

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-assisted)	DOCKET NO. 900966-WS
rate case in Sumter County for The Woods,))	ORDER NO. 25139
a division of HOMOSASSA UTILITIES, INC.)	ISSUED: 9/30/91
_____)	

The following Commissioners participated in the disposition of this matter:

- THOMAS M. BEARD, Chairman
- SUSAN F. CLARK
- J. TERRY DEASON
- BETTY EASLEY
- MICHAEL MCK. WILSON

ORDER GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER GRANTING RATES AND CHARGES

BY THE COMMISSION:

CASE BACKGROUND

The Woods, a division of Homosassa Utilities, Inc. (The Woods or utility), is a Class "C" water and wastewater utility located in Sumter County, which provides water and wastewater service to The Woods, a mobile home park. The Woods has 56 connections, plus three other connections outside of its authorized service territory. It is serving these three connections at the request of the Florida Department of Environmental Regulation (DER). A certificate amendment application has been filed with the Commission and will be addressed in another docket.

The utility was granted grandfather certificates by Order No. 19848, issued August 22, 1988, as a result of a resolution of January 13, 1987, by the Sumter County Board of County Commissioners to transfer jurisdiction to the Public Service Commission. At the time of the jurisdictional transfer, the utility was owned by Central Utilities, Ltd. (Central). During the interim period between the Commission's receiving jurisdiction over utilities in Sumter County and the completion of the certification process, ownership of the utility was transferred from Central to

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Homosassa. The Commission subsequently issued the certificate to Homosassa.

On December 7, 1990, the utility applied for staff assistance. The utility paid the appropriate filing fee of \$150.00 each for water and wastewater, on February 26, 1991. The test year for this case is the historical test year ended December 31, 1990.

A customer meeting in the utility's service area was conducted by Commission staff on May 22, 1991. The customers raised concerns about the quality of service, which will be discussed below.

QUALITY OF SERVICE

The customer meeting was held at the Bushnell Community Center, in Bushnell, Florida. Seven customers attended. Five commented about the following problems; water service outages, water pressure, sediment in the water, water odor and taste problems, long distance phone bills, utility response time to problems, and water leaks.

One customer said that in the past, water has been out for as much as three days. Apparently, that was before the system was upgraded by the current owner. She said that the pressure is continuously low. Because the pressure fluctuates, hot water heaters are damaged and have to be replaced. She said that there has been some improvement, but recommended that the County take over the system, or that the residents get together to buy the system.

Another customer discussed similar problems. He said that he has been a customer for three years, and continuously has had bad water that smells as well as no pressure. He also has had to replace his hot water heater. Further, he said that the system is leaking and every meter is standing in water. He has complained about the water, but has not received any response. He would like to see someone else take the systems over, and have a full-time maintenance man on site. However, he did say that the utility has made some improvement.

Another customer said that he has to buy bottled water to drink, and is getting tired of paying the utility for something he cannot use. Because of too much chlorine in the water, he cannot take a shower. He also noted leaks in the water system.

A fourth customer said that the water is cloudy and has too much chlorine. When the filter is back-washed at the water

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treatment plant, an odor comes through his sink. He said that in December of 1989, the water system was down for nearly a week. Although it was not clear as to exactly when this happened, it is believed that at about the same time, some customers clothes had to be discarded because they were stained when washed. Recently, the filter was working improperly and the water was reddish-looking and milky in appearance. Like the others, this customer has had to replace his hot water heater. Also, he experiences pressure problems. He said that pressure has gotten worse since some new customers, who are located outside the immediate subdivision, were recently connected. He also stated that he must make a long distance call in order to contact the utility. The utility has indicated that it has a policy of reimbursement and will accept collect calls.

The fifth customer complained about the low pressure and was concerned about fire protection.

In addition to the comments made at the customer meeting, the Commission has received one letter from a customer who could not attend the meeting. The comments made were very similar to those generated at the meeting. They included pressure and general water quality problems. The customer was also concerned about the possibility of the rates increasing and how it would affect her fixed income.

Historically, the utility's water system has had problems with water quality and pressure. Recent improvements that have been accomplished include filter sand replacement and the rewiring of the electrical control system at the water treatment plant. Currently, the system is in compliance with the quality standards as required by DER. Although the standards are being met, customer satisfaction is still in question because of the lack of consistent reliability of the product.

In an attempt to make further improvements, the utility recently increased pressure. Unfortunately, a water outage resulted after the increased pressure caused a pipe failure at the plant. Repairs have been made, and the restored pressure has been increased approximately five pounds per inch. The utility is also installing a pressure monitor in a remote area of the distribution system, in order to monitor pressure over a period of time. To date, no results have been received. If pressure is found to be insufficient, the utility is expected to make the appropriate modifications.

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We believe that with the recent improvements that have been made at the water treatment facility, problems such as low pressure, outages, and sediment, will be significantly reduced. Most of the problems cited by the customers who attended the customer meeting, occurred long before the improvements were made. However, it is anticipated that there still will be occasional inconveniences due to the normal operation of the facility. The design of the filter will allow solids to overflow when routine back-washing occurs. It appears that the only way to totally eliminate this situation, would be to replace the filter with a better designed facility. Because of the costs involved, replacement cannot be justified at this time.

Although there are operational problems, it is apparent that the utility is attempting to provide adequate service. As a result of the customer meeting, the utility has obtained a toll-free telephone number for its customers to use. This toll-free telephone number should be printed on the bills and posted at the water and wastewater facilities. Based on the recent improvements, service is sufficient. Therefore, quality of service is found to be satisfactory.

RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedules Nos. 1 and 2, and our adjustments are itemized on Schedules Nos. 1-A and 2-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

The water treatment plant has a treatment capacity of 150,000 gallons per day (gpd). The maximum daily flow figure used for used and useful consideration is 56,800 gpd. Because the records showed that growth in recent years fluctuated, margin reserve was not considered. Based on the above numbers, the used and useful percentage is 38 percent. Because of the limited gallons per minute capacity of the plant's only well, it is questionable if the peak hourly demand on the system can satisfactorily be met. A used and useful percentage of 75 percent is considered to be more realistic in this case.

The wastewater treatment plant has a treatment capacity of 15,000 gpd. The average daily flow of the peak usage month during

the test year is 13,000 gpd. Because the records showed that growth in recent years fluctuated, margin reserve was not considered. Therefore, we find that the wastewater treatment plant is 87 percent used and useful.

The water distribution and wastewater collection systems have a capacity of 138 equivalent residential connections (ERCs). The number of test year connections is 47 ERCs for water and 45 ERCs for wastewater. However, 60 ERCs for water and 59 ERCs for wastewater will be considered because there are existing connections that occupy two or more lots. It is estimated that 30 percent of the existing connections occupy lots in this manner. Because of the fluctuations of customer growth, margin reserve was not considered. Therefore, we find that the water distribution and the wastewater collection systems are 43 percent used and useful.

Plant-In-Service

During our audit of the books and records of this utility, it was discovered that no original cost documentation existed. Thus, an original cost study was performed to determine the original cost of the plant-in-service and land as of December 31, 1990. The cost study did not take into consideration the value of the transmission lines which were installed at the request of DER to serve three additional customers outside of the service territory. Therefore, we have added these costs to the original cost study to determine the balance of utility plant-in-service for the water system. The wastewater system cost was not affected by the addition of transmission lines. We have adjusted the year-end balances to reflect the average balance during the test year.

Based on the foregoing, we find the appropriate average amount of utility plant-in-service to be \$92,670 for the water system and \$87,747 for the wastewater system. The appropriate amount for land is \$3,500 for the water system and \$7,500 for the wastewater system.

Accumulated Depreciation

As part of the original cost study, an estimate of the percentage of depreciation was made. Since we have added the value of the transmission lines in the value of plant calculated by the original cost study, we also have adjusted the accumulated depreciation level for the additional transmission lines and have made an averaging adjustment. Thus, the appropriate average amount of accumulated depreciation is \$42,569 and \$40,873, for water and wastewater, respectively.

Plant Held for Future Use

We previously determined that the water treatment system is 75 percent used and useful, the wastewater treatment system is 87 percent used and useful, and the water distribution and wastewater collection systems are 43 percent used and useful. When these percentages are applied to the average balance of utility plant-in-service, accumulated depreciation, CIAC and accumulated amortization of CIAC, the result is a net average amount of plant held for future use of \$5,027 for the water system and \$5,082 for the wastewater system.

Contributions-in-Aid-of-Construction (CIAC) and Amortization of CIAC

No CIAC is recorded on the books of the utility. Central Utilities, Ltd., the original owner of the water and wastewater systems, collected CIAC from Consumer Mortgage Company prior to Sumter County turning jurisdiction over to the Commission. Since CIAC has been collected from the original homeowners, it should be recognized for rate making purposes. It is Commission policy to impute CIAC on the transmission and distribution and collection systems when no documentation exists. We have imputed additional CIAC in the amount of these components as per the original cost study. Also, DER has reimbursed the utility for the cost of the transmission lines installed at its request. Based on the above analysis, we find that the appropriate average amount of CIAC is \$66,510 for the water system and \$59,692 for the wastewater system.

No amortization of CIAC is recorded on the books of the utility. We have elected to use a 2.5 percent amortization rate for CIAC because the Commission has not prescribed a depreciation rate for this utility. When the utility was built in the early 1970's, the depreciation rate was 2.5 percent. A utility may not change its depreciation rates without Commission approval, so until such approval is given, 2.5 percent should be used. The average amount of amortization of CIAC for the test year has been calculated as \$21,161 for the water system and \$34,636 for the wastewater system.

Working Capital

We believe that the appropriate method of calculating working capital for this utility is the formula method, that is, one-eighth of operation and maintenance expenses. In a later portion of this Order, we approve operation and maintenance expenses of \$13,672 and \$12,110 for the respective systems. Using the formula method, we

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treatment plant, an odor comes through his sink. He said that in December of 1989, the water system was down for nearly a week. Although it was not clear as to exactly when this happened, it is believed that at about the same time, some customers clothes had to be discarded because they were stained when washed. Recently, the filter was working improperly and the water was reddish-looking and milky in appearance. Like the others, this customer has had to replace his hot water heater. Also, he experiences pressure problems. He said that pressure has gotten worse since some new customers, who are located outside the immediate subdivision, were recently connected. He also stated that he must make a long distance call in order to contact the utility. The utility has indicated that it has a policy of reimbursement and will accept collect calls.

The fifth customer complained about the low pressure and was concerned about fire protection.

In addition to the comments made at the customer meeting, the Commission has received one letter from a customer who could not attend the meeting. The comments made were very similar to those generated at the meeting. They included pressure and general water quality problems. The customer was also concerned about the possibility of the rates increasing and how it would affect her fixed income.

Historically, the utility's water system has had problems with water quality and pressure. Recent improvements that have been accomplished include filter sand replacement and the rewiring of the electrical control system at the water treatment plant. Currently, the system is in compliance with the quality standards as required by DER. Although the standards are being met, customer satisfaction is still in question because of the lack of consistent reliability of the product.

In an attempt to make further improvements, the utility recently increased pressure. Unfortunately, a water outage resulted after the increased pressure caused a pipe failure at the plant. Repairs have been made, and the restored pressure has been increased approximately five pounds per inch. The utility is also installing a pressure monitor in a remote area of the distribution system, in order to monitor pressure over a period of time. To date, no results have been received. If pressure is found to be insufficient, the utility is expected to make the appropriate modifications.

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We believe that with the recent improvements that have been made at the water treatment facility, problems such as low pressure, outages, and sediment, will be significantly reduced. Most of the problems cited by the customers who attended the customer meeting, occurred long before the improvements were made. However, it is anticipated that there still will be occasional inconveniences due to the normal operation of the facility. The design of the filter will allow solids to overflow when routine back-washing occurs. It appears that the only way to totally eliminate this situation, would be to replace the filter with a better designed facility. Because of the costs involved, replacement cannot be justified at this time.

Although there are operational problems, it is apparent that the utility is attempting to provide adequate service. As a result of the customer meeting, the utility has obtained a toll-free telephone number for its customers to use. This toll-free telephone number should be printed on the bills and posted at the water and wastewater facilities. Based on the recent improvements, service is sufficient. Therefore, quality of service is found to be satisfactory.

RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedules Nos. 1 and 2, and our adjustments are itemized on Schedules Nos. 1-A and 2-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Used and Useful

The water treatment plant has a treatment capacity of 150,000 gallons per day (gpd). The maximum daily flow figure used for used and useful consideration is 56,800 gpd. Because the records showed that growth in recent years fluctuated, margin reserve was not considered. Based on the above numbers, the used and useful percentage is 38 percent. Because of the limited gallons per minute capacity of the plant's only well, it is questionable if the peak hourly demand on the system can satisfactorily be met. A used and useful percentage of 75 percent is considered to be more realistic in this case.

The wastewater treatment plant has a treatment capacity of 15,000 gpd. The average daily flow of the peak usage month during

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find the appropriate amount of working capital to be \$1,709 for the water system and \$1,514 for the wastewater system.

Test Year Rate Base

Based on the foregoing, we find the appropriate test year rate base to be \$4,933 for the water system and \$25,750 for the wastewater system.

CAPITAL STRUCTURE

The utility's books indicate average negative retained earnings of \$28,940. We have made a proforma adjustment for debt from an associated company, USA Utilities (USA), consisting of two debt agreements which total \$32,446 at an interest rate of 12.00 percent. The average for the test year is \$25,793. No loans had been made from USA to The Woods. A related company with a similar debt agreement has had the debt forgiven by USA. We believe, that since the companies are associated, and that no money has actually been borrowed by The Woods and no payment schedule exists at this time, and that the possibility exists that the debt has been forgiven, this debt should be included in the capital structure as common equity and assigned a cost rate by utilizing the current leverage formula approved in Order No. 24246, effective April 9, 1991. The total dollar value of equity is below the total dollar value of rate base, therefore, we have increased the dollar value of common equity to reconcile the capital structure to the total average rate base.

We have set rate base at original cost. The increase in common equity is necessary to reflect the unrecognized negative acquisition adjustment resulting from the purchase of this utility at a discount. The same reconciliation occurs when a large company, purchases a system at a discount. However, a large company would have a large enough capital structure so that the upward allocation of the capital structure to rate base would be undetectable.

The ratio of common equity to total capital is 100 percent. Applying the current leverage formula cost rate to the 100 percent common equity ratio results in a return on equity, and an overall rate of return, of 11.22 percent. The capital structure is shown on Schedule No. 3.

NET OPERATING INCOME

Our calculations of net operating income are depicted on Schedules Nos. 4 and 5, and our adjustments are itemized on Schedules Nos. 4-A and 5-A. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below. USA has included mark-ups in some accounts which we have removed. We do not believe the mark-ups are appropriate since they inflate the actual cost to provide service.

Test Year Operating Revenues

The water and wastewater operating revenues for the test year have been determined by using the utility's customer billing register. This results in \$6,973 for the water system and \$6,038 for the wastewater system.

Water Operation and Maintenance Expenses: The utility recorded \$14,225 of operating expenses during the test year and \$240 of unrecorded expenses for a total of \$17,065.

1) Purchased Power - The utility is billed for purchased power by USA. The amount billed includes a mark-up by USA. We believe that only the actual amount of power purchased is appropriate for this account. The utility booked \$2,929.01 for purchased power, which has been reduced by \$1,655.56 to reflect the actual cost of power of \$1,273.45, which is the appropriate amount to include in the water operating expenses for the test year.

2) Chemicals - The utility recorded \$361.87 during the test year for the purchase of chemicals. We believe this amount to be reasonable and have included it in test year operating expenses.

3) Materials and Supplies - Included in the cost of materials and supplies is a \$35.26 charge for mark-ups by USA. We have made an adjustment to remove the mark-up. The utility incurred an expense during the test year to replace sand in its sand filter. We have included one-third of the cost associated with replacing the sand in materials and supplies to reflect this expense being incurred every three years since it is reasonable. The total material and supplies allowance for water operating expenses for the test year is thus \$1,719.16.

4) Plant Operator - The utility recorded a total of \$2,261.00 for a plant operator for the test year. Included in this

amount was an out of period expense of \$170.00, which we have removed. The charge for the plant operator has increased since the test period. We believe the increase is reasonable and therefore have made an adjustment of \$909.00 to reflect the annual increase. The total plant operator expense of \$3,000.00 is appropriate and is included in water operating expenses.

5) Sample Analysis - The utility recorded \$584.10 in sample analysis expense during the test year which included a \$480.60 charge for special samples required when the total system pressure drops to zero due to a line break or line extension. Also included was an out of period charge of \$13.50. The remaining \$162.00 was to cover a contractual agreement for water testing at \$13.50 per month (\$13.50 x 12). The new plant operator contract mentioned above provides for basic water plant operation, testing of water samples and preparation of monthly operating reports to regulatory agencies. Since water testing is included in the new contract, all normal water testing charges should be removed from this account for rate setting purposes. Out of period expenses should be removed also. The special water testing charges will be amortized over a three year period, resulting in a charge of \$136.20, which is the total amount for this account for rate setting purposes.

6) Repairs - USA Utilities - During the test year, The Woods recorded a total of \$4,725.00 to Repairs - USA Utilities. Included in this amount was an out of period charge of \$430.00 which we have removed. The remaining charges were based on the number of hours USA personnel actually worked on behalf of The Woods, at an hourly rate that varied from \$20.00 to \$37.50 per hour for straight time and from \$32.00 to \$45.00 per hour for overtime. We have adjusted the hourly rate to \$11.12 for straight time and \$16.67 for overtime based on a TREEO survey of 1983, indexed forward to 1990 and adjusted to include payroll taxes of 11.15 percent, resulting in a test year expense of \$1,612.32.

7) Repairs - Third Party - During the test year The Woods recorded a total of \$806.25 to Repairs - Third Party. This amount appears to be reasonable and we have included it in the test year operating expenses.

8) Accounting - The utility recorded \$1,168.92 during the test year for accounting services. Included was \$686.69 for accounting services for another utility billed to The Woods in error. We have removed the remaining \$482.23 in this account to remove all accounting charges in order to reflect the new contract for accounting services with another accounting firm for \$150.00

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per month. We believe this amount is excessive and thus it is reduced to \$1,100.00 per year.

9) Engineering - The utility has proposed an adjustment for unbilled costs of \$750.00 per year for Miscellaneous Engineering. The services to be provided include renewal of operating permits and updating system maps. The engineering firm with which this agreement has been made has common ownership with USA and we do not believe it is an arm's length transaction. Therefore, we will not allow this expense.

10) Management Fees - The utility has proposed an adjustment for unbilled management fees of \$8,880.00 per year. The fee was based on an hourly rate of \$52.50 per hour for the manager and \$75.00 per hour for the president of USA. Based on a 1981 survey of water and wastewater utility salaries by the American Water Works Association (AWWA), we have adjusted these hourly rates to \$19.85 per hour for the manager. The president's salary has been removed from the utility's adjustment since this position evidently does not receive compensation from USA. The 1980 salary level for the manager has been indexed forward to 1990 and adjusted to include payroll taxes of 11.15 percent, resulting in a test year expense of \$2,477.28.

11) Office - Clerical - The utility has proposed an adjustment for unbilled clerical costs of \$624.00 per year. The cost is based on an hourly rate of \$26.00 per hour. Based on the 1981 AWWA survey, we have adjusted this hourly rate to \$10.00 per hour. The 1980 salary level has been indexed forward to 1990 and adjusted to include payroll taxes of 11.15 percent, resulting in a test year expense of \$240.00. Also included is postage expense of \$0.19 per bill divided between water and wastewater. The resulting total expense for this account is \$303.84.

12) Meter Reading - The utility has proposed an adjustment for unbilled meter reading costs of \$450.00 per year. The cost is based on an hourly rate of \$25.00 per hour. Based on the 1981 AWWA survey, we have adjusted this hourly rate to \$9.70 per hour. The 1980 salary level has been indexed forward to 1990 and adjusted to include payroll taxes of 11.15 percent, resulting in a test year expense of \$174.60.

13) Rents - The utility has included a mark-up of \$3.60 by USA. Since we do not believe the mark-up is appropriate, we have removed it. The remaining rent charge of \$12.94 is appropriate and will be allowed in water operating expenses.

14) Transportation Expense - The utility included transportation expenses billed by USA in its operating expenses in the amount of \$172.50. This amount was based on a \$0.25 per mile charge during normal work hours and a \$0.50 per mile charge on holidays. While working on a holiday is not desirable, it does not cost more to operate a vehicle on a holiday; therefore, we have adjusted the holiday per mile rate to \$0.25 per mile, resulting in a transportation expense of \$131.25 for the test year.

15) Regulatory Commission Expense - During the test year the utility recorded a total of \$317.00 to this account for services performed by Rhema Business Services, \$236.25 for index/pass through work. Rate case expense is estimated to be \$2,020.55 for both water and wastewater. As was discussed above, accounting services will now be provided by a new accounting consultant, which will include index/pass through work. The total charge has been included in the accounting charge and, therefore, has been removed from this account. We have reduced rate case expense by \$237.50 to \$1,783.05, one-half of which should be recovered through water rates. A total of \$891.53 has been included in water rates, amortized over a four year period, resulting in the inclusion of \$222.88 in regulatory commission expense.

16) Bad Debt Expense - The utility has included a charge of \$547.55 for bad debts. If the utility is having a problem with bad debts, we believe it should re-examine its customer deposit policy to address the problem and not include a bad debt expense in its water operating expenses. Therefore, all bad debt expense is removed from water operating expenses.

17) Office Supplies & Expense - Postage - The utility incurred an unbilled expense of \$25.20 for mailing lead notices during the test year. We believe this will be a non-recurring expense and, therefore, it is not included in test year water operating expenses.

18) Office Supplies & Expense - Rent - USA provides all services to The Woods. A portion of the rent of its office is allocated to The Woods. This charge was not billed during the test year. The amount which was not billed by USA, according to USA, should have been \$333.90. We have reviewed the percentages used to allocate this expense between the various utilities that USA is providing service to and believe that 10 percent of the total expense will be appropriate for The Woods. The resulting charge to The Woods is \$159.00 and we will include this amount in test year water operating expenses.

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19) Office Supplies & Expense - Electric - Electricity charges for office space are allocated as discussed above. The test year amount allocated, but unbilled, to The Woods by USA is \$101.65. We have applied the same percentage to this expense. Therefore, \$48.40 will be included in test year water operating expenses.

20) Office Supplies & Expense - Telephone - The same percentage has been applied to telephone expenses, resulting in a test year expense of \$125.80.

Water Depreciation Expense (Net of Amortization of CIAC):

The utility has not had depreciation rates set by this Commission in any prior cases. Because of this, we have applied an overall composite rate of 2.5 percent to depreciable used and useful water plant resulting in a depreciation expense of \$1,246. Applying the same rate to used and useful CIAC offsets depreciation expense by \$715. The resulting net depreciation expense is \$531 for water during the test year.

Water Taxes Other Than Income:

Taxes other than income are made up of two components, Regulatory Assessment Fees and Property Taxes. Based on our approved revenue requirement set forth below, the associated regulatory assessment fees are \$712. The utility paid property tax on the water treatment plant site during the test year of \$364. Based on these two items, \$1,077 should be included in test year water operating expenses for taxes other than income.

Water Income Taxes:

The utility has a large negative retained earnings balance. This is an indication that there is a large amount of loss carry-forwards which can be utilized on future state and federal income tax returns. Therefore, no income tax has been allowed for the test year.

Water Operating Expenses Summary:

Based on the foregoing, the appropriate amount of test year water operating expenses is \$15,280.

Wastewater Operation and Maintenance Expenses: The utility recorded \$12,156 of operating expenses during the test year and \$2,900 of unrecorded expenses for a total of \$14,069.

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1) Sludge Removal Expense - The utility recorded \$1,975 for sludge removal during the test year. Included in this amount was mark-up by USA. Since we believe mark-ups are not appropriate in this instance, the mark-up has been removed from this account. The remaining balance of the account is made up of expenses related to annual sludge removal at the wastewater treatment plant of \$800 billed and \$100 unbilled for a total of \$900. \$1,105 is related to a repair made during the test year to a lift station. We believe these charges are related to a non-recurring event and should be amortized over a four year period. The resulting sludge removal expense for the test year is \$1,176.25.

2) Purchased Power - The utility is billed for purchased power by USA. The amount billed includes a mark-up by USA. Only the actual amount of power purchased is appropriate for this account. The utility recorded \$3,137.43 for purchased power, which has been reduced by \$1,378.08 to reflect the actual cost of power of \$1,759.35, which is the appropriate amount to include in the wastewater operating expenses for the test year.

3) Materials and Supplies - Included in the cost of materials and supplies is a \$29.62 charge for mark-ups by USA, which we have removed. The total material and supplies allowance for wastewater operating expenses is thus \$106.44.

4) Plant Operator - The utility recorded a total of \$2,261.00 for a plant operator for the test year. Included in this amount was an out of period expense of \$170.00, which we have removed. The charge for the plant operator has increased since the test period by \$909. We believe an increase is reasonable and thus have made an adjustment to reflect an annual increase equal to the increase for the water plant operator. The total wastewater plant operator expense of \$3,000.00 is appropriate.

5) Sample Analysis - The utility recorded \$456.60 in sample analysis expense during the test year. Included was an out of period charge of \$35.00. Since wastewater testing is included in the new plant operating contract, all normal wastewater testing charges should be removed from this account for rate setting purposes.

6) Repairs - USA Utilities - During the test year The Woods recorded a total of \$1,976.25 to Repairs - USA Utilities. Included in this amount was an out of period charge of \$60.00 which has been removed. The remaining charges were based on the number of hours USA personnel actually worked on behalf of The Woods, at an hourly rate that varied from \$25.77 to \$37.50 per hour. We have adjusted

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the hourly rate to \$11.12 based on a TREEO survey of 1983, indexed forward to 1990 and adjusted to include payroll taxes of 11.15 percent, resulting in a test year expense of \$755.82.

7) Accounting - The utility recorded \$1,168.92 during the test year for accounting services. Included was \$686.69 for accounting services for another utility billed to The Woods in error. We have removed the remaining \$482.23 in this account to remove all accounting charges in order to reflect a new contract for accounting services with another accounting firm for \$150.00 per month. We believe this amount is excessive and will reduce it to \$1,100.00 per year.

8) Engineering - The utility has proposed an adjustment for unbilled costs of \$750.00 per year for Miscellaneous Engineering. The services to be provided include renewal of operating permits and updating system maps. The engineering firm with whom this agreement has been made has common ownership with USA and we do not believe it is an arm's length transaction. Therefore, we will not allow the \$750 in test year water operating expenses. The utility did incur a charge from an outside engineering firm for permit renewal charges in the amount of \$140.25, which will be allowed in the test year.

9) Management Fees - The utility has proposed an adjustment for unbilled management fees of \$8,880.00 per year. The fee was based on an hourly rate of \$62.50 per hour for the manager and \$75.00 per hour for the president of USA. Based on the 1981 AWWA survey, we have adjusted these hourly rates to \$19.85 per hour for the manager. The president's salary has been removed from the utility's adjustment since this position evidently does not receive compensation from USA. The 1980 salary level for the manager has been indexed forward to 1990 and adjusted to included payroll taxes of 11.15 percent, resulting in a test year expense of \$2,477.28.

10) Office - Clerical - The utility has proposed an adjustment for unbilled clerical costs of \$624.00 per year. The cost is based on an hourly rate of \$26.00 per hour. Based on the 1981 AWWA survey, we have adjusted this hourly rate to \$10.00 per hour. The 1980 salary level has been indexed forward to 1990 and adjusted to included payroll taxes of 11.15 percent, resulting in a test year expense of \$240.00. Also included is postage expense of \$0.19 per bill divided between water and wastewater. The resulting total expense for this account is \$303.84.

11) Regulatory Commission Expense - During the test year the utility recorded a total of \$317.00 to this account for services

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performed by Rhema Business Services, \$236.25 for index/pass through work. Rate case expense is estimated to be \$2,020.55 for both water and wastewater. As was discussed above, accounting services will now be provided by a new accounting consultant, which will include index/pass through work. The total charge has been included in the accounting charge and therefore, has been removed from this account. We have reduced rate case expense by \$237.50 to \$1,783.05, one-half of which should be recovered through water rates. A total of \$891.53 has been included in water rates, amortized over a four year period, resulting in the inclusion of \$222.88 in regulatory commission expense.

12) Bad Debt Expense - The utility has included a charge of \$341.21 for bad debts. We believe that the utility should re-examine its customer deposit policy to address a problem with bad debts, rather than include a bad debt expense in its wastewater operating expenses. Therefore, we will remove all bad debt expense from wastewater operating expenses.

13) Office Supplies & Expense - Rent - USA provides all services to The Woods. A portion of the rent of its office is allocated to The Woods. This charge was not billed during the test year. The amount which was not billed by USA, according to USA, should have been \$333.90. We have reviewed the percentages used to allocate this expense between the various utilities that USA is providing service to and have decided that 10 percent of the total expense will be appropriate for The Woods. The resulting charge to The Woods is \$159.00.

14) Office Supplies & Expense - Electric - Electricity charges for office space are allocated as discussed above. The test year amount allocated, but unbilled, to The Woods by USA is \$101.64. Applying the 10 percent allocation discussed above, \$48.39 should be included in test year water operating expenses.

15) Office Supplies & Expense - Telephone - The same 10 percent allocation has been applied to telephone expenses, resulting in an approved test year expense of \$125.80.

Wastewater Depreciation Expense (Net of Amortization of CIAC):

The utility has not had depreciation rates set by this Commission in any prior cases. Because of this, we have applied an overall composite rate of 2.5 percent to depreciable used and useful wastewater plant resulting in a depreciation expense of \$1,367. Applying the same rate to used and useful CIAC offsets

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depreciation expense by \$791. The resulting net depreciation expense is \$576 for wastewater during the test year.

Wastewater Taxes Other Than Income:

Taxes other than income are made up of two components, Regulatory Assessment Fees and Property Taxes. Based on our approved revenue requirement, the associated regulatory assessment fees are \$763. The utility paid property tax on the wastewater treatment plant site during the test year of \$619. Accordingly, \$1,382 will be included in test year wastewater operating expenses for taxes other than income.

Wastewater Income Taxes:

The utility has a large negative retained earnings balance. This is an indication that there is a large amount of loss carry-forwards which can be utilized on future state and federal income tax returns. Therefore, no income tax has been allowed for the test year.

Wastewater Operating Expenses Summary:

Based on the foregoing, we find that the appropriate amount of test year wastewater operating expenses is \$14,069.

Operating Loss

The test year operating revenues for the water system are \$6,973 and the test year operating expenses are \$14,881. This results in a test year operating loss of \$7,908 for the water system.

The test year operating revenues for the wastewater system are \$6,038 and the test year operating expenses are \$13,577. This results in a test year operating loss of \$7,539 for the wastewater system.

REVENUE REQUIREMENT

Based on our review of the utility's books and records and the adjustments made herein, we find that the appropriate annual revenue requirements for this utility are \$15,833 for water (127 percent) and \$16,958 for wastewater (181 percent). These revenue requirements will allow the utility to recover its operating expenses and will allow it the opportunity to earn 11.22 percent on its investment.

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RATES AND RATE STRUCTURE

We have calculated new rates for the utility which are designed to achieve the revenue requirement approved herein. We find these new rates to be fair, just and reasonable. The utility's existing rates and the rates we hereby approve are set forth below. We have utilized the base facility charge in designing these rates, rather than the rate structure used by the utility.

The base facility/gallonge charge rate structure is designed to provide for the equitable sharing by the ratepayers of both the fixed and variable costs of providing service. The base facility charge is based upon the concept of readiness to serve all customers connected to the system. This ensures that ratepayers pay their share of the costs of providing service (through the consumption or gallonge charge), and also pay their share of the fixed costs of providing service (through the base facility charge).

MONTHLY RATES - WATER

Residential and General Service

<u>Meter Size</u>	<u>Current Minimum Gallons</u>	<u>Current Minimum Charge</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	5,000	\$ 8.40	\$ 12.33
3/4"	N/A	N/A	18.50
1"	12,500	21.00	30.83
1 1/2"	25,000	42.00	61.65
2"	40,000	67.20	98.64
3"	80,000	134.40	197.28
4"	125,000	210.00	308.25
6"	250,000	420.00	616.50
8"	N/A	N/A	986.40

Consumption Charge

Per 1,000 Gallons over minimum gallons	\$0.84	\$2.33
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MONTHLY RATES - WASTEWATER

Residential and General Service

<u>CURRENT RATES:</u>	<u>Residential</u>	<u>General Service</u>
Flat Rate	\$ 8.37	\$ 16.29 per ERC
Customer Charge	<u>1.68</u>	
Minimum Charge	10.05	16.29 per ERC

COMMISSION
APPROVED RATES:
 Meter Size

	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 11.47
3/4"	17.21
1"	28.68
1 1/2"	57.35
2"	91.76
3"	183.52
4"	286.75
6"	573.50
8"	917.60

Consumption Charge
 Per 1,000 Gallons

Residential	\$ 2.50 *
General Service	3.00

* Maximum of 6,000 gallons per month.

Service Availability Charges

The utility's current tariff contains provisions for a Plant Capacity Charge of \$450.00 and \$700.00 per residential connection for water and wastewater, respectively. It also contains provisions for a Main Extension Charge of \$50.00 and \$250.00 per residential connection for water and wastewater, respectively.

Water service may be requested by a nearby RV park. If this occurs, the utility will need to increase its plant capacity and service availability should be re-addressed at that time. The number of customers in the current service area has remained fairly constant during the test period. Because there is little or no growth, we will not make changes to service availability charges at this time.

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Miscellaneous Service Charges

The utility's current tariff contains provisions for miscellaneous service charges. The utility's authorized miscellaneous service charges as follows:

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$25.00	\$25.00
Normal Reconnection	\$25.00	\$25.00
Violation Reconnection	\$25.00	\$25.00
Premises Visit (in lieu of disconnection)	N/A	N/A

We believe these charges should be reduced to more accurately reflect their cost. Accordingly, the following charges are approved.

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	Actual	Actual
Premises Visit (In Lieu of disconnection)	\$10.00	\$10.00

Customer Deposits

The utility's tariff contains provisions for customer deposits of \$12.50 for water and 1 months bill for wastewater.

Rule 25-30.311, Florida Administrative Code states the customer deposit level should not exceed two times the average monthly bill. Based on an average consumption of 4,000 gallons per month, the appropriate customer deposit should be set at \$40.00 for both water and wastewater, and we so approve.

Effective Date

The approved monthly metered rates should be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff sheets. The approved miscellaneous service charges and customer deposits will be effective for service rendered or connections made on or after the stamped approval date on the revised tariff sheets. Tariff sheets will not be approved until staff verifies that the tariff sheets are consistent with the

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Commission's decision and that the proposed customer notice is adequate.

Statutory Rate Reduction

Section 367.0816, Florida Statutes, entitled "Recovery of Rate Case Expense" states:

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, the rate of public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The approved rate case expense in the instant case is \$1,783.05. The appropriate recovery period for this expense is four years. Grossing-up this amount to reflect regulatory assessment fees, results in an annual recovery of \$233.38 per system per year for the four year period.

Temporary Rates in the Event of Protest

This order proposes an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a party other than the utility, we hereby authorize the utility to collect the rates approved herein, on a temporary basis, subject to refund provided that the utility first furnish and have approved by staff, adequate security for a potential refund through a bond, letter of credit, or escrow account, a proposed customer notice, and revised tariff sheets.

The security should be in the amount of \$7,572 for the water system and \$9,341 for the wastewater system.

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

- 1) The Commission approves the rate increase; or

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- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it should 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 the final Commission Order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should 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, the interest earned by the escrow account shall revert to the utility.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So.2d 253, (Fla. 3d

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DCA 1972), escrow accounts are not subject to garnishments.

- 8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as the result of the rate increase should be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

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

BOOKS AND RECORDS

The utility's books are not maintained in conformity with the Uniform System of Accounts. Because of the condition of the books and records, we have made numerous calculations and/or imputations that would have not been necessary otherwise.

Paragraph (1) of Rule 25-30.115, Florida Administrative Code, entitled "Uniform System of Accounts for Water and Sewer Utilities", states:

- 1) Water and Sewer Utilities shall, effective January 1, 1986, maintain its [sic] accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Commissioners.

We believe the utility's accountant has the expertise necessary to convert and maintain the utility's records in conformity with Rule 25-30.115, Florida Administrative Code. Therefore, the utility is ordered to maintain its books and records in conformity with the 1984 NARUC Uniform System of Accounts.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of The Woods, a division of Homosassa Utilities, Inc., for an increase in its water and wastewater rates in Sumter County is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that all of the provision of this Order, except for the granting of temporary rates in the event of protest, are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that The Woods, a division of Homosassa Utilities, Inc., is authorized to charge the new rates and charges as set forth in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken on or after thirty (30) days after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, The Woods, a division of Homosassa Utilities, Inc., shall submit and have approved a proposed notice to its customers of the increased rates and charges and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, The Woods, a division of Homosassa Utilities, Inc., shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

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ORDERED that in the event of a protest by any substantially affected person other than the utility, The Woods, a division of Homosassa Utilities, Inc., is authorized to collect the rates approved herein on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that The Woods, a division of Homosassa Utilities, Inc., has submitted, and Staff has approved, revised tariff sheets, a proposed customer notice, and satisfactory security for any potential refund. The temporary rates are not proposed agency action. It is further

ORDERED that The Woods, a division of Homosassa Utilities, Inc., shall maintain its books and records in conformity with the NARUC Uniform System of Accounts and Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that The Woods, a division of Homosassa Utilities, Inc., shall post its toll-free telephone number at its plant sites. It is further

ORDERED that this docket shall be closed upon the expiration of the protest period if no timely protests are received.

By ORDER of the Florida Public Service Commission, this 30th day of SEPTEMBER, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

NSD

Commissioner Deason dissents in part as follows:

I respectfully dissent only from the Commission's decision to set ratebase for this company - for the very first time - using an engineering estimate in lieu of the purchase price established at arm's length. My position on acquisition adjustments is well known. However I do not think this is strictly an acquisition adjustment issue. This case involves the initial determination of

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net book value for purposes of determining ratebase. The utility provided no books and records directly supporting valuation of utility assets. Although the staff engineers made an original cost study, that estimate was not available to the parties at the time the purchase price valuation was determined. It is my belief that this arm's length determination is superior to use of the engineering estimate, absent evidence to the contrary. I believe the evidence in this docket supports use of the purchase price. For example, the capital structure had to be artificially inflated with an equity "plug" just to provide balance sheet matching to the asset-side adjustment required by the engineering estimate methodology. Also, because of the existence of CIAC at an uncertain level, I believe that the use of an objective purchase price eliminates the guesswork necessitated by the more subjective method using estimated original cost less an estimated CIAC balance.

Having said the above, I must state that I do not fault my fellow Commissioners' reliance on past Commission policy regarding acquisition adjustment. However, as pointed out above I think this case is different. That policy is, in part, incentive based. Because this is an initial valuation, because of the timing of the staff original cost study, and because of the lack of evidence that an incentive was needed in the acquisition, I do not believe the policy is directly applicable. I would further caution against any reading of my dissent as a criticism of engineering staff's original cost study. I find no fault with study conducted in this case, nor in the practice of conducting such studies. It is my belief that under the circumstances of this case that the evidence called for use of a different method of valuation.

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 action granting rates and charges is preliminary in nature and will not become

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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 10/21/91. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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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Homosassa Utilities, Inc. (The Woods)
 Schedule of Water Rate Base
 Test Year Ended 12/31/90

Docket No. 900966-WS
 Schedule No. 1

Description	Balance Per Annual Report	Utility Adjust.	Balance Per Utility	Commission Adjust.	Average Per Commission
Utility Plant in Service	2,163	0	2,163	90,507	92,670
Land	500	0	500	3,000	3,500
Accumulated Depreciation	(136)	0	(136)	(42,433)	(42,569)
Contributions-in-aid-of-Construction	0	0	0	(66,510)	(66,510)
Accumulated Amortization of C.I.A.C.	0	0	0	21,161	21,161
Plant Held for Future Use	0	0	0	(5,027)	(5,027)
Working Capital Allowance	0	0	0	1,709	1,709
TOTAL	2,527	0	2,527	2,406	4,933

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Homosassa Utilities, Inc. (The Woods)
 Schedule of Adjustments to Water Rate Base
 Test Year Ended 12/31/90

Docket No. 900966-WS
 Schedule No. 1-A

Description	Adjustments
Utility Plant in Service	
To reflect the average balance of plant in service at 12/31/90 as per the original cost study.	70,732
To reflect the average balance of transmission mains installed during the test year contributed by the Department of Environmental Regulation.	19,775
Total Adjustment to Utility Plant in Service	90,507
Land	
To reflect the value of land as per the original cost study.	3,000
Accumulated Depreciation	
To reflect the proper amount of accumulated depreciation based on the original cost study and the plant contributed by DER.	(42,433)
Contributions-in-aid-of-Construction	
To reflect the average balance of contributed property and connection fees collected by the previous owner and the imputation of C.I.A.C.	(66,510)
Accumulated Amortization of C.I.A.C.	
To reflect the average balance of C.I.A.C. amortization.	21,161
Plant Held for Future Use	
To reflect the average balance of non-used and useful plant.	(5,027)
Working Capital Allowance	
To include working capital equal to 1/8 of O & M.	1,709

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Homosassa Utilities, Inc. (The Woods)
 Schedule of Sewer Rate Base
 Test Year Ended 12/31/90

Docket No. 900966-WS
 Schedule No. 2

Description	Balance Per Annual Report	Utility Adjust.	Balance Per Utility	Commission Adjust.	Balance Per Commission
Utility Plant in Service	2,000	0	2,000	85,747	87,747
Land	500	0	500	7,000	7,500
Accumulated Depreciation	(128)	0	(128)	(40,745)	(40,873)
Contributions-in-aid-of-Construction	0	0	0	(59,692)	(59,692)
Accumulated Amortization of C.I.A.C.	0	0	0	34,636	34,636
Plant Held for Future Use	0	0	0	(5,082)	(5,082)
Working Capital Allowance	0	0	0	1,514	1,514
TOTAL	2,372	0	2,372	23,378	25,750

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Homosassa Utilities, Inc. (The Woods)
Schedule of Adjustments to Sewer Rate Base
Test Year Ended 12/31/90

Docket No. 900966-WS
Schedule No. 2-A

Description	Adjustments
Utility Plant in Service	
To reflect the average balance of plant in service at 12/31/90 as per the original cost study.	85,747
Land	
To reflect the value of land as per the original cost study.	7,000
Accumulated Depreciation	
To reflect the proper amount of accumulated depreciation based on the original cost study.	(40,745)
Contributions-in-aid-of-Construction	
To reflect the inclusion of connection fees collected by the previous owner and the imputation of C.I.A.C.	(59,692)
Accumulated Amortization of C.I.A.C.	
To reflect the average balance of C.I.A.C. amortization.	34,636
Plant Held for Future Use	
To reflect the average balance of non-used and useful plant.	(5,082)
Working Capital Allowance	
To include working capital equal to 1/8 of O & M.	1,514

Homosassa Utilities, Inc. (The Woods)
 Schedule of Capital Structure
 Test Year Ended 12/31/90

Docket No. 900966-WS
 Schedule No. 3

Description	Balance Per Filing	Utility Adjust.	Balance Per Utility	Commission Adjust.	Balance Per Commission	Recon. Adjust.	Recon. Balance	Weight	Cost Rate	Weighted Cost
Common Equity	(28,940)	0	(28,940)	25,793	(3,147)	33,830	30,683	100.00%	11.22%	11.22%
Long and Short-Term Debt			0		0	0	0	0.00%	12.00%	0.00%
Customer Deposits			0		0	0	0	0.00%	8.00%	0.00%
Advances from Associated Companies			0		0	0	0	0.00%	0.00%	0.00%
Other			0		0	0	0	0.00%	0.00%	0.00%
Total	(28,940)	0	(28,940)	25,793	(3,147)	33,830	30,683	100.00%		11.22%

Range of Reasonableness:	High	Low
Common Equity	12.22%	10.22%
Overall Rate of Return	12.22%	10.22%

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Homosassa Utilities, Inc. (The Woods)
Schedule of Water Operations
Test Year Ended 12/31/90

Docket No. 900966-WS
Schedule No. 4

Description	Balance Per Utility	Commission Adjust.	Balance Per Commission	Commission Adjust. Required Revenue	Required Revenue Per Commission
Operating Revenues	6,973	0	6,973	8,860	15,833
Operating and Maintenance	17,065	(3,393)	13,672	0	13,672
Depreciation Expense	0	531	531	0	531
Taxes Other Than Income	60	618	678	399	1,077
Income Taxes	0	0	0	0	0
Total Operating Expenses	17,125	(2,244)	14,881	399	15,280
Net Operating Income	(10,152)	2,244	(7,908)	8,461	554
Rate Base	2,527		4,933		4,933
Rate of Return	-401.74%		-160.30%		11.22%

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Homosassa Utilities, Inc. (The Woods)
 Schedule of Adjustments to Water Operations
 Test Year Ended 12/31/90

Docket No. 900966-WS
 Schedule No. 4-A

Description	Adjustments
<hr/>	
Operating and Maintenance	
To reflect the net effect of the adjustments shown in the body of the attached Order.	(3,393) =====
Depreciation Expense	
To reflect the proper amount of depreciation expenses based on a 2.5% depreciation rate net of C.I.A.C. amortization.	531 =====
Taxes Other Than Income	
To reflect the proper amount of regulatory assessment fees @ 4.5%.	254
To reflect the inclusion of property taxes not included by the utility.	364 -----
Total adjustment to Taxes Other Than Income	618 =====
Operating Revenues	
To reflect the increase in operating income to allow the utility the opportunity to earn a 11.22% overall rate of return.	8,860 =====
Taxes Other Than Income	
To reflect the increase in regulatory assessment fees related to the above increase in operating revenues.	399 =====

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Homosassa Utilities, Inc. (The Woods)
 Schedule of Sewer Operations
 Test Year Ended 12/31/90

Docket No. 870539-WS
 Schedule No. 5

Description	Balance Per Utility	Commission Adjust.	Balance Per Commission	Commission Adjust. Required Revenue	Required Revenue Per Commission
Operating Revenues	6,038	0	6,038	10,920	16,958
Operating and Maintenance	15,056	(2,946)	12,110	0	12,110
Depreciation Expense	0	576	576	0	576
Taxes Other Than Income	49	842	891	491	1,382
Income Taxes	0	0	0	0	0
Total Operating Expenses	15,105	(1,528)	13,577	491	14,069
Net Operating Income	(9,067)	1,528	(7,539)	10,429	2,889
Rate Base	2,372		25,750		25,750
Rate of Return	-382.26%		-29.28%		11.22%

ORDER NO. 25139
DOCKET NO. 900966-WS
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Homosassa Utilities, Inc. (The Woods)
Schedule of Adjustments to Sewer Operations
Test Year Ended 12/31/90

Docket No. 900966-WS
Schedule No. 5-A

Description	Adjustments
<hr/>	
Operating and Maintenance	
To reflect the net effect of the adjustments shown in the body of the attached Order.	(2,946)
	=====
Depreciation Expense	
To reflect the proper amount of depreciation expenses based on a 2.5% depreciation rate net of C.I.A.C. amortization.	576
	=====
Taxes Other Than Income	
To reflect the proper amount of regulatory assessment fees @ 4.5%.	223
To reflect the inclusion of property taxes not included by the utility.	619

Total adjustment to Taxes Other Than Income	842
	=====
Operating Revenues	
To reflect the increase in operating income to allow the utility the opportunity to earn a 11.22% overall rate of return.	10,920
	=====
Taxes Other Than Income	
To reflect the increase in regulatory assessment fees related to the above increase in operating revenues.	491
	=====