

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for rate )  
 increase in Sumter County )  
 by CONTINENTAL UTILITY, INC.)  
 \_\_\_\_\_)

DOCKET NO. 910093-WS  
 ORDER NO. 25347  
 ISSUED: 11/14/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 SUSAN F. CLARK  
 J. TERRY DEASON  
 BETTY EASLEY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING FINAL RATES AND CHARGES AND REQUIRING REPORTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Continental Utility, Inc. (Continental or the utility) is a Class C utility providing water and wastewater services for a predominantly residential area in Wildwood, Florida. On May 28, 1991, the utility filed its application for approval of interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. The utility asked the Commission to process this application using the Proposed Agency Action (PAA) procedure outlined in Section 367.081(8), Florida Statutes. The utility's present rates were established in Order No. 21680, issued August 4, 1989.

The utility's application for increased rates is based on the twelve-month test year ended September 30, 1990. This period was the first full year of billing based on metered water consumption.

The utility asked the Commission to approve collection of interim rates during the pendency of this proceeding. Measured on an annual basis, the requested interim increases were \$77,026 (46.2 percent) and \$28,890 (16 percent) for the respective water and wastewater systems. The utility asked the Commission to approve permanent rates to yield annual revenues of \$249,792 (\$82,965 or a

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49.7 percent increase) for water service and \$215,274 (\$35,151 or a 19.5 percent increase) for wastewater service.

On July 22, 1991, the Commission issued Order No. 24836, which suspended the utility's proposed permanent rates and authorized collection of interim rates. The Commission approved interim increases of \$69,905 (41.90 percent) for water service and \$19,746 for wastewater service (10.96 percent). These amounts were approved, subject to refund with interest, for service rendered after revised tariff sheets were filed and upon submission of a \$95,000 corporate undertaking to guarantee any subsequent refund requirement.

#### QUALITY OF SERVICE

Our analysis of the overall quality of service provided by the utility is based upon our evaluation of the utility's compliance with the rules of the Department of Environmental Regulation (DER) and Health Department water standards, the quality of the utility's product, the operational conditions of the utility's plant and customer satisfaction.

Continental's service area consists of a mobile home park, as well as a master metered condominium. The utility provides water and wastewater service to 823 residential customers and 13 general service customers. Treatment of raw water obtained from two wells within the service area is provided by means of chlorination. Collected wastewater is treated by means of a 400,000 gallons per day (GPD) Contact Stabilization plant. Effluent is disposed of by means of a percolation pond. Any overflow of the percolation pond is routed for disposal in the Chitty Chatty Marsh. At this time, the utility has no outstanding citations on file with DER, Southwest District. The utility is required to submit quarterly reports concerning the testing required for disposing of effluent into Chitty Chatty Marsh.

The operational conditions of the utility's water and wastewater treatment and distribution and collection systems must also be evaluated in order to determine the overall quality of service provided by the utility. Evaluation of these systems includes a review of the utility's compliance with DER standards of operation as well as an analyses of proper treatment plant and distribution and collection system design. For example, among other standards of evaluation, water treatment plants and distribution systems are reviewed for compliance with permit standards and minimum operator requirements as well as standards regarding the location of wells in regard to potential sources of

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pollution. Wastewater treatment plants and collection systems are reviewed, among other standards of evaluation, for compliance with permit standards and minimum operator requirements in addition to lift station location and reliability.

On-site inspection of the utility plant indicated that the plants and distribution and collection systems were operating satisfactorily. Although three routine maintenance problems were noted, the plants and the collection and distribution systems were receiving adequate maintenance. There were no violations noted at either one of the treatment plants during the inspection.

On July 24, 1991, a customer meeting was conducted by our staff in the utility service area to gather information from the customers. Approximately sixty customers were in attendance. Seven customers spoke about the utility. In addition, many letters were received at the Commission pertaining to the proposed rate increase. The main concern was in regard to the increase requested by the utility.

One customer mentioned that he was unable to find the minimum filing requirements (MFRs) in the Wildwood Library. The receptionist for Continental informed the customer that the MFRs were available at the Leesburg Library. Apparently there was some confusion over whether or not it was the Wildwood Library or the Leesburg Library. The MFRs were in fact at the Leesburg Library. However, the customer was able to inspect the MFRs at the utility office.

Another concern addressed was over the layout of the bill. As discussed in a later portion of this Order, we determined that the bill does not meet the requirements of Rule 25-30.335(1), Florida Administrative Code, and the utility has been ordered to comply with the rule in this regard.

One customer believed that his initial bill should have been prorated and that he was due a \$4.19 refund. Rule 25-30.335(3), Florida Administrative Code states that when service is rendered for less than 50 percent of the normal billing cycle, the utility shall prorate the base facility charge. In this case, the service period was greater than 50 percent of the billing cycle and no refund was due.

One customer raised the question of whether or not Continental Country Club Resident Owned (CCCRO) was paying for service from certain water meters located throughout the service area. The meters mentioned by the customer were inspected and we have

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verified that the bills were being paid for by CCCRO. Another customer questioned whether or not Redman Industries was billed for the water consumption at 607 South Timber Trail. We have also verified that this bill was paid for by the proper party.

There also has been some concern over the golf course. Many of the customers wanted to know who was paying for the irrigation of the golf course. Well no. 3 is the source for water for the golf course. This well is also a backup well for the utility and is required by DER. The water that is pumped out of this well is not treated and does not join into the distribution system for the customers. In the event of an emergency, it could be treated and distributed into the system which serves the customers. Since this well is required as a backup source of water, the utility is responsible for 22 percent of the cost of the well. The only monthly cost associated with this well is the cost of electricity to run the pump which is paid for by CCCRO. In addition, CCCRO is responsible for maintenance of the lines up to the backflow preventer. The question of using effluent to irrigate the golf course is addressed in a later portion of this Order.

A few customers questioned the manner in which the utility billed for wastewater. They did not think it was fair to have to pay for wastewater based on water that was being used for irrigation purposes. The problem with this is that a utility has no method in which to meter how much water is being returned to wastewater from each individual customer. As discussed below in the Rates and Charges portion of this Order, we have approved a cap of six thousand gallons to be placed on the wastewater charge for residential customers which limits the charge for customers with heavy irrigation.

Bad taste, smell and sediment in the water were mentioned by a few of the customers. One customer was concerned about the black rings in her toilet. A few customers stated that they consume bottled water or have water filters on their sinks. However, overall, there were very few complaints concerning the quality of service.

Upon consideration of the above, we find that the quality of service provided by Continental in treating and distributing water is satisfactory and that the quality of service provided in collecting, treating and disposing of wastewater is also satisfactory.

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#### RATE BASE

Our calculation of the appropriate rate base balances for the purpose of this proceeding are depicted on Schedules Nos. 1-A and 1-B, and our adjustments are itemized on Schedule No. 1-C. 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

Continental's water system has two wells with a 500 gallons per minute (GPM) capacity each. A third well is required by the DER as a backup to the potable water system and is used as a primary source for golf course irrigation. This well has a capacity of 825 GPM but due to the interconnect to the potable water system this capacity has been reduced by a restrictor plate to 180 GPM. In Order No. 21680, we determined that well no. 3 was 22 percent used and useful due to this restrictor. Therefore, we find that well no. 3 is 22 percent used and useful.

In calculating used and useful for the wells and pumping equipment, the largest well is removed from service and the capacity becomes 680 GPM. Peak demand on the system is equal to 304 GPM. Fire flow needed is 1,500 GPM for a period of three hours (270,000 gallons). Continental's water system has storage capacity of 120,000 gallons. The storage is not adequate to handle the fire flow needed. Therefore, we find that the pumping and treatment equipment is 100 percent used and useful. The storage is not adequate for the system and should also be considered 100 percent used and useful. In the case of the three wells, since well no. 3 is only 22 percent used and useful, some adjustment must be made to the wells. The MFRs state that well no. 3 accounts for 55 percent of the total cost of the three wells. Therefore, the other two wells account for the remaining 45 percent of the cost. Applying a used and useful percentage of 22 percent to 55 percent of the cost, and adding in 100 percent of the remaining 45 percent of the cost of the wells, we find the wells to be 57.1 percent used and useful.

The wastewater treatment plant has a capacity of 400,000 GPD. The average daily flow is 126,000 GPD. Since the utility has not requested a margin reserve, the used and useful percentage is calculated by dividing 126,000 GPD by 400,000 GPD. This yields a percentage of 31.5 percent. We therefore find that the wastewater treatment plant is 31.5 percent used and useful.

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Both the water distribution lines and wastewater collection lines were calculated using the number of connections divided by the capacity in connections of the system. A 92 percent used and useful percentage was calculated for both the water distribution lines and the wastewater collection lines. It is obvious that the existing systems were not oversized for future growth. Both systems were found to be 100 percent in the last rate case. While the utility is still adding customers, its service area is essentially built-out. We therefore find that both the water distribution lines and wastewater collection lines are 100 percent used and useful.

#### Working Capital

The utility used the formula method for calculating working capital, which is based on one-eighth of test year operating and maintenance (O&M) expenses. However, as discussed in a subsequent portion of this Order, we have adjusted requested O&M expenses. Accordingly, using the formula method, we find the appropriate working capital allowance to be \$11,059 and \$15,359 for the respective water and wastewater divisions.

#### Rate Base

Using average test year balances and based on our decisions and adjustments herein, we find that the appropriate test year rate bases are \$814,987 and \$426,319 for the respective water and wastewater systems.

#### COST OF CAPITAL

Our calculation of the appropriate cost of capital is depicted on Schedule No. 2-A and our adjustments are shown on Schedule No. 2-B.

#### Return on Equity

The utility requested a 13.11 percent return on equity. Commission practice is to use the leverage formula in effect at the time of our vote when establishing a return on equity. Review of the adjusted capital structure shows the following percentages: 74.97 percent for long term debt, .01 percent for customer deposits, and 25.02 percent for common equity. Using these percentages and the leverage formula from Order No. 24246, issued March 18, 1991, we find the appropriate cost of equity to be 13.11 percent with a range of 12.11 percent to 14.11 percent.

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### Overall Cost of Capital

Based on our decisions herein, and using the utility's adjusted capital structure with each item reconciled on a pro rata basis, we find the appropriate overall cost of capital to be 11.90 percent with a range of 11.65 percent to 12.15 percent.

### NET OPERATING INCOME

Our calculation of net operating income is depicted on Schedules Nos. 3-A and 3-B for the respective water and wastewater systems, and our adjustments are shown on Schedule No. 3-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedules without further discussion in the body of this Order. The major adjustments are discussed below.

### Unaccounted-for-water

The utility stated in its MFRs that it had suffered numerous leaks due to the original materials (polypipe) used to construct the individual service lines to the mobile homes. The utility stated that the exact losses within the system were unknown but recognized that its unaccounted-for-water percentage was above the standard of 10 percent and reduced the water electric and chemical expenses by 5.87 percent to reflect the excess unaccounted-for-water percentage.

The reasonable amount of unaccounted-for-water is considered by the Commission to be 10 percent. Accordingly, we find that the 5.87 percent adjustment to water expenses for electric and chemical costs is appropriate.

### Effluent Disposal

Currently, the wastewater treatment plant disposes of its effluent by means of a percolation pond which overflows into Chitty Chatty Marsh. Continental has considered effluent irrigation for the golf course, but the amount of effluent produced by the wastewater treatment plant is only enough to irrigate a fraction of the course. We find that it would not be cost feasible under the circumstances to use effluent for irrigation. Accordingly, we will not require Continental to use effluent for irrigation at the present time.

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### Rate Case Expense

In its application Continental requested \$118,910 in rate case expense. This amount included \$65,660 which is the unamortized portion of rate case expense incurred in Docket No. 881178-WS. The approved rate case expense in Docket No. 881178-WS was \$69,266. Since a four year amortization period was used, only 50 percent of that previous expenditure (or approximately \$34,633) remains unamortized. The utility's reported \$65,660 provision for unamortized charges from Docket No. 881178-WS corresponds to actual expenditures from that proceeding (about \$86,000), legal costs (about \$3,600) that were incurred when a petition for reconsideration was filed in that docket, and additional costs (about \$8,200) incurred in a subsequently filed, but later withdrawn petition for a limited proceeding. Further, the reported provision for prior costs reflects amortization of those charges only through September 30, 1990.

We find the limited proceeding charges to be non-recurring costs. Accordingly, we have removed them from the determination of prudent rate case costs for this proceeding. Concerning the provision for prior rate case costs, we find the appropriate carry-forward amount to be the previously allowed \$69,266 amount. Although actual expenses were reportedly larger, those costs were neither examined in that proceeding, nor accepted as prudent. Further, the carry-forward provision has been reduced to reflect the current, remaining unamortized balance. Thus, the unamortized balance from the utility's reported \$65,660 amount has been reduced to \$34,633. This adjustment results in a \$31,027 reduction to rate case charges.

In addition to carry-forward charges, the requested provision for rate case costs included a \$53,250 estimate for this proceeding. At the time of our vote in this proceeding, the projected total cost was \$54,183, which included actual payments of \$37,972 for an outside consultant, legal fees of \$4,151, and a \$1,800 filing fee. The remaining \$10,260 included projected expenditures of \$2,660 for consulting services, \$510 for the utility's manager to attend the agenda conference, and \$7,090 for added legal services. We find the utility's statement of expenditures for actual and projected services to be reasonable and prudent, with one exception. We find it appropriate to remove \$2,700 of the estimated expenses for legal services relating to reconsideration of a proposed agency action order because there are no provisions for the reconsideration of proposed agency action orders. Accordingly, we have reduced the provision for current rate case charges to \$51,483.

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We find the appropriate total reduction to rate case charges to be \$32,794. Accordingly, we have reduced rate case expense, amortized over the statutory four-year period in the test year, by \$4,099 for the water division and \$4,099 for the wastewater division.

#### Property Taxes

In the used and useful calculations discussed above, we found that 1.6 percent of water plant facilities and 18.5 percent of wastewater plant facilities to be non-used and useful properties. Consistent with Commission practice to match used and useful reductions to plant by a corresponding reduction to property taxes, we have made used and useful reductions of \$125 and \$980 to property taxes for the utility's water and wastewater systems, respectively.

#### Test Year Net Operating Income

Based on our previous adjustments, we find the appropriate, adjusted operating income to be \$36,820 for the water system and \$27,472 for the wastewater system.

#### REVENUE REQUIREMENT

Based upon Continental's application and our adjustments made herein, we find the appropriate annual revenue requirement for this utility to be \$245,284 for the water system and \$209,889 for the wastewater system. These revenue requirements represent an annual increase in revenue of \$78,457 (47.03 percent) and \$30,337 (16.90 percent) for the water and wastewater systems, respectively. These revenue requirements will allow the utility the opportunity to recover its operating expenses and to earn a 11.90 percent return on its investment.

#### Customer Reclassification

Our audit of the utility's billing procedures revealed that five metered sites owned by the parent company were billed at residential rates. Further investigation revealed that these sites provided irrigation at the back gate, marina, and Lake Serenity areas and water for two water fountains on the golf course, at No. 5 and No. 11 tees. No wastewater services are being provided at these sites. We find that there is no effect on water revenues as a result of this incorrect classification because the current rates are the same for general service as they are for residential. However, since these sites are not receiving wastewater service,

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but were being billed for it as a result of being classified as residential customers, we find it appropriate to reduce wastewater revenues by \$571.

#### Statutory Reduction of Rate Case Expense

In applying with Section 367.0815, Florida Statutes, regarding the apportionment of rate case expense, we have made several calculations to determine if an adjustment is required. First, we calculated the revenue requirement, including the approved amount of prudent rate case expense. We then compared the approved revenue increase to the amount requested by the utility, and derived a percentage based on these figures. This percentage represents the proportion of rate case expense to be included in operation and maintenance expenses. We applied the percentage to the amount of prudent rate case expense approved to determine the amount to be removed. Because the utility has used the formula approach to calculate its working capital allowance, a corresponding reduction was made to rate base. To calculate the total revenue effect, we combined the adjustments to rate case expense and to net operating income due to the effect on rate base. We then escalated this amount for regulatory assessment fees. The resulting number represents the total decrease in revenue due to the adjustment of rate case expense.

After calculating the total revenue effect of the adjustment, we had to determine whether the reduction in rate case expense would reduce the utility's return on equity below the range of reasonableness. We interpret the statute to mean that if the reduction would cause the utility's return on equity to drop below its authorized range, the apportionment should not be made.

In this proceeding, the approved rate increase for the combined water and wastewater systems is 91.66 percent of the utility's requested overall rate increase. A corresponding 8.34 percent reduction to the \$51,483 provision for prudent rate case charges in this proceeding was approved in an earlier portion of this Order. This apportionment does not cause the return on equity to fall below the authorized range. After apportionment of rate case expenses, the utility's adjusted overall rate of return for the combined systems is 11.81 percent, which is within the authorized range of 11.65 percent to 12.15 percent. The corresponding return on equity after apportionment is 12.75 percent, which is larger than the approved 12.11 percent lower range for return on equity. Based on our calculations, with the adjustment to rate case expense, the utility's achieved rate of return will remain within the approved range of reasonableness.

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Therefore, consistent with our interpretation of the statute, we find it appropriate to reduce rate case expense by \$4,294.

#### RATES AND CHARGES

The permanent rates requested by the utility are designed to produce annual revenues of \$249,792 and \$215,274 for water and wastewater, respectively. The requested revenues represent increases of \$82,965 (49.7 percent) for water and \$35,722 (19.5 percent) for wastewater.

We have calculated final rates for the utility which are designed to allow it to achieve the revenue requirements approved herein and which are designed to produce annual revenues of \$244,714 for water and \$209,319 for wastewater, using the base facility charge rate structure. We find those rates to be fair, just and reasonable, and not unduly discriminatory. It is Commission policy to use the base facility charge structure for setting rates because of its ability to track costs and to give the customers some control over their water and wastewater bills. Each customer pays his pro rata share of the related costs necessary to provide service through the base facility charge and only the actual usage is paid for through the gallonage charge.

#### Private Fire Protection

The utility presently provides private fire protection to Sandalwood Condominiums without charge. The fire protection service consists of five fire hydrants connected to a six-inch distribution line which is able to serve only the condominium complex. The utility owns and maintains the fire hydrants and is responsible for providing the necessary fire flow.

A private fire-protection system that benefits an individual property or complex wherein the utility provides the necessary fire flow, storage capacity, and maintenance and surveillance of the connection, represents a personal service not enjoyed by the community in general. Furthermore, fire prevention is usually the responsibility of the property owner. The provision of fire protection, whether public or private, by the utility imposes the possibility of a relatively high instantaneous demand on the system, including the demand associated with testing the service. Because diversification of water usage for private fire protection is great, the actual potential demand of a specific customer is not a fair measure of his responsibility for utility investment (through rates).

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Usually the demand for ratemaking purposes would not be greater than one-third of the potential of a given size connection. The rate for private fire protection service should be a charge based on the size of the connection rather than the number of fixtures connected. We have utilized this approach as a standard in developing private fire protection rates. Therefore, we find the appropriate rates for fire protection to be one-third the base facility charge for water service of the corresponding meter size. The approved rates for private fire protection are shown below.

#### Cap on Residential Wastewater Service

The current cap on residential wastewater service of 6,000 gallons for this utility was approved in the last rate case, in Order No. 21680. The utility has requested a reduction in the cap to 4,000 gallons. We analyzed the utility's billing analysis and treatment plant flow data and applied the industry standards regarding water usage, which provides that approximately 80 percent of the residential water and 96 percent of the commercial water purchased is actually treated by the wastewater treatment system. The calculations reflected that a cap of 6,000 gallons per residential customer would result in a level of expected treatment plant flows within 1.2 percent of the flows recorded for the test year. As a test, the effect of a cap at 5,000 gallons per residential customer, as well as the effect of a 4,000 gallon cap was examined. The 5,000 gallon cap resulted in a level of expected flows which would be 7.2 percent less than that recorded for the test year. A cap of 4,000 gallons resulted in a level of expected flows which would be 18.3 percent less than that recorded for the historical test year. Based on the above analysis, we find it appropriate for the utility to continue the 6,000 gallon cap for residential wastewater service.

#### Base Facility Charge

The utility also requested a single base facility charge for all residential wastewater customers. The use of a large meter by a residential customer generally places no additional demand on the wastewater system than a residential customer with a smaller meter because the difference in water consumption does not enter the wastewater system. Therefore, we find it appropriate to approve the utility's request to charge the same base facility charge to all residential wastewater customers regardless of meter size.

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Effective Date

The approved rates shall be effective for meter readings taken on or after thirty (30) days from the effective date of the PAA Order, if no protest is timely filed. The utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefor, pursuant to Rule 25-22.0406(9), Florida Administrative Code. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with our decision herein and that the proposed customer notice is adequate.

The comparison of the utility's original rates, interim rates, requested rates, and final approved rates are set forth below.

WATER

MONTHLY RATES

Residential & General Service

	<u>Original</u>	<u>Commission Approved Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Final</u>
Base Facility Charge				
Meter Size:				
5/8"x3/4"	\$ 8.19	\$ 11.63	\$ 12.66	\$ 11.78
1"	20.47	29.07	31.65	29.46
1 1/2"	40.94	58.13	63.30	58.92
2"	65.50	93.01	101.28	94.28
3"	131.00	186.02	189.90	188.56
4"	204.69	290.66	316.50	294.62
6"	409.38	581.32	633.00	589.25
Gallage Charge per 1,000 gallons	\$ 1.22	\$ 1.73	\$ 1.77	\$ 1.80

Private Fire Protection

Meter Size:				
2"	\$ 0.00	\$ 0.00	\$ 0.00	\$ 31.43
3"	0.00	0.00	0.00	62.85
4"	0.00	0.00	0.00	98.21
6"	0.00	0.00	0.00	196.42

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WASTEWATER

MONTHLY RATES

<u>Residential</u>	<u>Original</u>	<u>Commission Approved Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Final</u>
Base Facility Charge				
Meter Size:				
5/8"x3/4"	\$ 6.80	\$ 7.55	\$ 11.50	\$ 8.37
Gallonge Charge per 1,000 G. (Maximum 6,000 G.)	\$ 2.26	\$ 2.51	\$ 2.53	\$ 2.53
<u>General Service</u>				
Base Facility Charge				
Meter Size:				
5/8"x3/4"	\$ 6.80	\$ 7.55	\$ 11.50	\$ 8.37
1"	17.00	18.86	28.75	20.92
1 1/2"	34.00	37.73	57.50	41.83
2"	54.41	60.37	92.00	66.93
3"	108.81	120.74	172.50	133.86
4"	170.02	188.65	287.50	209.15
6"	340.03	377.30	575.00	418.30
Gallonge Charge per 1,000 G.	\$ 2.71	\$ 3.01	\$ 2.53	\$ 3.03

Rate Case Expense Apportionment

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately thereafter by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989. Accordingly, we find that the water rates should be reduced by \$10,703 and the wastewater rates should be reduced by \$10,703. The revenue reductions reflect the annual rate case amounts amortized (expensed) plus the gross-up for regulatory assessment fees.

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The utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer letter setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

#### Service Availability Charges

The utility's existing service availability policy and charges were previously approved by Order No. 21680. Pursuant to Order No. 21680, new customers or developers are required to pay plant capacity charges for water and wastewater service based on anticipated usage. Also, new customers located in areas where the utility has installed water and wastewater lines are required to pay a main extension charge based on anticipated usage while customers located outside of areas where the utility has installed lines are required to donate on-site and off-site lines. New water customers must also pay meter installation fees based on meter size. As of September 30, 1990, the utility's contribution level was 9.94 percent for water and 24.04 percent for wastewater. The low level of contribution is due to the utility's not collecting service availability charges prior to the Commission's jurisdiction over the utility. When the current charges were approved, it was determined that a rate that would result in the utility having a 75 percent contribution level at design capacity would cause the few remaining customers who connect to pay far more per ERC than their fair share of the cost. The circumstances have not changed since the approval of the service availability policy in Order No. 21680. Based on the above discussion, we it appropriate to continue the current service availability policy.

#### Billing Format

As previously mentioned, at the customer meeting on July 24, 1991 several customers were concerned about not understanding their utility bill. A review of the bill's format indicates that it does not include the billing period covered, the applicable rate schedule, penalties for late payments, or delinquent dates. Thus, the bill does not meet the minimum requirements of Rule 25-30.335, Florida Administrative Code. Accordingly, we find it appropriate to require the utility to comply with Rule 25-30.335(1), Florida Administrative Code, within one hundred twenty (120) days of the date of the order.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Continental Utility, Inc. for an increase in its water and wastewater rates in Sumter County is approved to the extent 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 Continental Utility, Inc. shall revise the billing format to comply with Rule 25-30.335, Florida Administrative Code, within one hundred twenty days of the date of this Order. It is further

ORDERED that all of the provisions of this Order 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 Continental Utility, 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 from the effective date of the Proposed Agency Action, if no protest is timely filed. It is further

ORDERED that prior to its implementation of the rates and charges approved herein, Continental Utility, 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, Continental Utility, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the pages are consistent

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with our decision herein and that the protest period has expired.  
It is further

ORDERED that this docket will be closed if no timely protest is received from a substantially affected person.

By ORDER of the Florida Public Service Commission, this 14th of NOVEMBER, 1991.

STEVE TRIBBLE, Director,  
Division of Records and Reporting

( S E A L )

CB

By: Kay J. Jagan  
Chief, Bureau of Records

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.

The action proposed herein is 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

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ORDER NO. 25347  
 DOCKET NO. 910093-WS  
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with our decision herein and that the protest period has expired.  
 It is further

ORDERED that this docket will be closed if no timely protest  
 is received from a substantially affected person.

By ORDER of the Florida Public Service Commission, this 14th  
 of NOVEMBER, 1991.

\_\_\_\_\_  
 STEVE TRIBBLE, Director,  
 Division of Records and Reporting

( S E A L )

CB

By: Kay J. Lynn  
 Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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In the absence of such a petition, this order shall become effective on the day 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 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 wastewater 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.

CONTINENTAL UTILITY, INC.  
 SCHEDULE OF WATER RATE BASE  
 HISTORICAL TYE 9/30/90

SCHEDULE NO. 1-A  
 DOCKET NO. 910093-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,107,266 \$		\$ 1,107,266 \$		\$ 1,107,266
2 LAND	2,000		2,000		2,000
3 NON-USED & USEFUL COMPONENT	(11,071)		(11,071)		(11,071)
4 ACCUMULATED DEPRECIATION	(204,355)		(204,355)		(204,355)
5 ACQUISITION ADJUSTMENT - NET	0		0		0
6 CIAC	(126,456)		(126,456)		(126,456)
7 AMORTIZATION OF CIAC	36,544		36,544		36,544
8 DEBIT DEFERRED INCOME TAXES	0		0		0
9 WORKING CAPITAL ALLOWANCE	11,608	(37)	11,571	(512)	11,059
<b>RATE BASE</b>	<b>\$ 815,536 \$</b>	<b>(37)</b>	<b>\$ 815,499 \$</b>	<b>(512)</b>	<b>814,987</b>

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CONTINENTAL UTILITY, INC. SCHEDULE OF WASTEWATER RATE BASE HISTORICAL TYE 9/30/90		SCHEDULE NO. 1-B DOCKET NO. 910093-WS			
COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,142,480		\$ 1,142,480		\$ 1,142,480
2 LAND	5,000		5,000		5,000
3 NON-USED & USEFUL COMPONENTS	(235,980)		(235,980)		(235,980)
4 ACCUMULATED DEPRECIATION	(295,807)		(295,807)		(295,807)
5 ACQUISITION ADJUSTMENT - NET	0		0		0
6 CIAC	(291,880)		(291,880)		(291,880)
7 AMORTIZATION OF CIAC	87,147		87,147		87,147
8 DEBIT DEFERRED INCOME TAXES	0		0		0
9 WORKING CAPITAL ALLOWANCE	14,399	1,472	15,871	(512)	15,359
<b>RATE BASE</b>	<b>\$ 425,359</b>	<b>\$ 1,472</b>	<b>\$ 426,831</b>	<b>(512)</b>	<b>\$ 426,319</b>

CONTINENTAL UTILITY, INC.  
 ADJUSTMENTS TO RATE BASE  
 HISTORICAL TYE 9/30/90

SCHEDULE NO. 1-C  
 PAGE 1 OF 1  
 DOCKET NO. 910093-WS

EXPLANATION	WATER	WASTEWATER
<hr style="border-top: 1px dashed black;"/>		
WORKING CAPITAL		
<hr style="border-top: 1px dashed black;"/>		
Adjustment to agree with the approved operating and maintenance expenses	\$ (512)	\$ (512)
	=====	=====

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CONTINENTAL UTILITY, INC.  
 CAPITAL STRUCTURE  
 HISTORICAL TYE 9/30/90

SCHEDULE NO. 2-A  
 DOCKET NO. 910093-WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	UTILITY WEIGHTED COST	COMMISSION RECONC. ADJ. TO UTILITY EXHIBIT	BALANCE PER COMMISSION		WEIGHT	COST	WEIGHTED COST PER COMMISSION
1 LONG TERM DEBT	\$ 931,398	74.97%	11.50%	8.62%	\$ (768)	\$ 930,630	74.97%	11.50%	8.62%	
2 SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
3 PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
4 CUSTOMER DEPOSITS	70	0.01%	8.00%	0.00%	(0)	70	0.01%	8.00%	0.00%	
5 COMMON EQUITY	310,862	25.02%	13.11%	3.28%	(256)	310,606	25.02%	13.11%	3.28%	
6 INVESTMENT TAX CREDITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
7 DEFERRED TAXES	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	
8 TOTAL CAPITAL	\$ 1,242,330	100.00%		11.90%	\$ (1,024)	\$ 1,241,306	100.00%		11.90%	

  

RANGE OF REASONABLENESS		LOW	HIGH
	RETURN ON EQUITY	12.11%	14.11%
	OVERALL RATE OF RETURN	11.65%	12.15%

CONTINENTAL UTILITY, INC. ADJUSTMENTS TO CAPITAL STRUCTURE HISTORICAL TYE 9/30/90		SCHEDULE NO. 2-B DOCKET NO. 910093-WS			
DESCRIPTION	SPECIFIC ADJUSTMENT (NONE)	SPECIFIC ADJUSTMENT (NONE)	PRO RATA RECONCILE	NET ADJUSTMENT	
1 LONG TERM DEBT	\$ 0	\$ 0	(768)\$	(768)	
2 SHORT TERM DEBT	0	0	0	0	
3 PREFERRED STOCK	0	0	0	0	
4 CUSTOMER DEPOSITS	0	0	(0)	(0)	
5 COMMON EQUITY	0	0	(256)	(256)	
6 INVESTMENT TAX CREDITS	0	0	0	0	
7 DEFERRED INCOME TAXES	0	0	0	0	
8 TOTAL CAPITAL	\$ 0	\$ 0	(1,024)\$	(1,024)	

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CONTINENTAL UTILITY, INC.  
 STATEMENT OF WATER OPERATIONS  
 HISTORICAL TYE 9/30/90

SCHEDULE NO. 3-A  
 DOCKET NO. 910093-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT	ADJ FOR STATUTORY RC EXP	ADJUSTED REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 166,315	\$ 83,477	\$ 249,792	(82,965)	166,827	\$ 78,457	245,284	(570)	244,714
OPERATING EXPENSES	-----								
							47.03%		
2 OPERATION AND MAINTENANCE	\$ 92,860	(291)	\$ 92,569	(4,099)	88,470	\$	88,470	(544)	87,926
3 DEPRECIATION	34,537	(645)	33,892		33,892		33,892		33,892
4 AMORTIZATION - U/U	0	930	930		930		930		930
5 TAXES OTHER THAN INCOME	7,004	14,235	21,239	(3,858)	17,381	3,531	20,912	(26)	20,886
6 INCOME TAXES	0	4,109	4,109	(14,775)	(10,666)	14,742	4,076		4,076
7 TOTAL OPERATING EXPENSES	\$ 134,401	\$ 18,338	\$ 152,739	(22,732)	130,007	\$ 18,272	148,279	(570)	147,709
8 OPERATING INCOME	\$ 31,914	\$ 65,139	\$ 97,053	(60,233)	36,820	\$ 60,185	97,005	0	97,005
9 RATE BASE	\$ 815,536		\$ 815,499		\$ 814,987		\$ 814,987		814,987
RATE OF RETURN	3.91%		11.90%		4.52%		11.90%		11.90%

CONTINENTAL UTILITY, INC.  
 STATEMENT OF WASTEWATER OPERATIONS  
 HISTORICAL TYE 9/30/90

SCHEDULE NO. 3-B  
 DOCKET NO. 910093-WS

DESCRIPTION	TEST YEAR PER UTILITY	ADJUSTMENTS UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR	COMMISSION ADJUSTED ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT	ADJ FOR STATUTORY RC EXP	ADJUSTED REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 179,669	\$ 35,605	\$ 215,274	(\$ 35,722)	\$ 179,552	\$ 30,337	209,889	(570)	209,319
OPERATING EXPENSES	-----								
	16.90%								
2 OPERATION AND MAINTENANCE	\$ 115,189	\$ 11,781	\$ 126,970	(\$ 4,099)	\$ 122,871	\$	122,871	(544)	122,327
3 DEPRECIATION	33,312	(16,289)	17,023		17,023		17,023		17,023
4 AMORTIZATION	0	930	930		930		930		930
5 TAXES OTHER THAN INCOME	7,564	9,848	17,412	(2,588)	14,824	1,365	16,189	(26)	16,164
6 INCOME TAXES	0	2,151	2,151	(5,719)	(3,568)	5,700	2,132		2,132
7 TOTAL OPERATING EXPENSES	\$ 156,065	\$ 8,421	\$ 164,486	(\$ 12,406)	\$ 152,080	\$ 7,085	159,145	(570)	158,575
8 OPERATING INCOME	\$ 23,604	\$ 27,184	\$ 50,788	(\$ 23,316)	\$ 27,472	\$ 23,271	50,743	0	50,743
9 RATE BASE	\$ 425,359	\$	\$ 426,831	\$	\$ 426,319	\$	\$ 426,319		426,319
RATE OF RETURN	5.55%		11.90%		6.44%		11.90%		11.90%

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CONTINENTAL UTILITY, INC.  
ADJUSTMENTS TO OPERATING STATEMENTS  
HISTORICAL TYE 9/30/90

SCHEDULE NO. 3-C  
PAGE 1 OF 2  
DOCKET NO. 910093-WS

EXPLANATION	WATER	WASTEWATER
<b>OPERATING REVENUES</b>		
1) Adjustment to remove requested rate increase	\$ (82,965)	(35,151)
2) Adjustment to reflect incorrect billing		(571)
	\$ (82,965)	(35,722)
<b>OPERATING EXPENSES</b>		
Adjustment to reflect reduced provision for rate case expense	\$ (4,099)	(4,099)
<b>TAXES OTHER THAN INCOME TAXES</b>		
1) Adjustment to show regulatory assessment fees consistent with test year revenues	\$ (3,733)	(1,600)
2) Used and useful adjustment to property taxes	(125)	(980)
	\$ (3,858)	(2,588)
<b>INCOME TAXES</b>		
Adjustment to reflect income taxes	\$ (14,775)	(5,719)
<b>OPERATING REVENUES</b>		
Adjustment to achieve revenue requirement	\$ 78,457	30,337
<b>TAXES OTHER THAN INCOME TAXES</b>		
Adjustment to reflect application of 4.5% RAF to actual test year revenues	\$ 3,531	1,365
<b>INCOME TAXES</b>		
Adjustment to reflect income taxes	\$ 14,742	5,700

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CONTINENTAL UTILITY, INC.  
ADJUSTMENTS TO OPERATING STATEMENTS  
HISTORICAL TYE 9/30/90

SCHEDULE NO. 3-C  
PAGE 2 of 2  
DOCKET NO. 910093-WS

EXPLANATION	WATER	WASTEWATER
<b>OPERATING REVENUES</b>		
Adjustment to revenues relating to apportionment of rate case expense per Section 367.0815, F.S.	\$ (570)	\$ (570)
<b>OPERATING EXPENSES</b>		
Adjustment to reflect apportionment of rate case expense per Section 367.0815, F. S.	\$ (544)	\$ (544)
<b>TAXES OTHER THAN INCOME</b>		
Reduction to Regulatory Assessment Fees due to reducing revenues per above	\$ (26)	\$ (26)

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificate to ) DOCKET NO. 910855-TI  
 provide interexchange telecommunications ) ORDER NO. 25348  
 service with alternative operator service) ISSUED: 11/14/91  
 by EXECUTONE INFORMATION SYSTEMS, INC. )  
 \_\_\_\_\_ )

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING CERTIFICATE

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Executone Information Systems, Inc. (EISI) filed an application for an interexchange certificate on August 13, 1991. The application contained the required background information, its proposed tariff, and indicated that the company also would be providing alternative operator services (AOS). After having considered the application, it appears that the Company is technically capable of providing service. Therefore, we find that it is in the public interest to grant a certificate to EISI, and it is our intention to grant the certificate. Interexchange carriers (IXCs) are subject to the provisions of Rules 25-24.455 through 25-24.495, Florida Administrative Code. Additionally, by Order No. 16804, issued November 4, 1986, IXCs are prohibited from constructing facilities to bypass a local exchange company without express prior approval from the Commission. Further, AOS providers are bound by our decisions in Docket No. 871394-TP, including, but not limited to Order No. 20489, issued December 21, 1988.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Executone Information Systems, Inc. for a

DOCUMENT NUMBER-DATE  
 11237 NOV 14 1991  
 FPSC-RECORDS/REPORTING

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PAGE 2

certificate to provide intrastate interexchange telecommunications service and alternative operator services is granted as set forth in the body of this order. It is further

ORDERED that the effective date of the certificate is the first working day following the date specified below, if there is no protest to the proposed agency action within the time frame set forth below. If there is no such protest this docket shall be closed at the end of the proposed agency action period.

By ORDER of the Florida Public Service Commission, this 14th  
day of NOVEMBER, 1991.

\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

CWM

by: *Kay Hegan*  
Chief, Bureau of Records

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**CONTINENTAL UTILITY, INC.  
 ADJUSTMENTS TO OPERATING STATEMENTS  
 HISTORICAL TYE 9/30/90**

**SCHEDULE NO. 3-C  
 PAGE 2 of 2  
 DOCKET NO. 910093-WS**

EXPLANATION	WATER	WASTEWATER
<b>OPERATING REVENUES</b>		
Adjustment to revenues relating to apportionment of rate case expense per Section 367.0815, F.S.	\$ (570)\$	(570)
<b>OPERATING EXPENSES</b>		
Adjustment to reflect apportionment of rate case expense per Section 367.0815, F. S.	\$ (544)\$	(544)
<b>TAXES OTHER THAN INCOME</b>		
Reduction to Regulatory Assessment Fees due to reducing revenues per above	\$ (26)\$	(26)