

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-)
 assisted rate case for Arbor Oaks)
 system in Pasco County by CENTURY)
 GROUP, INC.)
 _____)

DOCKET NO. 900749-WS

ORDER NO. 24640

ISSUED: 6/10/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

FINAL ORDER GRANTING TEMPORARY
 RATES IN EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER APPROVING INCREASED RATES AND
 DIRECTING COMPLIANCE WITH NARUC SYSTEM OF ACCOUNTS

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature, except for the setting of temporary rates in the event of protest, and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Arbor Oaks Utility (Arbor Oaks or utility) is a Class C water and wastewater facility located in Zephyrhills in Pasco County, Florida. The utility is owned by BDC, Inc. (BDC), pursuant to a recent sale and Commission approval of the transfer of the utility's certificate from Century Group, Inc. (Century) to BDC at its Agenda Conference on May 19, 1991. The utility provides water and wastewater service to approximately 153 mobile home residences. The utility has its own wastewater treatment plant and receives water from Pasco County through a master meter. Century filed an

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application for a staff-assisted rate case on September 7, 1990. We selected the test year ended November 30, 1990. Our findings are set forth below.

QUALITY OF SERVICE

On the evening of April 4, 1991, our staff conducted a customer meeting in the utility's service area to allow the customers the opportunity to express their opinions on the quality of the utility's service and to ask questions. Approximately 78 of the utility's 153 water and wastewater customers attended the meeting. Four customers made general comments. Two of the four commented about the quality of service provided by the utility.

Wastewater treatment plant odor and noise appeared to be the most common problems as indicated by those customers who commented on service. One customer said that the smell had recently been pretty bad, and that it happens periodically. Another customer said the odor was an open sewage smell. Concerning noise, one customer said the plant makes a gurgling sound and that it runs all night long. He said only those who live close to the plant can appreciate this problem. Fifteen to twenty customers acknowledged a noise problem by a show of hands. In addition, one customer said that sewage from the treatment plant had flowed down the street, most recently on February 18, 1991.

The utility manager responded to the customers' concerns about odor and noise. He indicated that a recent change in plant operators will provide better service. In a letter dated April 16, 1991, the new operator pointed out that he had noticed foul odors at the time he began operating the plant, and that the problem was the plant's digester, which appeared to be "sour." The contents of the digester were removed and the unit was cleaned. The new operator intends to do what is necessary to assure that odor will no longer be a problem.

In addition, the utility has indicated to the Commission that it is insulating the building that houses the plant's blower motors and will build an earthen berm with wooden fencing to help control noise. The plant operator has also offered to throttle the plant's diffusors as much as possible.

We believe the real cause of the noise and odor problems is the location of the plant relative to the residential area. The

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wastewater treatment plant is surrounded by homes. Because of the nature of the facility, some noise and occasional odor are to be expected. Excessive noise and odor should not be tolerated; however, it appears the utility is making appropriate improvements to eliminate unnecessary noise and odor.

As to the recent sewage spill, the utility manager said at the customer meeting that the spill was caused by blocked outfall pipes. The problem was corrected immediately. Shortly after the incident, the Department of Environmental Regulation (DER) inspected the plant and found it to be in compliance with DER's requirements. The earthen berm the utility plans to install should help contain any further spills.

Based on the foregoing, we find that the quality of service for both the water and wastewater systems is satisfactory. Our staff will conduct a further review of the quality of service after the planned improvements are made.

RATE BASE

Our calculation of the utility's rate base is attached to this Order as Schedule No. 1 with adjustments to the rate base shown on Schedule No. 1-A. Those adjustments essentially mechanical in nature are shown on the schedule without further explanation in the text of this Order. The major components of the utility's rate base and adjustments thereto are discussed below.

Used and Useful

To determine the used and useful portion of each component of plant-in-service, we compared actual flow data and equivalent residential connections (ERCs) to the rated capacity of each system. The results are as follows.

Water Treatment System: The wastewater treatment plant has a treatment capacity of 25,000 gallons per day (gpd). The average daily flow of the peak usage month during the test year is 12,000 gpd. When 4,725 gpd is added for margin reserve, our used and useful calculations show 67% use of current plant capacity. In this case, however, connection capacity should take precedence over gallonage capacity in determining used and useful because the plant was originally designed to serve the park at build-out. With only

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four lots remaining to be occupied at the end of the test year, we find the plant is 100% used and useful.

Water Distribution and Wastewater Collection Systems: Both the water distribution and the wastewater collection systems have a capacity of 157 ERCs. Plus the clubhouse connection. There were 142.5 test year connections. Adding 37.5 ERCs for margin reserve, we find that these systems are 100% used and useful. The 100% used and useful determination limits margin reserve to 14.5 ERCs for purposes of imputation of CIAC, because only that amount remains to achieve system capacity of 157 ERCs.

Plant-in-service

Water System- The utility purchases water from Pasco County, so there is no water treatment facility. The transmission and distribution lines are made of PVC pipe.

The utility did not record water plant-in-service by individual plant accounts. Based on our audit, the balance at the end of the test period was \$60,101. We find that a pro forma adjustment of \$871 is reasonable and necessary to cover the cost of installing additional meters, because several utility customers were neither billed nor did they have meters installed during the test year. Therefore, we find that the appropriate balance of depreciable water plant-in-service is \$60,972.

Wastewater System- The utility's wastewater treatment plant has a design capacity of 25,000 gpd. Its main mode of treatment is extended aeration with chlorination for disinfection. Treated effluent is discharged into two percolation ponds.

The utility did not record wastewater plant-in-service by individual plant accounts. Based on our audit, the balance at the end of the test year was \$187,261. Therefore, we find the appropriate balance of depreciable wastewater plant-in-service is \$187,261.

Accumulated depreciation of Plant-in-service

Water System - Applying the prescribed depreciation rates to the appropriate plant-in-service account balances results in a \$6,153 balance in accumulated depreciation at the end of the test year. Consistent with Commission policy, one year of depreciation

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associated with pro forma plant additions has also been included. After an averaging adjustment of \$830, we find the appropriate average amount of accumulated depreciation of plant-in-service to include in rate base is \$5,374 for the water system.

Wastewater System - Applying the prescribed depreciation rates to the appropriate plant-in-service account balances results in a balance of \$23,836 in accumulated depreciation at the end of the test year. After an averaging adjustment, we find the appropriate average amount of accumulated depreciation of plant-in-service to include in rate base is \$20,537 for the wastewater system.

Contributions-in-aid-of-construction (CIAC)

The utility was not certificated, and thus not regulated by this Commission, during construction of the water and wastewater facilities. The utility asserts that no CIAC has been collected. However, after reviewing the previous owner's consolidated tax returns, we were unable to determine the amounts charged to cost of goods sold for the utility.

Rule 25-30.570, Florida Administrative Code provides:

- (1) If the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

The utility has not submitted competent substantial evidence of the amount of CIAC. Therefore, we have imputed CIAC for the water and wastewater systems as follows:

Water System - The utility's books reflected \$53,583 associated with transmission and distribution lines. In accordance with the Rule 25-30.570, we imputed this amount as CIAC.

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Wastewater System - The utility's books reflected \$95,166 associated with the wastewater collection system. In accordance with Rule 25-30.570, we imputed this amount as CIAC.

Accumulated amortization of CIAC

Water System - Applying the prescribed depreciation rates to the appropriate account balances results in a balance of \$5,051 in accumulated amortization of CIAC at the end of the test year. After an averaging adjustment of \$705, we find the appropriate amount of accumulated amortization of CIAC to include in rate base for the water system is \$4,346.

Wastewater System - Applying the prescribed depreciation rates to the appropriate account balances results in a balance of \$10,744 in accumulated amortization of CIAC at the end of the test year. After an averaging adjustment of \$1,482, we find the appropriate amount of accumulated amortization of CIAC to include in rate base for the wastewater system is \$9,262.

Land

Water System - There is no water treatment facility because the utility purchases water from Pasco County. Accordingly, no land has been allocated to the water system.

Wastewater System - The original cost of the land was \$10,152. Therefore, we find that the appropriate amount to include in rate base for land associated with the wastewater system is \$10,152.

Working Capital

We find it appropriate to use the formula method (one-eighth of operating and maintenance expenses) to calculate the working capital requirement of this utility. In a later section of this Order, we find that the proper amount of test year operating and maintenance expense is \$22,947 for the water system and \$14,914 for the wastewater system. Therefore, we have included one-eighth of those amounts, \$2,868 for the water system and \$1,864 for the wastewater system, in the respective rate bases as the utility's working capital allowances.

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Test Year Rate Base

The appropriate components to include in the utility's test year rate base are depreciable plant-in-service, accumulated depreciation, nondepreciable plant, amortizable plant, accumulated amortization, CIAC, accumulated amortization of CIAC, and working capital allowance. In consideration of the foregoing, we find the appropriate test year rate base to be \$9,229 for the water system and \$92,836 for the wastewater system.

CAPITAL STRUCTURE

Return on Equity - There are three components to the utility's equity structure: capital stock, additional paid in capital, and retained earnings. At the end of the test period, the utility's books reflected a combined negative equity balance of \$13,363.

When a utility's books reflect negative equity, it is the policy of this Commission to adjust the negative equity balance to \$0, so that the negative component is not reflected in the utility's capital structure. There is no equity to be recognized in the utility's capital structure, and the return on a \$0 balance is \$0. Therefore, return on equity is not applicable in this instance; accordingly, we will not establish one.

Cost of Debt and Overall Rate of Return - There are two components to the utility's debt structure: a mortgage note payable at a cost rate of 11.37%, and a stockholder advance. As is the policy of this Commission, stockholder advances with no stated rate of interest are assigned the applicable equity cost rate. Applying the \$0 balance in the equity portion of the utility's capital structure to the leverage formula approved in Order No. 24246, we find that the appropriate return on the stockholder advance is 13.11%.

The adjusted balance at the end of the test period was \$2,054,575, or \$1,967,815 more than the total rate base of \$100,123. In conformity with Commission policy, the balances in the utility's debt structure were reduced by each component's pro rata share of the \$1,967,815 excess. Applying the appropriate cost rates to the capital structure ratios, we find the appropriate overall rate of return is 11.46%.

The capital structure is shown on Schedule No. 2.

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NET OPERATING INCOME

Attached as Schedule No. 3 is our schedule of water and wastewater operating income. Our adjustments thereto are shown on Schedule No. 3-A. Those adjustments essentially mechanical in nature or which are self-explanatory are shown on those schedules without further explanation in the test of this Order.

Operating Revenues

The utility recorded water system revenue of \$11,232 and wastewater system revenue of \$12,835 during the test period. We adjusted each balance because our audit showed that the utility had not implemented the increased rates associated with a pass-through rate adjustment which became effective during the test period, and because we discovered several unmetered connections. Therefore, we calculated test year operating revenues to be \$12,027 for the water system and \$13,576 for the wastewater system.

Operating and Maintenance Expenses

The utility charged \$20,181 to the water system and \$8,837 to the wastewater system during the test year. Details of the calculations and adjustments made to each expense account follow and are also shown on Schedule No. 3-B.

1) Salaries and Wages - Officers - The utility recorded no salaries for either system during the test period. We determined that approximately four hours per week (one hour for the water system and three hours for the wastewater system) will be required to manage the utility. Based on a survey of salaries paid to other water and wastewater utility managers in Florida, we find an hourly rate of \$17.86 is appropriate in determining a salaries allowance. Therefore, we find the appropriate balance for this account is \$929 for the water system and \$2,786 for the wastewater system.

2) Purchased Power - The utility recorded \$1,853 in the wastewater system account during the test period. We find an additional allowance of \$371 should be included to cover the expense associated with the lift station. Therefore, we find the appropriate annual allowance for purchased power is \$2,224.

3) Chemicals - The utility recorded \$106 in the wastewater system account during the test period. We made an \$894 adjustment

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to this account to reflect additional expense not recorded on the utility's books. We have reviewed the chemicals expense for the test period and find it reasonable. Therefore we find the appropriate annual allowance for chemicals is \$1,000.

4) Materials and Supplies - The utility charged \$0 to the wastewater system during the test period; however the wastewater treatment plant will use water on a daily basis. Therefore, we find an annual allowance of \$559 to be appropriate.

5) Contractual Services - The utility charged \$1,417 to the water system and \$6,080 to the wastewater system during the test period. We find an allowance of \$900 per system is reasonable to cover billing expenses. In addition, we find allowances of \$300 and \$900, respectively, are reasonable to defer bookkeeping expenses.

The utility's previous contract operator for the wastewater system charged \$500 per month. The utility has contracted with another operator at a cost of only \$350 per month, resulting in an annual savings of \$1,800 in this account. We have also allowed \$480 annually for wastewater facilities grounds maintenance. Therefore, we find annual allowances of \$2,617 for the water system and \$6,560 for the wastewater system are reasonable.

6) Rents - The utility recorded no expenses in this account during the test period. We find a reasonable allocation of utility office overhead is \$600 per system per year.

7) Insurance Expense - The utility recorded no expenses in this account during the test period. We find a reasonable annual allocation for coverage of wastewater facilities property is \$350.

8) Regulatory Commission Expense - The utility recorded \$0 per system during the test period. The filing fee for the instant rate case was \$300. Based on a four-year amortization period, we find the appropriate annual balance is \$38 per system.

Operation and Maintenance Expenses Summary: Based on the foregoing adjustments, we find annual allowances of \$22,947 for the water system and \$14,914 for the wastewater system are reasonable.

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Depreciation Expense (Net of Amortization of CIAC)

We calculated test year depreciation expense using the Water System Guideline Average Service Lives contained in Rule 25-30.140(2)(a), Florida Administrative Code, and the Sewer System Guideline Average Service Lives contained in Rule 25-30.140(2)(b), Florida Administrative Code.

Application of the prescribed depreciation service lives to the appropriate plant-in-service account balances results in a test year depreciation expense of \$1,661 for the water system and \$6,597 for the wastewater system. Applying the prescribed depreciation rates to the appropriate CIAC account balances offsets depreciation expense by \$1,409 for the water system and \$2,964 for the wastewater system during the test year. The additional depreciation expense associated with the water meters to be installed is \$51 annually. Therefore, we find the annual net depreciation expense is \$303 for the water system and \$3,633 for the wastewater system.

Taxes Other Than Income Taxes

Taxes other than income taxes include property taxes, payroll taxes, and regulatory assessment fees.

The only taxes other than income taxes for the water system are regulatory assessment fees. The regulatory assessment fees associated with the test year revenue of \$12,027 are \$541. The utility will pay an additional \$604 in regulatory assessment fees due to the revenue increase resulting from the new rates approved in this Order.

The only taxes other than income taxes for the wastewater system are regulatory assessment fees. The regulatory assessment fees associated with the test year revenue of \$13,576 are \$611. The utility will pay an additional \$755 in regulatory assessment fees due to the revenue increase resulting from the new rates approved in this Order.

Income Tax Expense

The utility owner, BDC, Inc., is a Subchapter S corporation. Therefore, there will be no income tax expense since Subchapter S corporations have no income tax liability.

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Operating Income

The test year operating revenues for the water system are \$12,027, with corresponding operating expenses of \$23,791. This results in a test year operating loss of \$11,764 for the water system.

The test year operating revenues for the wastewater system are \$13,576, with corresponding operating expenses of \$19,158. This results in a test year operating loss of \$5,582 for the wastewater system.

REVENUE REQUIREMENT

Based on the utility's books and records and the adjustments discussed above, we find that the appropriate annual revenue requirement is \$25,453 for the water system and \$30,561 for the wastewater system. This represents an annual increase in water revenue of \$13,426 or 111.6% and an annual increase in wastewater revenue of \$16,985 or 125.1%. These revenue requirements will allow the utility to recover its expenses and allow it an opportunity to earn an 11.46% return on its rate base.

RATES AND CHARGES AND RATE STRUCTURE

Monthly Service Rates

We find that the rates set forth below are fair, just, reasonable, and not unfairly discriminatory. These rates have been designed to allow the utility to recover its expenses and the opportunity to earn an 11.46% return on its investment, using the base facility/gallongage charge rate structure for both the water and wastewater systems.

Currently, the utility uses a flat rate structure. However, the Commission's preferred rate structure is the base facility/gallongage charge rate structure, because it is designed to provide for the equitable sharing by the rate payers of both the fixed and variable costs of providing service. The base facility charge is based on the concept of readiness to serve all customers connected to the system. This ensures that rate payers pay their share of the costs of providing service through the consumption or gallongage charge, and also pay their share of their fixed costs of providing service through the base facility charge.

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The utility's existing rates and those approved herein are set forth below for comparison:

MONTHLY RATES - WATER

Residential and General Service

Current

Flat Rate \$ 7.15

Approved

<u>Meter Sizes</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 2.95
3/4"	4.42
1"	7.37
1 1/2"	14.74
2"	23.58
3"	47.16
4"	73.68
6"	147.37

Consumption Charge
 Per 1,000 Gallons \$ 2.21

MONTHLY RATES - WASTEWATER

Residential and General Service

Current

Flat Rate \$ 8.51

Approved

<u>Meter Sizes</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 9.92
3/4"	14.88
1"	24.80
1 1/2"	49.60
2"	79.36
3"	158.73
4"	248.01
6"	496.02

Consumption Charge
 Per 1,000 Gallons
 Residential
 (6,000 Gallons Maximum) \$ 4.88
 General Service 5.86

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These rates shall be effective for meter readings taken on or after thirty days after the stamped approval date on the revised tariff pages to be filed by Arbor Oaks. The revised tariff pages will be approved upon our Staff's verification that the tariffs are consistent with our decision, that the proposed customer notice is adequate, that proper security for refund has been provided, and upon expiration of the protest period.

Reduction in Rates

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over four years. The statute further requires that after four years the rates be reduced immediately by the amount of rate case expense previously included in its rates. This statute applies to all rate cases filed on or after October 1, 1989.

The only rate case expense the utility incurred was the \$300 filing fee. Therefore, pursuant to Section 367.0816, Florida Statutes, the utility may recover \$37.50 per system per year. After this \$37.50 figure is grossed up to include resulting regulatory assessment fees, annual recovery is \$39 per system per year. At the end of four years, the utility's rates per system should be reduced by \$39. Assuming no change in the utility's current revenues, expenses, capital structure, and customer base, the effect of this rate reduction is an approximate \$0.01 reduction in both the base facility charge and the gallonage charge for each system for a 5/8 inch by 3/4 inch meter.

The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility shall also file a proposed customer notice 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 must be filed for the price index or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Service Availability Charges

The utility's current tariff contains no provision for service availability charges. In addition, our audit revealed that the utility has never collected any service availability charges. Based on the number of connections, we found earlier in this Order that both the water and wastewater systems are 100% used and useful. Due to the location and development of the surrounding area, it is unlikely that the utility will be able to connect any

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customers other than those in the mobile home park; however, there is actually excess capacity available to serve additional customers. Therefore, in the event the utility connects additional customers, we find that a water meter installation charge of \$100 and a wastewater plant capacity charge of \$500 are appropriate. These charges will be effective for connections made on or after the stamped approval date on the revised tariff sheets.

Miscellaneous Service Charges

Arbor Oaks' current tariff does not provide for miscellaneous service charges. Based on our analysis of the labor and materials required for these services, we find that the following miscellaneous service charges are reasonable and consistent with Rule 25-30.345, Florida Administrative Code:

	<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

These charges are designed to more accurately reflect the costs associated with each service and to place the burden of payment on the person who causes the cost to be incurred rather than on the entire ratepaying body. The tariff charge of actual cost for a wastewater only violation reconnection is approved contingent upon the utility filing with the Commission for prior approval a breakdown of the actual components, corresponding unit costs, and typical man hours required for the discontinuance and subsequent reinstatement of service.

When both water and wastewater services are provided, we believe only a single charge is appropriate unless circumstances beyond the control of the utility require multiple actions. Following is a description of each service:

- 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.

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- 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), F.A.C., including a delinquency in bill payment.
- 4) Premises Visit (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, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon our Staff's verification that the tariffs are consistent with our decision, the proposed customer notice is adequate, proper security for refund has been provided, and upon expiration of the protest period.

COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS

Arbor Oaks' currently does not maintain its books and records according to the NARUC Uniform System of Accounts. Rule 25-30.115(1), Florida Administrative Code, provides that effective January 1, 1986, water and sewer utilities must maintain their books and records in conformity with the 1984 NARUC Uniform System of Accounts. We believe the manager of Arbor Oaks has the expertise necessary to convert and maintain the utility's records in conformity with the 1984 NARUC Uniform System of Accounts. We therefore direct Arbor Oaks to comply with Rule 25-30.115(1), Florida Administrative Code, by December 31, 1991.

TEMPORARY RATES IN EVENT OF PROTEST

This Order 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. In the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the monthly service rates approved herein on an interim basis and subject to refund, provided the utility furnishes adequate security for any possible refund. The security shall be in the form of a bond or letter of credit in the

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amount of \$21,254. Alternatively, the utility may establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, the utility shall file reports with the Division of Water and Sewer no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

If the utility chooses a letter of credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, all interest earned by the escrow account shall revert to the utility.

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- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishment.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. Indian Springs may implement these rates only after providing security and after it has filed and our Staff has approved revised tariff pages and a proposed customer notice. Should a refund ultimately be required, the refund shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Arbor Oaks Utilities for an increase in its water and wastewater rates in Pasco County is approved as set forth in the body of this Order. It is further

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

ORDERED that each of the specific findings herein are approved in every respect. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-

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0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that the utility is authorized to charge the new monthly service rates, as set forth in the body of this Order, effective for meter readings taken on or after thirty days after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is authorized to charge the service availability charges set forth in the body of this Order for connections made on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the utility is authorized to charge the miscellaneous service charges set forth in the body of this Order for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that, in the event this Order becomes final, the utility shall notify each customer of the increased rates and charges. The form of this notice shall be submitted to this Commission for prior approval. It is further

ORDERED that the utility shall comply with the NARUC Uniform System of Accounts as set forth in the body of this Order. It is further

ORDERED that the revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent with our decisions herein; that the proposed customer notice is adequate; and that the time for protesting this Order has expired and no such protests were filed. It is further

ORDERED that in the event a substantially affected person, other than the utility, protests this proposed agency action, the utility may implement the monthly service rates herein approved on a temporary basis under the terms and conditions set forth in the body of this Order. The temporary rate portion of this Order is not issued as proposed agency action. It is further

ORDERED that in the event no timely protest is received, this docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 10th
day of JUNE, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MJL

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

As identified in the body of this order, our actions taken herein, except for the granting of temporary rates in the event of protest, are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 1, 1991. In the absence of such a petition, this order shall become effective on

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the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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

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TEST YEAR ENDED NOVEMBER 30, 1990

SCHEDULE NO. 1
RATE BASE
PAGE 1 OF 2

--- WATER SYSTEM ---

Account Title *****	Balance per Utility *****	Commission Adjustments to Utility Balance *****		Balance per Commission *****	Proforma Adjustments *****	Proforma Test Year *****
Depreciable Plant in Service	\$60,101	\$0		\$60,101	\$871 E	\$60,972
Land/Nondepreciable Assets	0	0		0	0	0
Amortizable Plant (Organization)	0	0		0	0	0
Contributions in Aid of Construction	0	(53,583) A		(53,583)	0	(53,583)
Accumulated Depreciation	(6,153)	830		(5,323)	(51) F	(5,374)
Accumulated Amortization (Organization)	0	0		0	0	0
Accumulated Amortization of CIAC	0	4,346 C		4,346	0	4,346
Working Capital Allowance	322	2,546 D		2,868	0	2,868
	-----	-----		-----	-----	-----
RATE BASE	\$54,270	(\$45,861)		\$8,409	\$820	\$9,229
	*****	*****		*****	*****	*****

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SCHEDULE NO. 1
 RATE BASE
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--- WASTEWATER SYSTEM ---

Account Title *****	Balance per Utility *****	Commission Adjustments to Utility Balance *****	Balance per Commission *****
Depreciable Plant in Service	\$187,261	\$0	\$187,261
Land/Nondepreciable Assets	10,152	0	10,152
Amortizable Plant (Organization)	0	0	0
Contributions in Aid of Construction	0	(95,166) A	(95,166)
Accumulated Depreciation	(8,992)	(11,545) B	(20,537)
Accumulated Amortization (Organization)	0	0	0
Accumulated Amortization of CIAC	0	9,262 C	9,262
Working Capital Allowance	97	1,767 D	1,864
RATE BASE	----- \$188,518 ----- *****	----- (\$95,682) ----- *****	----- \$92,836 ----- *****

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SCHEDULE NO. 1A
ADJUSTMENTS TO
RATE BASE

	WATER -----	WASTEWATER -----
A. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC):		

1. Imputation of lines as CIAC	(53,583)	(95,166)
B. ACCUMULATED DEPRECIATION:		

1. Adjustment that results in Commission's approved balance		(14,844)
2. Averaging adjustment	830	3,299
	-----	-----
subtotal	830	(11,545)
C. ACCUMULATED AMORTIZATION OF CIAC:		

1. Imputation of accumulated amortization	5,051	10,744
2. Averaging adjustment	(705)	(1,482)
	-----	-----
subtotal	4,346	9,262
D. WORKING CAPITAL ALLOWANCE:		

1. Remove amount per books	(322)	(97)
1. To reflect working capital allowance based on one-eighth of O&M expenses	2,868	1,864
	-----	-----
subtotal	2,546	1,767
E. DEPRECIABLE PLANT IN SERVICE:		

1. To reflect proforma plant additions	871	
F. ACCUMULATED DEPRECIATION:		

1. Increase due to proforma meter additions	(51)	
	-----	-----
TOTAL RATE BASE ADJUSTMENTS:	(45,166)	(97,499)
	-----	-----

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SCHEDULE NO. 3
OPERATING INCOME
PAGE 1 OF 2

--- WATER SYSTEM ---

	Balance Per Utility *****	Commission Adjustments to Utility Balance *****	Test Year Balance per Commission *****	Commission Adjustments for Increase *****	Balance per Commission *****
Operating Revenues	\$11,232	\$794 A	\$12,027	\$13,426 E	\$25,453
Operating Expenses:					

Operation and Maintenance	\$20,181	\$2,766 B	\$22,947	\$0	\$22,947
Depreciation	1,661	(1,358) C	303	0	303
Amortization	0	0	0	0	0
Taxes Other Than Income	0	541 D	541	604 F	1,145
Income Taxes	0	0	0	0	0

Total Operating Expenses	\$21,842	\$1,949	\$23,791	\$604	\$24,395

Operating Income (Loss)	(\$10,609)	(\$1,155)	(\$11,764)	\$12,822	\$1,058

Rate Base	\$54,270		\$9,229		\$9,229

Rate of Return	-19.55%		-127.47%		11.46%

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SCHEDULE NO. 3
OPERATING INCOME
PAGE 2 OF 2

--- WASTEWATER SYSTEM ---

	Balance Per Utility *****	Commission Adjustments to Utility Balance *****	Test Year Balance per Commission *****	Commission Adjustments for Increase *****	Balance per Commission *****
Operating Revenues	\$12,835	\$741 A	\$13,576	\$16,985 E	\$30,561
Operating Expenses:					

Operation and Maintenance	\$6,597	\$8,317 B	\$14,914	\$0	\$14,914
Depreciation	10,193	(6,560) C	3,633	0	3,633
Amortization	0	0	0	0	0
Taxes Other Than Income	0	611 D	611	764 F	1,375
Income Taxes	0	0	0	0	0

Total Operating Expenses	\$16,790	\$2,368	\$19,158	\$764	\$19,923

Operating Income (Loss)	(\$3,955)	(\$1,627)	(\$5,582)	\$16,221	\$10,639
Rate Base	\$188,518		\$92,836		\$92,836
Rate of Return	-2.10% *****		-6.01% *****		11.46% *****

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SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
PAGE 1 OF 2

	WATER -----	WASTEWATER -----
A. OPERATING REVENUES:		

1. Annualization of pass through rate increase not implemented	537	639
2. Imputation of revenues from unbilled customers	257	102
	-----	-----
subtotal	794	741
B. OPERATION AND MAINTENANCE EXPENSES:		

1. Salaries and Wages Expense - Officers:		
1. Salaries allowance	929	2,786
2. Purchased Power Expense:		
1. Allowance for lift station		371
3. Chemicals Expense:		
1. Unrecorded test year expenses		894
4. Materials and Supplies Expense:		
1. Allowance for water used at STP		559
5. Contractual Services Expense:		
1. Billing allowance	900	900
2. Bookkeeping allowance	300	900
3. Reduced contract operator expense		(1,800)
4. Grounds maintenance allowance		480
	-----	-----
subtotal	1,200	480
6. Rents Expense:		
1. Office overhead allowance	600	600
7. Insurance Expense:		
1. Property insurance allowance		350
8. Regulatory Commission Expense:		
1. Amortization of SARC filing fee	38	38
	-----	-----
TOTAL O&M ADJUSTMENTS:	2,766	6,077
	-----	-----

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SCHEDULE NO. 3A
ADJUSTMENTS TO
OPERATING INCOME
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	WATER -----	WASTEWATER -----
C. DEPRECIATION EXPENSE:		

1. Adjustment to reflect correct test year expense		(3,596)
2. CIAC amortization	(1,409)	(2,964)
3. Allowance for proforma depreciation expense	51	
	-----	-----
subtotal	(1,358)	(6,560)
D. TAXES OTHER THAN INCOME:		

1. Regulatory assessment fees based on Commission approved test year revenues	541	611
E. OPERATING REVENUES:		

1. Commission approved revenue increase	13,413	16,786
F. TAXES OTHER THAN INCOME:		

1. Regulatory assessment fees based on Commission approved revenue increase	604	755

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SCHEDULE NO. 38
DETAIL OF OPERATION AND
MAINTENANCE EXPENSES
PAGE 1 OF 2

--- WATER SYSTEM ---

---- Account ---- No. Description ---	Balance per Utility -----	Commission Adjustments -----	Balance per Commission -----
601 Salaries and Wages - Employees	\$0	\$0	\$0
603 Salaries and Wages - Officers	0	929 1	929
604 Employee Pensions and Benefits	0	0	0
610 Purchased Water	18,680	0	18,680
615 Purchased Power	0	0	0
616 Fuel for Power Production	0	0	0
618 Chemicals	0	0	0
620 Materials and Supplies	0	0	0
630 Contractual Services	1,417	1,200 5	2,617
640 Rents	0	600 6	600
650 Transportation Expenses	0	0	0
655 Insurance Expense	0	0	0
665 Regulatory Commission Expense	0	38 8	38
670 Bad Debt Expense	0	0	0
675 Miscellaneous Expenses	84	0	84
TOTAL OPERATION AND MAINTENANCE EXPENSES	<u>\$20,181</u> -----	<u>\$2,766</u> -----	<u>\$22,947</u> -----

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SCHEDULE NO. 38
DETAIL OF OPERATION AND
MAINTENANCE EXPENSES
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--- WASTEWATER SYSTEM ---

---- Account ---- No. Description ---	Balance per Utility -----	Commission Adjustments -----	Balance per Commission -----
701 Salaries and Wages - Employees	\$0	\$0	\$0
703 Salaries and Wages - Officers	0	2,786 1	2,786
704 Employee Pensions and Benefits	0	0	0
710 Purchased Sewage Treatment	0	0	0
711 Sludge Removal Expense	705	0	705
715 Purchased Power	1,853	371 2	2,224
716 Fuel for Power Production	0	0	0
718 Chemicals	106	894 3	1,000
720 Materials and Supplies	0	559 4	559
730 Contractual Services	6,080	480 5	6,560
740 Rents	0	600 6	600
750 Transportation Expenses	0	0	0
755 Insurance Expense	0	350 7	350
765 Regulatory Commission Expense	0	38 8	38
770 Bad Debt Expense	0	0	0
775 Miscellaneous Expenses	92	0	92
TOTAL OPERATION AND MAINTENANCE EXPENSES	<u>\$8,837</u> -----	<u>\$6,077</u> -----	<u>\$14,914</u> -----