SUPPLIES	1,040	8,963	10,003	0	10,003
7	630 CONTRACTUAL SERVICES	4,347	(1,130)	3,217	0	3,217
8	640 RENTS	0	975	975	0	975
8	650 TRANSPORTATION EXPENSES	2,042	(776)	1,266	0	1,266
9	655 INSURANCE	0	329	329	0	329
10	665 REGULATORY COMMISSION EXPENSE	1,920	(1,882)	38	0	38
11	668 OTHER REGULATORY EXPENSE	950	(950)	0	0	0
12	675 MISCELLANEOUS EXPENSES	151	0	151	0	151
13	680 OFFICE SUPPLIES & EXPENSE	683	564	1,247	0	1,247
14						
15	TOTAL	\$ 17,268	\$ 8,140	\$ 25,408	\$ 0	\$ 25,408

20 SEWER OPERATION & MAINTENANCE EXPENSES

ACCT NO.	ACCOUNT TITLE	(A) UTILITY BALANCE PER BOOKS	(B) ADJUSTMENTS TO THE TEST YEAR	(C) ADJUSTED TEST YEAR	(D) PRO FORMA ADJUSTMENTS	(E) PRO FORMA TEST YEAR
27	701 SALARIES AND WAGES - EMPLOYEES	\$ 0	\$ 1,800	\$ 1,800	\$ 0	\$ 1,800
28	703 SALARIES AND WAGES - OFFICERS	0	3,000	3,000	0	3,000
29	704 EMPLOYEE PENSIONS & BENEFITS	2,103	(796)	1,307	0	1,307
30	711 SLUDGE REMOVAL EXPENSE	0	320	320	0	320
31	715 PURCHASED POWER	2,457	0	2,457	0	2,457
32	718 CHEMICALS	0	161	161	0	161
33	720 MATERIALS AND SUPPLIES	286	8,560	8,846	0	8,846
34	730 CONTRACTUAL SERVICES	7,391	97	7,488	0	7,488
35	740 RENTS	0	975	975	0	975
36	750 TRANSPORTATION EXPENSES	2,040	(799)	1,241	0	1,241
37	755 INSURANCE	0	383	383	0	383
38	765 REGULATORY COMMISSION EXPENSE	1,920	(1,882)	38	0	38
39	768 OTHER REGULATORY EXPENSE	900	(900)	0	0	0
40	775 MISCELLANEOUS EXPENSES	198	0	198	0	198
41	780 OFFICE SUPPLIES & EXPENSE	727	(36)	691	0	691
42						
43	TOTAL OPERATION AND MAINTENANCE	\$ 18,022	\$ 10,883	\$ 28,905	\$ 0	\$ 28,905